

Form 388

Corporations Act 2001

294, 295, 298-300, 307, 308, 319, 321, 322

Corporations Regulations

1.0.08

Copy of financial statements and reports

Company details

Company name

PENTARCH GROUP PTY LTD

ACN

607 144 196

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial
year ends

Financial year end date

30-06-2024

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

220008998

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

209142990

How many employees are employed by the large proprietary company and the entities that it controls?

289

How many members does the large proprietary company have?

3

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

No

Details of current auditor or auditors

Current auditor

Date of appointment **01-07-2022**

Name of auditor

RSM AUSTRALIA PARTNERS

Address

**LEVEL 21
55 COLLINS STREET
MELBOURNE VIC 3000**

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Director

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Authentication

This form has been submitted by

Name

Malcolm David MCCOMB

Date

30-10-2024

For more help or information

Web

www.asic.gov.au

Ask a question?

www.asic.gov.au/question

Telephone

1300 300 630

Pentarch Group Pty Ltd and its controlled entities

ABN 90 607 144 196

Annual Report - 30 June 2024

Pentarch Group Pty Ltd and its controlled entities

Directors' report

30 June 2024

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated group') consisting of Pentarch Group Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors

The following persons were directors of Pentarch Group Pty Ltd during the whole of the financial year and up to the date of this report:

Malcolm David McComb
Ian Kenneth Sedger
Stephen Gordon Dadd

Principal activities

The principal activities of the consolidated group during the financial year were the procurement and manufacture of forestry and agricultural products into the international and domestic markets. No significant change in the nature of these activities occurred during the year.

Dividends

Dividends paid/payable during the financial year were as follows:

	Consolidated	
	2024	2023
	\$	\$
Final dividend for the year ended 30 June 2024 (30 June 2023)	-	1,200,000

Review of operations

The loss for the consolidated group after providing for income tax and non-controlling interest amounted to \$4,862,187 (30 June 2023: profit of \$3,283,924).

The Group's loss for 2024 marks a disappointing reversal from the previous year. Our agricultural interests have faced challenges due to rising raw material prices, competition from domestic demand and dry conditions in Western Australia and Victoria. While profitability in our forestry segment improved in export markets, it struggled domestically as the housing market faces hurdles including high interest rates, builder insolvencies, and skilled labor shortages.

Despite these obstacles, we continue to invest in operational improvements, including our new sawmill in Eden and significant capital in our Oberon Softwood joint venture. Additionally, we are advancing our Ocean2Earth soil enhancer business and have made a substantial investment in Green Timber Technology Pty Ltd, a prefabricated framing company. Amid the challenges of 2024, we remain focused on efficiency and customer service while preparing the business for the next cyclical upswing. We also continue to assess investment opportunities in forestry, agriculture, and similarly aligned businesses.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated group's operations, the results of those operations, or the consolidated group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated group.

Environmental regulation

The consolidated group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

There were no unissued ordinary shares of Pentarch Group Pty Ltd under option outstanding at the date of this report.

Pentarch Group Pty Ltd and its controlled entities

Directors' report

30 June 2024

Shares issued on the exercise of options

There were no ordinary shares of Pentarch Group Pty Ltd issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Malcolm David McComb
Director

30 October 2024

RSM Australia Partners

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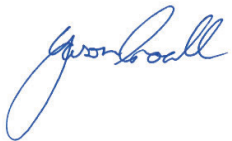
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Pentarch Group Pty Ltd and its controlled entities for the year end 30 June 2024, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RSM AUSTRALIA PARTNERS**

J S Croall
Partner

Melbourne, Victoria
30 October 2024

Pentarch Group Pty Ltd and its controlled entities

Contents

30 June 2024

Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9
Directors' declaration	35
Independent auditor's report to the Members of Pentarch Group Pty Ltd	36

General information

The financial statements cover Pentarch Group Pty Ltd as a consolidated group consisting of Pentarch Group Pty Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Pentarch Group Pty Ltd's functional and presentation currency.

Pentarch Group Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Pentarch Group Pty Ltd
Level 1, 99 Coventry street
Southbank VIC 3006

A description of the nature of the consolidated group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 October 2024. The directors have the power to amend and reissue the financial statements.

Pentarch Group Pty Ltd and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	Consolidated 2024 \$	2023 \$
Revenue	4	122,139,657	83,283,550
Cost of Sales	7	<u>(81,958,014)</u>	<u>(60,114,270)</u>
Gross profit		40,181,643	23,169,280
Share of profits/(losses) of associates accounted for using the equity method	5	(422,551)	4,216,384
Other income	6	363,038	900,971
Expenses			
Administration Costs		(903,373)	(611,926)
Business Acquisition Costs		-	(3,890)
Employee benefits expense		(28,218,771)	(15,914,967)
Depreciation and amortisation expense		(4,742,479)	(2,977,953)
Loss on disposal of assets		-	(13,536)
Loss on divestment of Associate		(12,964)	-
Occupancy Costs		(1,161,721)	(824,392)
Other expenses		(10,065,131)	(4,358,256)
Finance costs	7	<u>(2,095,556)</u>	<u>(1,140,681)</u>
Profit/(loss) before income tax benefit		(7,077,865)	2,441,034
Income tax benefit	8	<u>1,890,504</u>	<u>880,359</u>
Profit/(loss) after income tax benefit for the year		(5,187,361)	3,321,393
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>9,185</u>	<u>(42,696)</u>
Other comprehensive income for the year, net of tax		<u>9,185</u>	<u>(42,696)</u>
Total comprehensive income for the year		<u><u>(5,178,176)</u></u>	<u><u>3,278,697</u></u>
Profit/(loss) for the year is attributable to:			
Non-controlling interest		(325,174)	37,469
Members of Pentarch Group Pty Ltd	29	<u>(4,862,187)</u>	<u>3,283,924</u>
		<u><u>(5,187,361)</u></u>	<u><u>3,321,393</u></u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(325,174)	37,469
Owners of Pentarch Group Pty Ltd		<u>(4,853,002)</u>	<u>3,241,228</u>
		<u><u>(5,178,176)</u></u>	<u><u>3,278,697</u></u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Pentarch Group Pty Ltd and its controlled entities
Consolidated statement of financial position
As at 30 June 2024

	Note	Consolidated 2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	9	2,834,892	2,871,270
Trade and other receivables	10	7,565,718	13,350,669
Biological	11	1,051,211	1,021,766
Inventories	12	16,748,811	15,715,466
Income tax	14	3,955,569	3,874,910
Other	15	1,078,041	916,888
Total current assets		<u>33,234,242</u>	<u>37,750,969</u>
Non-current assets			
Investments accounted for using the equity method	16	36,212,357	31,754,843
Financial assets	13	1,000	1,000
Property, plant and equipment	17	26,957,215	32,182,351
Intangibles	18	143,971	144,452
Deferred tax	19	5,058,117	2,410,140
Total non-current assets		<u>68,372,660</u>	<u>66,492,786</u>
Total assets		<u>101,606,902</u>	<u>104,243,755</u>
Liabilities			
Current liabilities			
Trade and other payables	20	14,239,918	11,707,937
Lease liabilities	21	344,178	537,555
Contract liabilities	22	-	240,044
Borrowings	23	19,602,272	12,816,636
Financial liabilities	24	-	288,111
Provisions	25	5,587,768	6,144,869
Total current liabilities		<u>39,774,136</u>	<u>31,735,152</u>
Non-current liabilities			
Contract liabilities	22	-	12,988
Lease liabilities	21	272,728	423,066
Borrowings	23	20,851,638	24,833,108
Deferred tax	26	3,795,258	4,954,435
Provisions	25	332,856	526,544
Total non-current liabilities		<u>25,252,480</u>	<u>30,750,141</u>
Total liabilities		<u>65,026,616</u>	<u>62,485,293</u>
Net assets		<u>36,580,286</u>	<u>41,758,462</u>
Equity			
Issued capital	27	325,027	327,529
Reserves	28	3,347,577	3,338,392
Retained profits	29	27,285,272	32,147,459
Equity attributable to the owners of Pentarch Group Pty Ltd		<u>30,957,876</u>	<u>35,813,380</u>
Non-controlling interest	30	5,622,410	5,945,082
Total equity		<u>36,580,286</u>	<u>41,758,462</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Pentarch Group Pty Ltd and its controlled entities
Consolidated statement of changes in equity
For the year ended 30 June 2024

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2022	325,027	4,765,710	30,063,535	-	35,154,272
Profit after income tax benefit for the year	-	-	3,283,924	37,469	3,321,393
Other comprehensive income for the year, net of tax	-	(42,696)	-	-	(42,696)
Total comprehensive income for the year	-	(42,696)	3,283,924	37,469	3,278,697
Common Control Acquisition	-	(1,384,622)	-	5,907,613	4,522,991
Ocean to Earth Share Issue	2,502	-	-	-	2,502
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid (note 31)	-	-	(1,200,000)	-	(1,200,000)
Balance at 30 June 2023	<u>327,529</u>	<u>3,338,392</u>	<u>32,147,459</u>	<u>5,945,082</u>	<u>41,758,462</u>
Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2023	327,529	3,338,392	32,147,459	5,945,082	41,758,462
Loss after income tax benefit for the year	-	-	(4,862,187)	(325,174)	(5,187,361)
Other comprehensive income for the year, net of tax	-	9,185	-	-	9,185
Total comprehensive income for the year	-	9,185	(4,862,187)	(325,174)	(5,178,176)
Ocean to Earth Share Issue	(2,502)	-	-	2,502	-
Balance at 30 June 2024	<u>325,027</u>	<u>3,347,577</u>	<u>27,285,272</u>	<u>5,622,410</u>	<u>36,580,286</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Pentarch Group Pty Ltd and its controlled entities
Consolidated statement of cash flows
For the year ended 30 June 2024

	Note	Consolidated 2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		127,422,748	77,552,187
Payments to suppliers and employees (inclusive of GST)		(117,407,046)	(76,875,790)
		10,015,702	676,397
Share of profits of associates accounted for using the equity method		(1,054,704)	-
Other revenue		202,312	404,345
Interest and other finance costs paid		(2,095,556)	(1,140,681)
Income taxes paid		(1,997,309)	(863,215)
Net cash from/(used in) operating activities		<u>5,070,445</u>	<u>(923,154)</u>
Cash flows from investing activities			
Payments for new joint venture capital invested		(5,000,000)	-
Payments for property, plant and equipment	17	(4,038,559)	(3,955,093)
Loans from/(to) related and other parties		-	(827,589)
Proceeds from disposal of investments		106,971	496,626
Proceeds from disposal of property, plant and equipment		188,141	12,738
Net cash used in investing activities		<u>(8,743,447)</u>	<u>(4,273,318)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	2,502
Dividends paid	31	(1,200,000)	-
Proceeds/(Repayment) of borrowings		4,827,439	7,334,985
Net cash from financing activities		<u>3,627,439</u>	<u>7,337,487</u>
Net increase/(decrease) in cash and cash equivalents		(45,563)	2,141,015
Cash and cash equivalents at the beginning of the financial year		2,871,270	773,416
Effects of exchange rate changes on cash and cash equivalents		9,185	(43,161)
Cash and cash equivalents at the end of the financial year	9	<u><u>2,834,892</u></u>	<u><u>2,871,270</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policy information

The accounting policies that are material to the consolidated group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated group only. Supplementary information about the parent entity is disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pentarch Group Pty Ltd ('company' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. Pentarch Group Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated group'.

Subsidiaries are all those entities over which the consolidated group has control. The consolidated group controls an entity when the consolidated group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated group. Losses incurred by the consolidated group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policy information (continued)

Where the consolidated group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Pentarch Group Pty Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

The consolidated group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 1. Material accounting policy information (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Pentarch Group Pty Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Note 1. Material accounting policy information (continued)

The consolidated group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Associates

Associates are entities over which the consolidated group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the consolidated group has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Note 1. Material accounting policy information (continued)

Impairment of financial assets

The consolidated group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Note 1. Material accounting policy information (continued)

The consolidated group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Biological assets

Biological assets are measured at their fair value less estimated point of sale costs.

Impairment of non-financial assets

Non-financial assets are reviewed 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 of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the consolidated group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated group has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated group has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 1. Material accounting policy information (continued)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

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.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at the reporting date.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Note 2. Critical 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, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The consolidated group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated group recognises liabilities for anticipated tax audit issues based on the consolidated group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

In determining the level of provision required for warranties the consolidated group has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	\$	\$
Profit after income tax	3,441,560	1,360,587
Total comprehensive income	3,441,560	1,360,587

Statement of financial position

	Parent	
	2024	2023
	\$	\$
Total current assets	6,553,074	2,237,771
Total assets	8,681,152	4,367,127
Total current liabilities	3,504,565	2,632,100
Total liabilities	3,504,565	2,632,100
Equity		
Issued capital	325,027	325,027
Retained profits	4,851,560	1,410,000
Total equity	5,176,587	1,735,027

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 3. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
Pentarch Group Pty Ltd guarantees the banking debts of its subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the consolidated group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

Note 4. Revenue

	Consolidated	
	2024	2023
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	110,125,324	69,965,746
Rendering of services	1,523,231	9,271,743
Total sales revenue	<u>111,648,555</u>	<u>79,237,489</u>
<i>Other revenue</i>		
Management fees	8,974,736	4,046,061
Other revenue	1,516,366	-
	<u>10,491,102</u>	<u>4,046,061</u>
	<u><u>122,139,657</u></u>	<u><u>83,283,550</u></u>

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 4. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2024	2023
	\$	\$
<i>Major product lines</i>		
Agricultural Products	65,918,411	41,028,321
Wood Products	44,206,913	28,937,425
Freight Services	1,523,231	9,271,743
Management Services	8,974,736	4,046,061
Other Revenue	1,516,366	-
	<u>122,139,657</u>	<u>83,283,550</u>
<i>Geographical regions</i>		
Australia	24,436,518	21,527,005
Asia	97,703,139	61,756,545
	<u>122,139,657</u>	<u>83,283,550</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	110,125,324	69,965,746
Services transferred over time	12,014,333	13,317,804
	<u>122,139,657</u>	<u>83,283,550</u>

Note 5. Share of profits/(losses) of associates accounted for using the equity method

	Consolidated	
	2024	2023
	\$	\$
Share of profit - associates	<u>(422,551)</u>	<u>4,216,384</u>

Note 6. Other income

	Consolidated	
	2024	2023
	\$	\$
Net gain on disposal of property, plant and equipment	121,611	-
Net gain on disposal of investments	39,115	496,626
Dividends Received	-	136,744
Sundry Income	<u>202,312</u>	<u>267,601</u>
Other income	<u>363,038</u>	<u>900,971</u>

Note 7. Expenses

Profit before income tax includes the following specific expenses:

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 7. Expenses (continued)

	Consolidated 2024	2023
	\$	\$

Profit/(loss) before income tax includes the following specific expenses:

<i>Cost of sales</i>		
Cost of sales	81,958,014	60,114,270
<i>Impairment</i>		
Plant and equipment	4,667,000	-
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	2,047,360	1,103,350
Interest and finance charges paid/payable on lease liabilities	46,709	35,859
Unwinding of the discount on provisions	1,487	1,472
Finance costs expensed	2,095,556	1,140,681
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	-	441,760
<i>Superannuation expense</i>		
Superannuation expense	3,000,077	1,635,361
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	25,218,694	14,279,606

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 8. Income tax benefit

	Consolidated	
	2024	2023
	\$	\$
<i>Income tax expense</i>		
Current tax	(277,319)	(2,642,519)
Deferred tax - origination and reversal of temporary differences	(1,652,519)	2,165,304
Adjustment recognised for prior periods	39,334	(403,144)
	<u>(1,890,504)</u>	<u>(880,359)</u>
Aggregate income tax benefit		
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax assets (note 19)	198,541	718,862
Increase/(decrease) in deferred tax liabilities (note 26)	(1,851,060)	1,446,442
	<u>(1,652,519)</u>	<u>2,165,304</u>
Deferred tax - origination and reversal of temporary differences		
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax benefit	(7,077,865)	2,441,034
Tax at the statutory tax rate of 30%	(2,123,360)	732,310
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	12,813	8,506
Legal expenses	44,901	(2,056)
Tax offset for franked dividends	(17,182)	(247,051)
Non-taxable dividends	-	(180,000)
Share of profits - associates	151,247	(1,110,779)
Other	1,743	321,855
	<u>(1,929,838)</u>	<u>(477,215)</u>
Adjustment recognised for prior periods	39,334	(403,144)
Income tax benefit	<u>(1,890,504)</u>	<u>(880,359)</u>

Note 9. Cash and cash equivalents

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Cash at bank	<u>2,834,892</u>	<u>2,871,270</u>

Note 10. Trade and other receivables

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Trade receivables	6,556,297	7,861,361
Other receivables	714,245	2,560,008
Receivable from Related Party	-	2,579,302
GST receivable	295,176	349,998
	<u>7,565,718</u>	<u>13,350,669</u>

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 11. Biological

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Biological asset - at cost	1,051,211	1,021,766

Note 12. Inventories

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Raw materials - at cost	11,354,879	11,910,990
Work in progress - at cost	203,406	186,784
Finished goods - at cost	6,139,979	4,965,285
Less: Provision for impairment	(949,453)	(1,347,593)
	5,190,526	3,617,692
	16,748,811	15,715,466

Note 13. Financial assets

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Investments in unlisted companies	1,000	1,000

Note 14. Income tax

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Income tax refund due	3,955,569	3,874,910

Note 15. Other

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Prepayments	1,078,041	916,888

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 16. Investments accounted for using the equity method

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Investments in associates	36,212,357	31,754,843

Refer to note 38 for further information on interests in associates.

Note 17. Property, plant and equipment

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Land and buildings - at cost	14,384,997	14,340,854
Less: Accumulated depreciation	(5,303,866)	(4,780,892)
	9,081,131	9,559,962
Plant and equipment - at cost	47,237,387	44,200,565
Less: Accumulated depreciation	(26,243,736)	(22,962,888)
Less: Impairment	(4,667,000)	-
	16,326,651	21,237,677
Capital work in progress	964,958	455,502
Right of Use Assets - at cost	2,442,586	2,228,857
Less: Accumulated depreciation	(1,858,111)	(1,299,647)
	584,475	929,210
	26,957,215	32,182,351

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land & buildings	Plant and equipment	Capital work in progress	Right-of-use assets	Total
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2023	9,559,962	21,237,677	455,502	929,210	32,182,351
Additions	24,412	3,504,691	509,456	212,314	4,250,873
Disposals	-	(66,530)	-	-	(66,530)
Impairment of assets	-	(4,667,000)	-	-	(4,667,000)
Depreciation expense	(505,102)	(3,680,328)	-	(557,049)	(4,742,479)
Balance at 30 June 2024	9,079,272	16,328,510	964,958	584,475	26,957,215

Note 18. Intangibles

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Goodwill	143,971	144,452

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 19. Deferred tax

Consolidated	
2024	2023
\$	\$

Non-current assets

Deferred tax asset comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Tax losses	525,738	-
Allowance for expected credit losses	876,301	606,735
Property, plant and equipment	1,400,100	-
Contract liabilities	2,008	-
Employee benefits	1,557,046	1,489,164
Accrued expenses	23,578	323,706
Other	673,346	(9,465)

Deferred tax asset	<u>5,058,117</u>	<u>2,410,140</u>
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Movements:

Opening balance	2,410,140	66,458
Charged to profit or loss (note 8)	(198,541)	(718,862)
Additions through business combinations	-	3,062,544
Adjustment recognised for prior periods	964,648	-
Tax losses transferred in	481,770	-
Transfer from DTL	1,400,100	-

Closing balance	<u>5,058,117</u>	<u>2,410,140</u>
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Note 20. Trade and other payables

Consolidated	
2024	2023
\$	\$

Current liabilities

Trade payables	9,123,871	6,925,355
Sundry payables and accrued expenses	5,116,662	4,777,946
Other payables	(615)	4,636
	<u>14,239,918</u>	<u>11,707,937</u>

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 21. Lease liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Lease liability	<u>344,178</u>	<u>537,555</u>
<i>Non-current liabilities</i>		
Lease liability	<u>272,728</u>	<u>423,066</u>
<i>Future lease payments</i>		
Future lease payments are due as follows:		
Within one year	351,178	549,646
One to five years	<u>309,923</u>	<u>469,959</u>
	<u>661,101</u>	<u>1,019,605</u>

Note 22. Contract liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	<u>-</u>	<u>240,044</u>
<i>Non-current liabilities</i>		
Contract liabilities	<u>-</u>	<u>12,988</u>

Note 23. Borrowings

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Bank loans	8,685,203	7,049,104
Related Party Loans	5,219,506	692,876
Loans Other	3,266,670	2,061,829
Chattel Mortgage Liability	<u>2,430,893</u>	<u>3,012,827</u>
	<u>19,602,272</u>	<u>12,816,636</u>
<i>Non-current liabilities</i>		
Loans Other	17,998,704	22,526,890
Chattel Mortgage Liability	<u>2,852,934</u>	<u>2,306,218</u>
	<u>20,851,638</u>	<u>24,833,108</u>

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 23. Borrowings (continued)

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	2024	2023
	\$	\$
Bank Loan	8,685,203	7,049,104
Other Loan	3,282,700	2,931,614
Chattel mortgage liability	5,283,827	5,319,049
	<u>17,251,730</u>	<u>15,299,767</u>

Assets pledged as security

The bank holds a general security deed over all assets of the consolidated group, and a registered first mortgage over all land and buildings owned by the group companies.

Chattel mortgage liability

Chattel mortgage liabilities held by the group are repayable monthly and expire from July 2024 to June 2028. Effective interest rate is 6.46%. The parent entity has provided a guarantee in respect of these liabilities.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2024	2023
	\$	\$
Total facilities		
Bank loans	13,640,000	13,567,043
Chattel mortgage liability secured	11,005,000	11,005,000
	<u>24,645,000</u>	<u>24,572,043</u>
Used at the reporting date		
Bank loans	8,685,203	7,049,104
Chattel mortgage liability secured	5,283,827	5,319,049
	<u>13,969,030</u>	<u>12,368,153</u>
Unused at the reporting date		
Bank loans	4,954,797	6,517,939
Chattel mortgage liability secured	5,721,173	5,685,951
	<u>10,675,970</u>	<u>12,203,890</u>

The bank loans are principal and interest payment loans, repayable in monthly instalments and due to mature in 30 June 2024. The variable interest rate is 7.8% (2023: 3.6%).

Note 24. Financial liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Foreign Exchange Contracts	-	288,111
	<u>-</u>	<u>288,111</u>

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 24. Financial liabilities (continued)

In order to protect against exchange rate movements, the consolidated group has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge between 80% and 120% on anticipated fx currency transactions for the forecasted cash inflows.

Note 25. Provisions

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Employee benefits	4,780,729	4,621,783
Dividends	-	1,200,000
Lease make good	213,283	-
Other	593,756	323,086
	<u>5,587,768</u>	<u>6,144,869</u>
<i>Non-current liabilities</i>		
Employee benefits	332,856	314,748
Lease make good	-	211,796
	<u>332,856</u>	<u>526,544</u>

Dividends

The provision represents dividends declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at the reporting date.

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated group at the end of the respective lease terms.

Employee benefits

Provision for employee benefits represents amounts accrued for bonuses, annual leave, personal leave and long service leave.

The current portion for this provision includes the total amount accrued for bonuses, annual leave and personal leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the consolidated group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the consolidated group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 26. Deferred tax

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current liabilities</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	3,442,246	3,988,061
Inventories	10,150	-
Prepayments	233	(105,449)
Unrealised FX Gains	9,207	774,197
Other	251,291	297,626
Right of return assets	82,131	-
Deferred tax liability	<u>3,795,258</u>	<u>4,954,435</u>
<i>Movements:</i>		
Opening balance	4,954,435	7,227
Charged/(credited) to profit or loss (note 8)	(1,851,060)	1,446,442
Additions through business combinations	-	3,500,766
Adjustment recognised for prior periods	(708,217)	-
Transfer to DTA	1,400,100	-
Closing balance	<u>3,795,258</u>	<u>4,954,435</u>

Note 27. Issued capital

	Consolidated			
	2024	2023	2024	2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	159,024	161,524	325,027	327,529
Preference shares - fully paid	-	2	-	-
	<u>159,024</u>	<u>161,526</u>	<u>325,027</u>	<u>327,529</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Preference shares

Preference shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held, with priority over ordinary shareholders.

Preference shares do not have any voting rights.

Capital management

The consolidated group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 27. Issued capital (continued)

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The consolidated group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The consolidated group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'trade and other payables' and 'borrowings' as shown in the statement of financial position) less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

The gearing ratio at the reporting date was as follows:

	Consolidated	
	2024	2023
	\$	\$
Current liabilities - trade and other payables (note 20)	14,239,918	11,707,937
Current liabilities - borrowings (note 23)	19,602,272	12,816,636
Non-current liabilities - borrowings (note 23)	20,851,638	24,833,108
Total borrowings	54,693,828	49,357,681
Current assets - cash and cash equivalents (note 9)	(2,834,892)	(2,871,270)
Net debt	51,858,936	46,486,411
Total equity	36,580,286	41,758,462
Total capital	88,439,222	88,244,873
Gearing ratio	59%	53%

Note 28. Reserves

	Consolidated	
	2024	2023
	\$	\$
Revaluation surplus reserve	4,686,196	4,686,196
Foreign currency reserve	46,003	36,818
Common Control Reserve	(1,384,622)	(1,384,622)
	3,347,577	3,338,392

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Common Control Reserve

This reserve is used to recognise the difference arising from the transfer of net assets during a restructure within the consolidated group.

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 29. Retained profits

	Consolidated	
	2024	2023
	\$	\$
Retained profits at the beginning of the financial year	32,147,459	30,063,535
Profit/(loss) after income tax benefit for the year	(4,862,187)	3,283,924
Dividends paid (note 31)	-	(1,200,000)
	<u>27,285,272</u>	<u>32,147,459</u>

Note 30. Non-controlling interest

	Consolidated	
	2024	2023
	\$	\$
Retained profits	<u>5,622,410</u>	<u>5,945,082</u>

The non-controlling interest has a 40% (2023: 40%) equity holding in Pentarch Hay Pty Ltd and a 25% (2023: 25%) equity holding in Ocean2earth Pty Ltd

Note 31. Dividends

Dividends

Dividends paid/payable during the financial year were as follows:

	Consolidated	
	2024	2023
	\$	\$
Final dividend for the year ended 30 June 2024 (30 June 2023)	<u>-</u>	<u>1,200,000</u>

Franking credits

	Consolidated	
	2024	2023
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>2,429,850</u>	<u>1,493,111</u>

Note 32. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated group is set out below:

	Consolidated	
	2024	2023
	\$	\$
Aggregate compensation	<u>2,665,309</u>	<u>2,632,006</u>

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 33. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia, the auditor of the company, and unrelated firms:

	Consolidated	
	2024	2023
	\$	\$
<i>Audit services - RSM Australia</i>		
Audit of the financial statements	145,000	145,000
<i>Other services - RSM Australia</i>		
Preparation of the tax return	-	30,775
	<u>145,000</u>	<u>175,775</u>
<i>Other services - unrelated firms</i>		
Preparation of the tax return	34,850	-
Other Services	1,425	-
	<u>36,275</u>	<u>-</u>

Note 34. Contingent liabilities and assets

The consolidated group has given bank guarantees as at 30 June 2023 of \$54,780 (2022: \$1,164,780) to various landlords and suppliers.

There are no contingent assets at 30 June 2023.

Note 35. Commitments

	Consolidated	
	2024	2023
	\$	\$
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	3,016,891	3,758,567
One to five years	3,408,097	2,936,913
Total commitment	6,424,988	6,695,480
Less: Future finance charges	(524,255)	(415,810)
Net commitment recognised as liabilities	<u>5,900,733</u>	<u>6,279,670</u>
Representing:		
Lease Liabilities	616,906	960,621
Chattel Mortgages	5,283,827	5,319,049
	<u>5,900,733</u>	<u>6,279,670</u>

Note 36. Related party transactions

Parent entity

Pentarch Group Pty Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 37.

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 36. Related party transactions (continued)

Associates

Interests in associates are set out in note 38.

Key management personnel

Disclosures relating to key management personnel are set out in note 32.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2024	2023
	\$	\$
Sale of goods and services:		
Sale of goods to other related party	29,601,981	-
Payment for goods and services:		
Purchase of goods and services from related parties	8,328,501	18,670,041

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2024	2023
	\$	\$
Current receivables:		
Trade receivables from other related party	2,001,005	-
Current payables:		
Trade payables to other related party	48,259	-

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2024	2023
	\$	\$
Loans from related parties	23,202,180	22,458,689

Terms and conditions

All transactions were made on normal commercial terms and conditions.

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 37. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
Allied Natural Wood Exports (Tas) Pty Ltd	Australia	100%	100%
Timber Audits & Technology Pty Ltd	Australia	100%	100%
Pentarch Management NZ Ltd	New Zealand	100%	100%
Pentarch Forest Products Ltd	New Zealand	100%	100%
Pentarch Forestry Services Ltd	New Zealand	100%	100%
JPP Logging Ltd	New Zealand	100%	100%
Timberships Australia Pty Ltd	Australia	100%	100%
Pentarch Holdings Pty Ltd	Australia	100%	100%
ARI Leasing Pty Ltd	Australia	100%	100%
Pentarch Logistics Pty Ltd	Australia	100%	100%
Pentarch Stevedoring Pty Ltd	Australia	100%	100%
Pentarch Agricultural Pty Ltd	Australia	100%	100%
Pentarch Forest Products Pty Ltd	Australia	100%	100%
Pentarch Forestry Services Pty Ltd	Australia	100%	100%
Rail Pine Pty Ltd	Australia	100%	100%
Sapphire Haulage Pty Ltd	Australia	100%	100%
Pentarch Farms Pty Ltd	Australia	100%	100%
Pentarch Forestry Pty Ltd	Australia	100%	100%
Narrogin Hay Pty Ltd	Australia	60%	60%
Mallee Hay Pty Ltd	Australia	60%	60%
Pentarch Hay Pty Ltd	Australia	60%	60%
Pentarch Permaculture and Carbon Pty Ltd	Australia	100%	100%
Oceans2Earth Pty Ltd	Australia	75%	75%

Note 38. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated group are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
South East Fibre Exports Pty Ltd	Australia	24.00%	24.00%
Allied Natural Wood Enterprises Pty Ltd	Australia	24.00%	24.00%
Sapphire Forests Pty Ltd	Australia	24.00%	24.00%
Radiata Exports Pty Ltd	Australia	50.00%	50.00%
Australian Forage Group Pty Ltd	Australia	-	33.33%
Green Timber Tech Pty Ltd	Australia	40.00%	-

Note 39. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated group's operations, the results of those operations, or the consolidated group's state of affairs in future financial years.

Pentarch Group Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2024

Note 40. Non-cash investing and financing activities

	Consolidated	
	2024	2023
	\$	\$
Additions to the right-of-use assets	212,314	674,740
Leasehold improvements - lease make good	-	211,796
	<u>212,314</u>	<u>886,536</u>

Pentarch Group Pty Ltd and its controlled entities
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Simplified Disclosures, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date; 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.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Malcolm David McComb
Director

30 October 2024

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT To the Members of Pentarch Group Pty Ltd

Opinion

We have audited the financial report of Pentarch Group Pty Ltd (the Company) and its controlled entities (the Consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Consolidated entity's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – *Simplified Disclosures* under AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* 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 Consolidated entity 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated entity's annual report for the year ended 30 June 2024 but does not include the financial report and the auditor's report thereon.

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Other Information (continued)

Our opinion on the financial report does not cover the other information and accordingly 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 – *Simplified Disclosures* under AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* 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 ability of the Consolidated entity 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 Consolidated entity 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/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in blue ink, appearing to read 'J S Croall'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'J S Croall'.

J S Croall
Partner

Dated: 30 October 2024
Melbourne, VIC