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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 HOLDINGS PTY. LTD.

ACN

064 165 635

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

30-06-2020

Details of large proprietary company

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

177000707

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

79609262

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

253

How many members does the large proprietary company have?

7

Auditor's report

Were the financial statements audited?

No

Is the company exempt from any audit or review requirements?

Yes

Is the company exempt from audit requirements because of subsection 301(5) of the Corporations Act 2001?

No

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

Secretary

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	Simon John YUNCKEN
Date	20-11-2020

For more help or information

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PENTARCH HOLDINGS PTY LTD
AND CONTROLLED ENTITIES

ABN: 21 064 165 635

Financial Report For The Year Ended
30 June 2020

PENTARCH HOLDINGS PTY LTD
AND CONTROLLED ENTITIES

ABN: 21 064 165 635

Financial Report For The Year Ended 30 June 2020

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PENTARCH HOLDINGS PTY LTD ABN: 21 064 165 635
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Your directors present their report on the consolidated group for the financial year ended 30 June 2020.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Malcolm David McComb
Ian Kenneth Sedger
Simon John Yuncken

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The consolidated group generated a profit after income tax of $7,609,843 (18/19 $4,689,626). The lift in profit was achieved primarily due to a 10% increase in turnover to $177,000,707 (18/19 $160,469,176), with only a marginal decline in gross margin to 24.1% (18/19 25.2%). Other operating expenses in 19/20 totalling $33,330,688 were broadly in line with the 18/19 level ($33,335,174), with reductions in employee expenses and finance costs counteracted by increases in depreciation, administration and occupancy expenses.

In addition to the back end of the 2019 drought which severely impacted the operations of our Agricultural Division across its Victorian operations, the 19/20 year was marked by two large events which were not foreseeable, being the catastrophic bush fires on the south east coast of Australia in December 2019 / January 2020 and the covid-19 pandemic, the extent of which became apparent in February 2020. The Forestry Division was directly impacted by the bush fires with some loss to stock and equipment at its Eden NSW facility, for which the Group held adequate insurance coverage, together with a considerable interruption to operations, which ceased from January 2020, with wood chipping and round wood exports recommencing in April 2020. Initially all operations across the group were at risk of being adversely impacted by the coronavirus pandemic, with many staff required to operate from home and only minimal site visits possible by managerial staff, however the Group closely managed its covid-19 response to ensure that operations continued seamlessly for both the Forestry and Agricultural Divisions.

New Accounting Standards Implemented

The Group has implemented one new Accounting Standard that is applicable for the current reporting period.

AASB 16: Leases has been applied using the modified retrospective approach and as such comparatives have not been restated. Right-of-use assets are measured at an amount equal to the lease liability. There was no impact to retained earnings on date of initial adoption i.e. 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases

Significant Changes in the State of Affairs

No significant changes in the consolidated group's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the consolidated group during the financial year were the procurement and export of forestry and agricultural products to Asia. No significant change in the nature of these activities occurred during the year.

Events Subsequent to the End of the Reporting Period

Coronavirus (COVID-19)
The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has yet to impact the group, the situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries such as possible quarantine, travel restrictions and any economic stimulus that may be provided.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

Environmental Regulation

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

Dividends paid or declared since the start of the financial year are as follows:

a) A fully franked dividend of $2,050,000 was paid during the year as recommended in last year's report.

b) A fully franked dividend of $2,550,000 was declared during the year, which will be paid in the 2020/21 year.

Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

During the financial year, the company paid a premium to indemnify anyone who is or has been a director or officer of the consolidated group. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

ASIC Class Order 98/1417 - Audit Relief

The company has applied ASIC Class order 98/1417. All conditions of this Class order have been fulfilled and therefore the Financial Report has not been audited.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director

Malcolm David McComb

Dated this 30th day of October 2020

PENTARCH HOLDINGS PTY LTD ABN: 21 064 165 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated Group	
		2020	2019
	Note	$	$
Revenue	3	177,000,707	160,469,176
Cost of sales	4	(134,428,741)	(120,106,633)
Gross profit		42,571,966	40,362,543
Other revenue	3	924,951	124,372
Employee benefits expense		(22,543,476)	(23,022,346)
Depreciation expense		(4,086,122)	(3,770,720)
Occupancy expense		(1,564,795)	(1,495,089)
Administration expense		(507,170)	(414,298)
Finance costs	4(a)	(1,065,394)	(1,183,724)
Other expenses		(3,563,731)	(3,448,997)
Share of net profits of associates and joint venture entities		54,523	81,874
Profit before income tax		10,220,752	7,233,615
Tax (expense) income	5	(2,610,909)	(2,543,989)
Profit for the year		7,609,843	4,689,626
Profit attributable to:			
Non-Controlling interest		1,079,430	366,726
Members of the parent entity		6,530,413	4,322,900
		7,609,843	4,689,626

The accompanying notes form part of these financial statements.

PENTARCH HOLDINGS PTY LTD ABN: 21 064 165 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		Consolidated Group	
		2020	2019
	Note	$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	16,653,451	1,617,474
Trade and other receivables	9	11,114,963	10,408,820
Inventories	10	12,421,651	23,158,015
Biological Assets	10	680,381	869,231
Other assets	11	4,654,319	4,004,175
Other financial assets	12	708,863	-
TOTAL CURRENT ASSETS		46,233,628	40,057,715
NON-CURRENT ASSETS			
Investments accounted for using the equity method		177,335	152,812
Financial assets	12	84,833	84,833
Property, plant and equipment	14	32,666,380	28,362,546
Deferred tax assets	18	86,579	1,178,808
Other assets	11	360,507	366,523
TOTAL NON-CURRENT ASSETS		33,375,634	30,145,522
TOTAL ASSETS		79,609,262	70,203,237
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	19,958,723	22,340,599
Lease liabilities		214,133	-
Borrowings	16	14,656,353	13,444,571
Other financial liabilities	17	-	6,029
Current tax liabilities	18	973,561	785,934
Provisions	19	4,707,344	3,812,237
TOTAL CURRENT LIABILITIES		40,510,114	40,389,370
NON-CURRENT LIABILITIES			
Lease liabilities		839,174	-
Borrowings	16	11,117,396	7,858,967
Provisions	19	516,085	388,250
TOTAL NON-CURRENT LIABILITIES		12,472,655	8,247,217
TOTAL LIABILITIES		52,982,769	48,636,587
NET ASSETS		26,626,493	21,566,650
EQUITY			
Issued capital	20	6,074	6,074
Retained earnings		22,030,780	17,750,367
Minority Interest		4,589,639	3,810,209
TOTAL EQUITY		26,626,493	21,566,650

The accompanying notes form part of these financial statements.

PENTARCH HOLDINGS PTY LTD ABN: 21 064 165 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Share Capital			
	Ordinary	Retained Earnings (accumulated losses)	Minority Interest	Total
	$	$	$	$
Consolidated Group				
Balance at 1 July 2018	6,074	16,544,181	3,443,483	19,993,738
Profit attributable to members of the parent entity		4,322,900		4,322,900
Profit attributable to members of the minority interest			366,726	366,726
Dividends paid or provided for		(3,100,000)		(3,100,000)
Deconsolidation of Plantation Export Group Pty Ltd		(977)		(977)
Recognition of prior year carrying amount of associates		(15,737)		(15,737)
Balance at 30 June 2019	6,074	17,750,367	3,810,209	21,566,650
Comprehensive income				
Profit attributable to members of the parent entity		6,530,413		6,530,413
Profit attributable to members of the minority interest			1,079,430	1,079,430
Dividends paid or provided for		(2,250,000)	(300,000)	(2,550,000)
Balance at 30 June 2020	6,074	22,030,780	4,589,639	26,626,493

The accompanying notes form part of these financial statements.

PENTARCH HOLDINGS PTY LTD ABN: 21 064 165 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated Group	
		2020	2019
	Note	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		176,783,933	160,072,660
Payments to suppliers and employees		(154,360,899)	(157,691,265)
Dividends received		8,288	20,000
Interest received/other income		123,221	52,293
GST Refund		-	151,292
Interest paid		(1,020,840)	(1,183,724)
Income tax paid		(1,331,054)	(1,748,187)
GST paid		(496,606)	-
Net cash provided by operating activities	23(a)	19,706,043	(326,931)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		547,390	8,727
Purchase of property, plant and equipment		(7,483,542)	(2,577,416)
Purchase of investments		(10,000)	(33,331)
Dividends received from equity accounted investments		39,999	-
Disposal of shares in subsidiary		-	(977)
Net cash (used in)/provided by investing activities		(6,906,153)	(2,602,997)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from /(Repayment) of borrowings		2,585,662	3,456,900
Payment of dividend on ordinary shares		(2,050,000)	(3,250,000)
Repayment of lease liabilities		(184,125)	-
liabilities		1,884,550	(2,073,710)
Net cash provided by/(used in) financing activities		2,236,087	(1,866,810)
Net increase/(decrease) in cash held		15,035,977	(4,796,738)
Cash and cash equivalents at beginning of financial year		1,617,474	6,414,212
Cash and cash equivalents at end of financial year	8	16,653,451	1,617,474

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of Pentarch Holdings Pty Ltd and Controlled Entities (the 'consolidated group' or 'group'). Pentarch Holdings Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The separate financial statements and notes of Pentarch Holdings Pty Ltd, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 30th October 2020 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are special purpose financial statements prepared in order to satisfy the financial report preparation requirements of the Corporations Act 2001. The directors have determined that the company is not a reporting entity. The entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

(a) Principles of Consolidation

The special purpose consolidated financial statements incorporate all of the assets, liabilities and results of the Parent Pentarch Holdings Pty Ltd and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it 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 over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations other than those associated with the issue of a financial instrument are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the group’s cash-generating units or groups of cash-generating units, which represents the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(b) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings are subsequently carried at the revalued amounts less accumulated depreciation and impairment losses.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

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.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(i)) for details of impairment).

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

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 entity 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.

The consolidated entity 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.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	10-15%
Plant and equipment	10-40%
Leased plant and equipment	10-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(f) Lease liabilities

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and

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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

(g) Investments and other financial assets

Investments and other financial assets, other than interests in subsidiaries or associates, 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 entity 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, it's 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.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity 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 entity'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 measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(h) Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(i) Impairment of Assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(j) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss and other comprehensive income of the associate is included in the consolidated financial statements.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Upon the associate subsequently making profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

The requirements of AASB 139: *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136: Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

(k) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a Joint Venture and accounted for using the equity method.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

(l) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each group entity is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

(m) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(n) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(p) Revenue Recognition

The 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.

Rent
Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established. Insurance compensation for damages suffered on property, plant and equipment due to bushfires is recognised when costs to repair the damaged assets becomes virtually certain.

(q) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other 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. Refer to Note 1 (i) for further discussion on determination of impairment losses.

The consolidated entity 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.

(r) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(s) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or 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 ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(u) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(v) New and Amended Accounting Policies Adopted by the Group

The consolidated entity 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.

Initial application of AASB 16

AASB 16 was adopted using the modified retrospective approach and as such comparatives have not been restated. Right-of-use assets are measured at an amount equal to the lease liability. There was no impact to retained earnings on date of initial adoption i.e. 1 July 2019.

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

— for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied;
— leases that have a remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases;
— the use of hindsight to determine lease terms on contracts that have options to extend or terminate;
— applying AASB 16 to leases previously identified as leases under AASB 117 and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application; and
— not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

(w) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities
These standards are applicable to annual reporting periods beginning on or after 1 July 2021. AASB 2020-2 will prohibit certain for-profit entities from preparing special purpose financial statements and AASB 1060 provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. Given that the consolidated entity will be moving to general purpose financial statements in the future, there is likely to be increased disclosure for areas such as key management personnel, related parties, tax and financial instruments; and some disclosures will be removed. If the consolidated entity adopts the standards prior to the mandatory application date it will be able to take advantage of certain special transitional disclosure relief relating to comparative information in the first year of adoption.

(x) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

(i) Impairment

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(ii) Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option if there is a significant event or significant change in circumstances.

(iii) Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 2 Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2020	**2019**
	$	**$**
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	8,871,876	11,438,694
Non-current Assets	4,582,789	1,732,964
TOTAL ASSETS	13,454,665	13,171,658
LIABILITIES		
Current Liabilities	5,441,465	6,314,039
Non-current Liabilities	1,025,092	120,340
TOTAL LIABILITIES	6,466,557	6,434,379
EQUITY		
Issued Capital	6,074	6,074
Retained earnings	6,982,034	6,731,206
TOTAL EQUITY	6,988,108	6,737,280
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit	1,978,995	2,242,941
Total comprehensive income	1,978,995	2,242,941

Guarantees

Pentarch Holdings Pty Ltd guarantees the banking debts of its subsidiaries.

Contractual commitments

At 30 June 2020 Pentarch Holdings Pty Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2019: nil).

Note 3 Revenue and Other Income

The Group has recognised the following amounts relating to revenue in the statement of profit or loss.

	Consolidated Group	
	2020	2019
	$	$
Revenue from contracts with customers:		
— sale of goods	177,000,707	160,469,176
Total sales revenue	177,000,707	160,469,176
Other revenue:		
— dividends received		
— other corporations	8,288	20,000
— interest received		
— other persons	123,221	52,293
— Other revenue	793,442	52,079
Total other revenue	924,951	124,372
Total revenue	177,925,658	160,593,548

Note 4 Profit before Income Tax

Profit before income tax from continuing operations includes the following specific expenses:	Consolidated Group 2020 $	2019 $
Expenses		
Cost of sales	134,428,741	120,106,633
(a) Interest expense for financial liabilities		
— external	1,065,394	1,183,724
Total finance costs	1,065,394	1,183,724

Note 5 Tax Expense

	Note	Consolidated Group 2020 $	2019 $
(a) The components of tax (expense) income comprise:			
Current tax		2,038,251	2,748,958
Deferred tax	18	1,092,229	(230,955)
Recoupment of transfer tax losses		(3,180)	
Recoupment of prior year tax losses not previously brought to		(8,006)	-
Under/(Over) provision in respect of prior years		(508,385)	25,986
		2,610,909	2,543,989
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2019: 30%)			
— consolidated group		3,066,226	2,170,085
Add:			
Tax effect of:			
— under-provision for income tax in prior years		-	25,986
— other non-allowable items		29,270	347,918
— deferred tax asset not		28,157	-
		3,123,652	2,543,989
Less:			
Tax effect of:			
— over-provision for income tax in prior year		508,385	-
— share of associate profits		4,358	-
Income tax attributable to entity		2,610,909	2,543,989
Weighted average effective tax rates		25.5%	35.2%

Note 6 Auditor's Remuneration

	Consolidated Group 2020 $	2019 $
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial statements	102,800	108,800
	102,800	108,800

Note 7 Dividends

	Consolidated Group 2020 $	2019 $
Declared fully franked ordinary dividend of $2,550,000 (2019: $3,100,000) cents per share franked at the tax rate of 30% (2019: 30%).	2,550,000	3,100,000

Note 8 Cash and Cash Equivalents

	Consolidated Group	
	2020	2019
CURRENT	$	$
Cash at bank and on hand	16,653,451	1,617,474
	16,653,451	1,617,474

Reconciliation of cash and cash equivalents

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	16,653,451	1,617,474
	16,653,451	1,617,474

A floating charge over cash and cash equivalents has been provided for certain debt. Refer to Note 16 for further detail.

Note 9 Trade and Other Receivables

	Consolidated Group	
	2020	2019
	$	$
CURRENT		
Trade receivables	11,114,963	10,408,820
Total current trade and other receivables	11,114,963	10,408,820

Note 10 Inventories and Biological Assets

	Consolidated Group	
	2020	2019
	$	$
CURRENT		
Inventories		
At cost:		
Raw materials and stores	10,005,664	21,680,016
Work in progress	-	264,680
Finished goods	2,415,987	1,213,319
	12,421,651	23,158,015
Biological assets		
At fair value:	680,381	869,231
	680,381	869,231

Note 11 Other Assets

	Consolidated Group	
	2020	2019
	$	$
CURRENT		
Prepayments	486,996	577,053
GST receivable	997,931	501,325
Advances	2,442,357	2,031,021
Related Party Loan	727,035	894,776
	4,654,319	4,004,175

An unsecured current loan of $727,035 was provided to a related party.

NON-CURRENT		
Security deposit and bonds	360,507	366,523
	360,507	366,523

Note 12 Financial Assets at Fair Value through profit or loss

		Consolidated Group	
		2020	2019
	Note	$	$
NON-CURRENT			
Financial asset at fair value through profit or loss	12(a)	84,833	84,833
Total non-current assets		84,833	84,833

(a) **Investments in equity instruments designated as at fair value through profit or loss**

Unlisted investments	84,833	84,833
Total investments in equity instruments designated as at fair value through profit or loss	84,833	84,833

Investments in equity instruments designated as at fair value through profit or loss comprise of investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments. No intention to dispose of any unlisted financial assets existed at 30 June 2020.

	Consolidated Group	
	2020	2019
	$	$
CURRENT		
Foreign exchange contracts	708,863	-
	708,863	-

Forward Exchange Contracts

Entities within the group enter into forward exchange contracts to buy and sell for specific amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering into forward contracts is to protect the entity against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

	Sell United States Dollars		Average Exchange Rate	
	2020	2019	2020	2019
Settlement	$	$	$	$
— less than 3 months	16,750,000	1,000,000	0.6655	0.7567

Note 13 Interests in Subsidiaries

a. Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

		Ownership interest held by the Group		Proportion of non-controlling interests	
		2020	2019	2020	2019
Name of subsidiary	Principal place of business	(%)	(%)	(%)	(%)
ARI Leasing Pty Ltd	Australia	100	100		
Pentarch Logistics Pty Ltd	Australia	100	100		
Pentarch Stevedoring Pty Ltd	Australia	100	100		
Cornel Exports Pty Ltd	Australia	0	100		
Narrogin Hay Pty Ltd	Australia	60	60	40	40
Pentarch Agricultural Pty Ltd	Australia	100	100		
Pentarch Forest Products Pty Ltd	Australia	100	100		
Pentarch Forestry Services (VIC) Pty Ltd	Australia	100	100		
Pentarch Forestry Services (NSW) Pty Lt	Australia	100	100		
Rail Pine Pty Ltd	Australia	100	100		
Stratus Shipping Pty Ltd	Australia	100	100		
Sapphire Haulage Pty Ltd	Australia	100	100		
Pentarch Farms Pty Ltd	Australia	100	100		
Pentarch Forestry Services (TAS) Pty Ltc	Australia	100	100		
Pentarch Forestry Pty Ltd	Australia	100	100		
Mallee Hay Pty Ltd	Australia	60	60	40	40
Pentarch Hay Pty Ltd	Australia	60	60	40	40

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Ownership interest for subsidiaries deregistered during the financial year is shown as 0%.

Note 14 Property, Plant and Equipment

	Consolidated Group	
	2020	2019
	$	$
LAND AND BUILDINGS		
Freehold land at:		
— At cost	1,627,300	1,631,931
Total land	1,627,300	1,631,931
Buildings at:		
— At cost	11,340,778	10,844,419
Accumulated depreciation	(3,449,318)	(3,009,069)
Total buildings	7,891,460	7,835,350
Total land and buildings	9,518,760	9,467,281

PLANT AND EQUIPMENT

Plant and equipment:		
At cost	41,462,312	39,264,380
Accumulated depreciation	(19,481,818)	(20,369,115)
Total plant and equipment	21,980,494	18,895,265
Right of use assets		
Right of use assets	1,400,552	-
(Accumulated Depreciation)	(233,426)	-
	1,167,126	-
Total plant and equipment	23,147,620	18,895,265
Total property, plant and equipment	32,666,380	28,362,546

(a) **Movements in carrying amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year	Freehold Land $	Buildings $	Plant and Equipment $	Right-of-use assets $	Total $
Consolidated Group:					
Balance at 1 July 2018	1,631,931	8,168,232	18,733,054		28,533,217
Additions		111,306	3,506,791		3,618,097
Disposals - written down value			(18,048)		(18,048)
Depreciation expense		(444,188)	(3,326,532)		(3,770,720)
Carrying amount at 30 June 2019	1,631,931	7,835,350	18,895,265	-	28,362,546
Additions		497,159	6,986,383	1,400,552	8,884,094
Disposals - written down value	(4,631)	(596)	(488,911)		(494,138)
Depreciation expense		(440,453)	(3,412,243)	(233,426)	(4,086,122)
Carrying amount at 30 June 2020	1,627,300	7,891,460	21,980,494	1,167,126	32,666,380

Note 15 Trade and Other Payables

	Consolidated Group 2020 $	2019 $
CURRENT		
Unsecured liabilities		
Trade payables	15,116,291	16,569,008
Sundry payables and accrued expenses	1,748,351	2,666,028
Other payables (net amount of GST payable)	3,094,081	3,105,563
	19,958,723	22,340,599

Note 16 Borrowings

	Note	Consolidated Group 2020 $	2019 $
CURRENT			
Bank loan secured	16(b)	6,030,000	5,580,000
Chattel mortgage liability secured	16(c), 21	2,769,108	2,226,494
Other loan	16(d)	5,857,245	5,638,077
Total current borrowings		14,656,353	13,444,571
NON-CURRENT			
Bank loan secured	16(b)	506,000	1,080,000
Chattel mortgage liability secured	16(c), 21	7,320,903	5,978,967
Other loan	16(d)	3,290,493	800,000
Total non-current borrowings		11,117,396	7,858,967
Total borrowings		25,773,749	21,303,538

(a) Total current and non-current secured liabilities:

Bank loan	6,536,000	6,660,000
Chattel mortgage liability	10,090,011	8,205,461
	16,626,011	14,865,461

(b) A controlled entity has a $8.5 million working capital facility with HSBC of which $4,550,000 is drawn as at 30 June 2020, all of which expires in less than 12 months. This is secured by a general security deed over the entity's assets and gurantee from the parent entity.

A controlled entity has a secured term loan of $900,000 with CBA, repayable in $150,000 quarterly instalments with $600,000 (four quarters due) payable in the next 12 months. This loan is secured by a general security deed over the entity's assets and guarantee from the parent entity.

A controlled entity has a secured term loan of $1,960,000 repayable in $220,000 quarterly instalments with $880,000 (four quarters due) payable in the next 12 months with HSBC. This loan is secured by a general security deed over the entity's assets and guarantee from the parent entity.

(c) Chattel mortgage liabilities held by the group are repayable montlhy and expire from July 2020 to May 2024. Effective interest rate is 4.26%. The parent entity has provided a guarantee in respect of these liabilities.

Chatel mortgage liabilities are secured by the underlying assets.

(d) The external shareholders of a controlled entity made an unsecured advance of $1,307,477 as an interest bearing liability of which $207,477 is payable in the next 12 months.

A controlled entity has a secured loan of $2,190,493 which is not repayable in the next 12 months. This loan is secured by the underlying assets.

A related party made an unsecured advance of $5,649,768 as a non interest bearing liability of which is payable in the next 12 months.

Note 17 Other Financial Liabilities

	Consolidated Group	
	2020	2019
	$	$
CURRENT		
Foreign exchange contracts	-	6,029
	-	6,029

Note 18 Tax

	Consolidated Group	
	2020	2019
	$	$
LIABILITIES		
CURRENT		
Income tax	973,561	785,934
TOTAL	973,561	785,934
NON-CURRENT		
Deferred tax liability	1,205,526	387,550
ASSETS		
NON-CURRENT		
Deferred tax asset	1,292,105	1,566,358
Net deferred tax	86,579	1,178,808

Note 19 Provisions

	Consolidated Group	
	2020	2019
CURRENT	$	$
Employee Benefits	2,157,344	1,762,237
Dividends	2,550,000	2,050,000
Total current provisions	4,707,344	3,812,237
NON-CURRENT		
Employee Benefits	308,411	388,250
Lease make good	207,674	-
Total non-current provisions	516,085	388,250

Analysis of provisions	**Employee Benefits**	**Make Good - Leases**	**Dividends**	**Total**
Consolidated Group	**$**	**$**	**$**	**$**
Opening balance at 1 July 2019	2,150,487	-	2,050,000	4,200,487
Additional provisions raised during year	1,106,242	207,674	2,550,000	3,863,916
Amounts used	(790,974)	-	(2,050,000)	(2,840,974)
Balance at 30 June 2020	2,465,755	207,674	2,550,000	5,223,429

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease

Provision for employee benefits

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

The current portion for this provision includes the total amount accrued for annual 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 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 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.

Provision for dividends

A provision has been recognised for dividends that have been declared, but are yet to be paid. Refer Note 7 for further dividend information.

Note 20 Issued Capital

	Consolidated Group 2020 $	2019 $
6074(2019: 6074) fully paid ordinary shares	6,074	6,074
	6,074	6,074

The company has authorised share capital amounting to 6074 ordinary shares of no par value.

(b) Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	Note	Consolidated Group 2020 $	2019 $
Total borrowings	16	25,773,749	21,303,538
Lease liabilities		1,053,307	-
Trade and other payables	15	19,958,723	22,340,599
Total debt		46,785,779	43,644,137
Less cash and cash equivalents	8	(16,653,451)	(1,617,474)
Net debt		30,132,328	42,026,663
Total equity		26,626,493	21,566,650
Total capital		56,758,821	63,593,313
Gearing ratio		53%	66%

Note 21 Capital and Leasing Commitments

	Note	Consolidated Group 2020 $	2019 $
Finance Lease Commitments			
Payable — minimum lease payments			
— not later than 12 months		-	2,601,846
— between 12 months and five years		-	6,496,671
Minimum lease payments		-	9,098,517
Less future finance charges		-	(893,056)
Present value of minimum lease payments	16	-	8,205,461

Note 22 Contingent Liabilities and Contingent Assets

Controlled entities have overdraft facilities of $2,500,000 which are secured by a fixed and floating charge over the whole of the controlled entity's assets. One controlled entity has a working capital facililty of $7,500,000 secured by a fixed and floating charge over the whole of the controlled entity's assets. Pentarch Holdings Pty Ltd provides a guarantee in respect of these facilities.

Note 23 Cash Flow Information

	Consolidated Group 2020 $	2019 $
(a) Reconciliation of cash flows from operating activities with profit after income tax		
Net profit	7,609,843	4,689,626
Non-cash flows in profit		
— depreciation	4,086,122	3,770,720
— write off inventory	(157,248)	-
— foreign exchange contracts (gain)/loss	(714,892)	6,029
— net profit/(loss) on disposal of property, plant and equipment	53,252	(10,321)
— share of associates' net (profits)/losses	(54,523)	(81,874)

Changes in assets and liabilities:		
— (increase)/decrease in trade and other receivables	(706,143)	(388,864)
— (increase)/decrease in other assets	(644,128)	397,008
— (increase)/decrease in inventories	10,925,214	(8,711,364)
— (increase)/decrease in deferred income tax assets	274,253	(119,605)
— increase/(decrease) in trade and other creditors	(2,738,281)	(439,289)
— increase/(decrease) in income taxes payable	187,626	1,026,757
— increase/(decrease) in deferred taxes payable	817,976	(111,350)
— increase/(decrease) in provisions	766,972	(354,404)
Net cash provided by operating activities	19,706,043	(326,931)
Non-cash investing activities:		
Acquisition of plant and equipment by means of finance leases	4,071,384	1,040,681
	4,071,384	1,040,681

Note 24 Events After the Reporting Period

The directors are not aware of any significant events since the end of the reporting period other than the Coronavirus pandemic (Covid-19) which has yet to have an impact on the Group.

Note 25 Company Details

The registered office of the company is:

Pentarch Holdings Pty Ltd
Level 1, 99 Coventry Street
Southbank VIC 3006

The principal place of business is:

Pentarch Holdings Pty Ltd
Level 1, 99 Coventry Street
Southbank VIC 3006

PENTARCH HOLDINGS PTY LTD ABN: 21 064 165 635
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

1. The financial statements and notes, as set out on pages 3 to 21, are in accordance with the Corporations Act 2001 and:

   (a) comply with Australian Accounting Standards;

   (b) give a true and fair view of the company's financial position as at 30 June 2020 and of the performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director ____________________

Malcolm David McComb

Dated this 30th day of October 2020

RSM Australia Pty Ltd

Level 21, 55 Collins Street Melbourne VIC 3000
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COMPILATION REPORT
TO THE DIRECTORS OF
PENTARCH HOLDINGS PTY LTD

We have compiled the accompanying special purpose financial statements of Pentarch Holdings Pty Ltd, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. The specific purpose for which the special purpose financial statements have been prepared is set out in note 1.

The Responsibility of Directors

The directors of Pentarch Holdings Pty Ltd are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the basis of accounting used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by the directors we have compiled the accompanying special purpose financial statements in accordance with the basis of accounting as described in note 1 to the financial statements and APES 315 *Compilation of Financial Information*. We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with the basis of accounting described in note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants*.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on these financial statements. The special purpose financial statements were compiled exclusively for the benefit of the directors who are responsible for the reliability, accuracy and completeness of the information used to compile them. We do not accept responsibility for the contents of the special purpose financial statements.

RSM

RSM AUSTRALIA PTY LTD

J S CROALL
Director

Dated: 30 October 2020
Melbourne, Victoria