

**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

**ALLIED NATURAL WOOD ENTERPRISES  
PTY LTD**

ACN

**607 144 089**

## 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

**30-06-2022**

## Details of large proprietary company

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

**190402700**

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

**179362836**

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

**241**

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**

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## Details of current auditor or auditors

### Current auditor

Date of appointment **09-05-2017**

Name of auditor

**RSM AUSTRALIA PARTNERS**

Address

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

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## 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**

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## 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**

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## Authentication

This form has been submitted by

Name

**Malcolm David MCCOMB**

Date

**29-11-2022**

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### For more help or information

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Ask a question?

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# **Allied Natural Wood Enterprises Pty Ltd and its controlled entities**

**ABN 65 607 144 089**

**Annual Report - 30 June 2022**

## Allied Natural Wood Enterprises Pty Ltd and its controlled entities

### Directors' report

30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated group') consisting of Allied Natural Wood Enterprises 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 2022.

#### Directors

The following persons were directors of Allied Natural Wood Enterprises Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Malcolm David McComb  
Ian Kenneth Sedger  
Stephen Dadd - appointed 14 January 2022

#### 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 and the sawmilling of Hardwood and Softwood Timber products for the domestic and international markets. No significant change in the nature of these activities occurred during the year.

#### Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2022	2021
	\$	\$
Final dividend for the year ended 30 June 2022 (30 June 2021)	3,000,000	-

#### Review of operations

The consolidated profit of the consolidated group for the financial year after providing for income tax amounted to \$60,453,885 (30 June 2021: \$1,796,054).

*Despite the strong lift in earnings, attributed by the acquisitions during the year, the Group continues to be challenged by low timber supply, difficulties in accessing trucking for distribution and general labour shortages across all facilities. The wet weather and floods in Northern NSW impacted several of our operations directly but also led to reduced harvesting of timber, as forests could not be accessed, and reduced sales as customers assessed the impact on their own businesses following these extreme weather conditions. Our Victorian operations have also been impeded by the ongoing legal activity against a key supplier by environmental groups which has temporarily closed harvesting in a number of our supply areas. Acquisitions during the year contributed \$61,447,605 in earnings to the consolidated group with \$48,324,425 being a one-off gain on business combination (net acquisition costs).*

#### Significant changes in the state of affairs

On 1 October 2021 Allied Natural Wood Exports Pty Limited, acquired 100% of the ordinary shares of Allen Taylor & Company Ltd and its subsidiaries for the total consideration transferred of \$63,178,000. This is a wood manufacturing and distribution entity with sites across eastern Australia primarily selling within the Australia market.

On 26 July 2021 Allied Natural Wood Exports Pty Limited acquired, through a business combination, Dormit Property Pty Limited for the total consideration transferred of \$6,766,939. This is also a wood manufacturing entity primarily selling within the domestic Australian market.

There were no other significant changes in the state of affairs of the consolidated group during the financial year.

#### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 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.

## **Allied Natural Wood Enterprises Pty Ltd and its controlled entities**

### **Directors' report**

**30 June 2022**

#### **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 Allied Natural Wood Enterprises Pty Ltd under option outstanding at 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

14 November 2022

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Allied Natural Wood Enterprises Pty Ltd and controlled entities for the year ended 30 June 2022, 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

Dated: 14 November 2022

## **Allied Natural Wood Enterprises Pty Ltd and its controlled entities**

### **Contents**

**30 June 2022**

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	31
Independent auditor's report to the Members of Allied Natural Wood Enterprises Pty Ltd	32

### **General information**

The financial statements cover Allied Natural Wood Enterprises Pty Ltd as a consolidated group consisting of Allied Natural Wood Enterprises 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 Allied Natural Wood Enterprises Pty Ltd's functional and presentation currency.

Allied Natural Wood Enterprises Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

C/- Pentarch Holdings Pty Ltd  
Kings Garden Estate'  
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 14 November 2022. The directors have the power to amend and reissue the financial statements.

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2022**

	Note	Consolidated 2022 \$	2021 \$
<b>Revenue</b>	4	190,402,700	19,444,239
Cost of sales	6	<u>(123,613,889)</u>	<u>(21,813,052)</u>
Gross profit		<u>66,788,811</u>	<u>(2,368,813)</u>
Other income	5	54,691,125	7,383,519
<b>Expenses</b>			
Employee benefits expense		(32,546,470)	(450,722)
Depreciation and amortisation expense		(6,856,378)	(7,682)
Occupancy		(2,206,591)	(369,432)
Administration		(2,111,127)	(155,418)
Business acquisition costs	29	(2,961,441)	-
Finance costs	6	(1,445,749)	(60,824)
Other expenses		<u>(8,950,924)</u>	<u>(1,404,832)</u>
<b>Profit before income tax expense</b>		64,401,256	2,565,796
Income tax expense	7	<u>(3,947,371)</u>	<u>(769,742)</u>
<b>Profit after income tax expense for the year</b>	23	60,453,885	1,796,054
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>60,453,885</u></u>	<u><u>1,796,054</u></u>

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



**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Consolidated statement of financial position**  
**As at 30 June 2022**

	Note	Consolidated 2022 \$	2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	13,557,773	1,792,178
Trade and other receivables	9	38,314,663	21,370,292
Inventories	10	53,932,527	1,077,277
Income tax	11	-	462,069
Other	12	4,827,405	(120,738)
Total current assets		<u>110,632,368</u>	<u>24,581,078</u>
<b>Non-current assets</b>			
Property, plant and equipment	13	62,413,021	3,472,106
Deferred tax	14	6,317,447	336,825
Total non-current assets		<u>68,730,468</u>	<u>3,808,931</u>
<b>Total assets</b>		<u>179,362,836</u>	<u>28,390,009</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	24,246,200	3,898,125
Lease liabilities	16	2,981,589	-
Contract liabilities	17	2,216,677	-
Borrowings	18	15,544,842	9,608,918
Income tax	11	1,372,483	-
Provisions	19	6,912,575	362,497
Total current liabilities		<u>53,274,366</u>	<u>13,869,540</u>
<b>Non-current liabilities</b>			
Lease liabilities	16	4,584,147	-
Borrowings	18	52,216,807	2,999,999
Deferred tax	20	-	72,413
Provisions	19	385,574	-
Total non-current liabilities		<u>57,186,528</u>	<u>3,072,412</u>
<b>Total liabilities</b>		<u>110,460,894</u>	<u>16,941,952</u>
<b>Net assets</b>		<u>68,901,942</u>	<u>11,448,057</u>
<b>Equity</b>			
Issued capital	21	400,000	400,000
Reserves	22	900,000	594,432
Retained profits	23	67,601,942	10,453,625
<b>Total equity</b>		<u>68,901,942</u>	<u>11,448,057</u>

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

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2022**

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Reserves</b> \$	<b>Retained profits</b> \$	<b>Total equity</b> \$
Balance at 1 July 2020	400,000	-	9,252,003	9,652,003
Transfer to reserve	-	594,432	(594,432)	-
Balance at 1 July 2020	400,000	594,432	8,657,571	9,652,003
Profit after income tax expense for the year	-	-	1,796,054	1,796,054
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,796,054	1,796,054
Balance at 30 June 2021	<u>400,000</u>	<u>594,432</u>	<u>10,453,625</u>	<u>11,448,057</u>
	<b>Issued capital</b> \$	<b>Reserves</b> \$	<b>Retained profits</b> \$	<b>Total equity</b> \$
Balance at 1 July 2021	400,000	594,432	10,453,625	11,448,057
Transfer to reserve	-	305,568	(305,568)	-
Balance at 1 July 2021	400,000	900,000	10,148,057	11,448,057
Profit after income tax expense for the year	-	-	60,453,885	60,453,885
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	60,453,885	60,453,885
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid to or provided for	-	-	(3,000,000)	(3,000,000)
Balance at 30 June 2022	<u>400,000</u>	<u>900,000</u>	<u>67,601,942</u>	<u>68,901,942</u>

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

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2022**

	Note	Consolidated 2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		200,459,866	13,323,869
Payments to suppliers		(167,058,537)	(20,547,571)
		33,401,329	(7,223,702)
Other revenue		3,376,766	7,383,097
Interest and other finance costs paid		(1,265,252)	(60,824)
Income taxes paid		(1,341,064)	(67,762)
Net cash from operating activities		<u>34,171,779</u>	<u>30,809</u>
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	29	(68,189,897)	-
Payments for property, plant and equipment	13	(6,201,604)	(2,489,006)
Proceeds from disposal of property, plant and equipment		159,374	422
Net cash used in investing activities		<u>(74,232,127)</u>	<u>(2,488,584)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		51,981,065	2,048,884
Proceeds from related party loans		3,864,492	9,445,762
Dividends paid	24	(3,000,000)	-
Repayment of lease liabilities		(1,019,614)	-
Repayment of related party loans		-	(11,759,877)
Net cash from/(used in) financing activities		<u>51,825,943</u>	<u>(265,231)</u>
Net increase/(decrease) in cash and cash equivalents		11,765,595	(2,723,006)
Cash and cash equivalents at the beginning of the financial year		<u>1,792,178</u>	<u>4,515,184</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>13,557,773</u></u>	<u><u>1,792,178</u></u>

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

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated group.

The following Accounting Standards and Interpretations are most relevant to the consolidated group:

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The consolidated group has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated group's financial statements.

*AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*

The consolidated group has adopted AASB 1060 from 1 July 2021. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. As a result, there is increased disclosure in these financial statements for key management personnel, related parties, tax and financial instruments.

**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 Allied Natural Wood Enterprises Pty Ltd ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Allied Natural Wood Enterprises 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.

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 1. Significant accounting policies (continued)**

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.

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.

**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.

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 1. Significant accounting policies (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.

**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.

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.

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.

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 1. Significant accounting policies (continued)**

**Property, plant and equipment**

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	2-15 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.

**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.

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.

**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.

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 1. Significant accounting policies (continued)**

**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.

**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.



**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 1. Significant accounting policies (continued)**

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.

**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**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.

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 1. Significant accounting policies (continued)**

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.

*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.

*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.

*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.

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**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*

	<b>Parent</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
Profit after income tax	1,517,895	1,796,054
Total comprehensive income	<u>1,517,895</u>	<u>1,796,054</u>

*Statement of financial position*

	<b>Parent</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
Total current assets	12,745,947	24,581,078
Total assets	<u>85,462,172</u>	<u>28,390,009</u>
Total current liabilities	<u>20,498,040</u>	<u>13,869,540</u>
Total liabilities	<u>75,496,223</u>	<u>16,941,952</u>
Equity		
Issued capital	400,000	400,000
General Reserve	900,000	594,432
Retained profits	<u>8,665,948</u>	<u>10,453,625</u>
Total equity	<u><u>9,965,948</u></u>	<u><u>11,448,057</u></u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

Allied Natural Wood Enterprises Pty Ltd guarantees the banking debts of its subsidiaries.

*Contingent liabilities*

The parent entity has given bank guarantees as at 30 June 2022 of \$669,840 (2021: nil) to various landlords.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

*Significant accounting policies*

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.

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	189,095,610	19,444,239
<i>Other revenue</i>		
Other revenue	1,307,090	-
	<u>190,402,700</u>	<u>19,444,239</u>

*Disaggregation of revenue*

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

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Major product lines</i>		
Hardwood	127,115,094	19,444,239
Softwood	61,980,516	-
	<u>189,095,610</u>	<u>19,444,239</u>
<i>Geographical regions</i>		
Australia	150,678,503	269,668
Asia	38,417,107	19,174,571
	<u>189,095,610</u>	<u>19,444,239</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>189,095,610</u>	<u>19,444,239</u>

**Note 5. Other income**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
Gain on business combinations (note 29)	51,271,121	-
Net gain on disposal of property, plant and equipment	43,238	-
Other income	3,263,117	3,242,963
Sundry income	113,649	4,140,556
Other income	<u>54,691,125</u>	<u>7,383,519</u>

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Inventories expensed	123,613,889	21,813,052
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	1,265,252	60,824
Interest and finance charges paid/payable on lease liabilities	180,497	-
Finance costs expensed	1,445,749	60,824
<i>Superannuation expense</i>		
Superannuation expense	1,739,755	-

**Note 7. Income tax expense**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Income tax expense</i>		
Current tax	3,187,986	190,116
Deferred tax - origination and reversal of temporary differences	759,385	579,626
Aggregate income tax expense	<u>3,947,371</u>	<u>769,742</u>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 14)	831,798	593,931
Decrease in deferred tax liabilities (note 20)	(72,413)	(14,305)
Deferred tax - origination and reversal of temporary differences	759,385	579,626
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	64,401,256	2,565,796
Tax at the statutory tax rate of 30%	19,320,377	769,739
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	8,645	-
Gain on business combination	(15,381,337)	-
Sundry items	(314)	3
Income tax expense	<u>3,947,371</u>	<u>769,742</u>

**Note 8. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current assets</i>		
Cash at bank	<u>13,557,773</u>	<u>1,792,178</u>

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 9. Trade and other receivables**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current assets</i>		
Trade receivables	23,800,224	4,815,930
Other receivables	948,372	2,397,611
Receivable from related parties	13,446,886	13,908,020
GST receivable	119,181	248,731
	<u>38,314,663</u>	<u>21,370,292</u>

**Note 10. Inventories**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current assets</i>		
Raw materials and stores - at cost	5,589,371	-
Work in progress - at cost	25,331,832	-
Finished goods - at cost	26,609,834	1,288,093
Less: Provision for impairment	(3,598,510)	(210,816)
	<u>23,011,324</u>	<u>1,077,277</u>
	<u>53,932,527</u>	<u>1,077,277</u>

**Note 11. Income tax**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current assets</i>		
Income tax receivable	-	462,069

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current liabilities</i>		
Income tax payable	1,372,483	-

**Note 12. Other**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current assets</i>		
Prepayments	1,877,208	69,762
Security deposits	2,950,197	(190,500)
	<u>4,827,405</u>	<u>(120,738)</u>

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 13. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Land and buildings</b>		
Land and buildings - at cost	55,656,821	-
Less: accumulated depreciation	<u>(32,506,025)</u>	<u>-</u>
Total buildings	<u>23,150,796</u>	<u>-</u>
Total land and buildings	<u><u>23,150,796</u></u>	<u><u>-</u></u>
<b>Plant and equipment</b>		
Plant and equipment - at cost	131,030,029	30,727
Less: accumulated depreciation	<u>(108,910,161)</u>	<u>(7,682)</u>
Total plant equipment	<u>22,119,868</u>	<u>23,045</u>
Right-of-use assets - at cost	10,854,368	-
Less: accumulated depreciation	<u>(3,500,827)</u>	<u>-</u>
	<u>7,353,541</u>	<u>-</u>
Capital work in progress	9,788,816	3,449,061
Total capital work in progress	<u>9,788,816</u>	<u>3,449,061</u>
Total plant and equipment	<u><u>39,262,225</u></u>	<u><u>3,472,106</u></u>
Total property, plant and equipment	<u><u>62,413,021</u></u>	<u><u>3,472,106</u></u>

*Reconciliations*

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

	Freehold land	Land & buildings	Plant and equipment	Capital work in progress	Right-of-use assets	Total
<b>Consolidated</b>	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	-	-	23,045	3,449,061	-	3,472,106
Additions	-	-	-	5,616,228	1,015,852	6,632,080
Additions through business combinations (note 29)	-	23,492,093	25,366,366	1,795,205	8,607,114	59,260,778
Disposals	-	-	(16,295)	-	(99,632)	(115,927)
Transfers	-	(117,495)	137,857	-	-	20,362
Transfers in/(out)	-	55,813	1,015,865	(1,071,678)	-	-
Depreciation expense	-	<u>(279,615)</u>	<u>(4,406,970)</u>	<u>-</u>	<u>(2,169,793)</u>	<u>(6,856,378)</u>
Balance at 30 June 2022	<u><u>-</u></u>	<u><u>23,150,796</u></u>	<u><u>22,119,868</u></u>	<u><u>9,788,816</u></u>	<u><u>7,353,541</u></u>	<u><u>62,413,021</u></u>

*Valuations of land and buildings*

Directors assessed that there has been no material change to the fair value of these assets since this date to 30 June 2022.

*Right-of-use assets*

The consolidated group leases land and buildings for its offices & warehouses under agreements between one to five years with, in most cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the lease are renegotiated. The consolidated group also leases plant and equipment under agreements of between one to five years.

The consolidated group also leases office equipment, strapping machines and other plant equipment. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 14. Deferred tax**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Non-current assets</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	922,474	-
Employee benefits	2,547,238	75,000
Accrued expenses	36,933	17,676
Revenue received in advance	310,274	-
Obsolete stock	1,086,627	-
Other provisions	632,225	105,160
Other	825,423	110,163
Claims provision	8,885	28,826
Prepayments	(52,632)	-
	<u>6,317,447</u>	<u>336,825</u>
Deferred tax asset		
	<u>6,317,447</u>	<u>336,825</u>
<i>Movements:</i>		
Opening balance	336,825	930,756
Charged to profit or loss (note 7)	(831,798)	(593,931)
Additions through business combinations	6,812,420	-
	<u>6,317,447</u>	<u>336,825</u>
Closing balance		
	<u>6,317,447</u>	<u>336,825</u>

**Note 15. Trade and other payables**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current unsecured liabilities</i>		
Trade payables	10,923,972	3,013,405
Sundry payables and accrued expenses	11,079,440	311,387
Other payables	2,242,788	573,333
	<u>24,246,200</u>	<u>3,898,125</u>



**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 16. Lease liabilities**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current liabilities</i>		
Lease liability	2,981,589	-
	<u>2,981,589</u>	<u>-</u>
<i>Non-current liabilities</i>		
Lease liability	4,584,147	-
	<u>4,584,147</u>	<u>-</u>
<i>Future lease payments</i>		
Future lease payments are due as follows:		
Within one year	3,047,895	-
One to five years	4,810,986	-
More than five years	16,500	-
	<u>7,875,381</u>	<u>-</u>

**Note 17. Contract liabilities**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	2,216,677	-
	<u>2,216,677</u>	<u>-</u>

**Note 18. Borrowings**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current liabilities</i>		
Related party loan	12,780,584	9,608,918
Other loans	249,164	-
Chattel mortgage liability secured	2,515,094	-
	<u>15,544,842</u>	<u>9,608,918</u>
<i>Non-current liabilities</i>		
Bank loans	28,600,000	-
Other loans	6,967,308	2,999,999
Chattel mortgage liability secured	16,649,499	-
	<u>52,216,807</u>	<u>2,999,999</u>

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 18. Borrowings (continued)**

*Total secured liabilities*

The total secured liabilities are as follows:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Bank loans	28,600,000	-
Other loans	7,216,472	2,999,999
Chattel mortgage liability	19,164,592	-
	<u>54,981,064</u>	<u>2,999,999</u>

*Assets pledged as security*

The bank loans and equipment finance are secured by mortgages and general security deed over the consolidated consolidated group's assets.

*Financing arrangements*

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

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Total facilities		
Bank loans	60,000,000	-
Other loans	7,363,432	3,000,000
Chattel mortgage liability secured	20,500,000	-
	<u>87,863,432</u>	<u>3,000,000</u>
Used at the reporting date		
Bank loans	28,600,000	-
Other loans	7,216,472	2,999,999
Chattel mortgage liability secured	19,164,592	-
	<u>54,981,064</u>	<u>2,999,999</u>
Unused at the reporting date		
Bank loans	31,400,000	-
Other loans	146,960	1
Chattel mortgage liability secured	1,335,408	-
	<u>32,882,368</u>	<u>1</u>

The bank loans are principal and interest payment loans, with no repayment schedule and range from due to mature in November 2022 and November 2023. The variable interest rate ranges from 0.85% to 2.25% (2021: no loan facility).

The other loans are principal and interest payment loans, repayable in quarterly instalments and range from due to mature in June 2041 and September 2042. The variable interest rate is 2.5% (2021: 2.5%).

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 19. Provisions**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Current liabilities</i>		
Employee benefits	6,036,537	-
Lease make good	112,332	-
Other	763,706	362,497
	<u>6,912,575</u>	<u>362,497</u>
<i>Non-current liabilities</i>		
Employee benefits	<u>385,574</u>	<u>-</u>

**Note 20. Deferred tax**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Non-current liabilities</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Other	-	72,413
Deferred tax liability	<u>-</u>	<u>72,413</u>
<i>Movements:</i>		
Opening balance	72,413	86,718
Credited to profit or loss (note 7)	<u>(72,413)</u>	<u>(14,305)</u>
Closing balance	<u>-</u>	<u>72,413</u>

**Note 21. Issued capital**

	<b>Consolidated</b>			
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</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.

*Capital management*

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

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

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 21. Issued capital (continued)**

There are no externally imposed capital requirements.

Management effectively manages the consolidated group's capital by assessing the consolidated 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 22. Reserves**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
General Reserve	<u>900,000</u>	<u>594,432</u>

**Note 23. Retained profits**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Retained profits at the beginning of the financial year	10,453,625	8,657,571
Transfer to reserve	<u>(305,568)</u>	<u>-</u>
Retained profits at the beginning of the financial year - restated	10,148,057	8,657,571
Profit after income tax expense for the year	60,453,885	1,796,054
Dividends paid (note 24)	<u>(3,000,000)</u>	<u>-</u>
Retained profits at the end of the financial year	<u><u>67,601,942</u></u>	<u><u>10,453,625</u></u>

**Note 24. Dividends**

*Dividends*

Dividends paid during the financial year were as follows:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Final dividend for the year ended 30 June 2022 (30 June 2021)	<u>3,000,000</u>	<u>-</u>

*Franking credits*

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>6,404,500</u>	<u>5,466,364</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 25. 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:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
Aggregate compensation	973,797	676,016

**Note 26. 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:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Audit services - RSM Australia</i>		
Audit of the financial statements	124,000	28,600

**Note 27. Contingent liabilities and assets**

The consolidated group has given bank guarantees as at 30 June 2022 of \$669,840 (2021: nil) to various landlords.

There are no contingent assets at 30 June 2022.

**Note 28. Related party transactions**

*Parent entity*

The ultimate parent entity, which exercises control over the consolidated group, is Allied Natural Wood Enterprises Pty Ltd.

*Subsidiaries*

For details of disclosures relating to key subsidiaries, refer to note 30.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 25.

*Receivable from and payable to related parties*

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

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
Current receivables:		
Trade receivables from other related party	165,726	63,348
Current payables:		
Trade payables to other related party	(2,407,567)	(856,879)

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 28. Related party transactions (continued)**

*Loans to/from related parties*

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

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
Current receivables:		
Loan receivables from other related parties	434,609	4,299,102

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
<i>Sales and purchases of goods and services</i>		
Sales to related parties	124,012	537,891
Purchases from related parties	10,204,554	3,294,249
	<u>10,328,566</u>	<u>3,832,140</u>

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 29. Business combinations**

*Acquisition of Allen Taylor & Company Limited*

On 1 October 2021 Allied Natural Wood Enterprises Pty Ltd (ANWE) acquired 100% of the ordinary shares of Allen Taylor & Company Limited (ATC) for the total consideration transferred of \$63,178,000. This is a wood manufacturing, timber and hardware whole selling business and operates in the forestry division of the consolidated group. This included 100% of the ordinary shares that Allen Taylor Company Ltd holds in Duncan's Holdings Ltd and Oberon Softwood Holdings Pty Ltd. Oberon Softwood Holdings Pty Ltd owns a 50% share in the Highland Pine Products joint venture. The acquisition of ATC and its subsidiaries will expand ANWE's sawmilling operations by seven mills and also secure key timber resource and bring synergies to existing operations. The acquired business contributed revenues of \$125,436,024 and profit after tax of \$10,665,071 to the consolidated group for the period from 1 October 2021 to 30 June 2022. The values identified in relation to the acquisition of Allen Taylor & Company Limited are final as at 30 June 2022.

Details of the acquisition are as follows:

	<b>Fair value</b> <b>\$</b>
Cash and cash equivalents	4,716,483
Trade receivables	24,951,260
Other receivables	1,161,002
Raw materials	5,945,572
Work in progress	23,966,351
Finished goods	21,400,139
Other current assets	1,515,804
Land and buildings	23,492,093
Plant and equipment	20,966,467
Motor vehicles	1,795,205
Right-of-use assets	7,451,903
Deferred tax asset	6,593,098
Trade payables	(13,565,402)
Other payables	(1,820,334)
Employee benefits	(6,607,061)
Other provisions	(383,176)
Lease liabilities	(7,361,974)
Net assets acquired	114,217,430
Bargain Acquisition	(51,039,430)
Acquisition-date fair value of the total consideration transferred	<u>63,178,000</u>
Representing:	
Cash paid or payable to vendor	<u>63,178,000</u>

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 29. Business combinations (continued)**

*Acquisition of Dormit Property Pty Limited*

On 26 July 2021 Allied Natural Wood Enterprises Pty Ltd acquired the assets and liabilities of Dormit Property Pty Limited for the total consideration transferred of \$6,766,939. Dormit is Australia's largest manufacturer of wooden pallets and operates in the forestry division of the consolidated group. This acquisition solidifies Pentarch's strategic commitment to invest and expand its forestry holdings. The values identified in relation to the acquisition of Dormit Property Pty Limited are final as at 30 June 2022. The acquired business contributed revenues of \$27,271,316 and profit after tax of \$2,458,109 to the consolidated group for the period from 26 July 2021 to 30 June 2022. The values identified in relation to this acquisition are final as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$
Trade receivables	1,582,102
Inventories	1,193,438
Raw materials	817,636
Plant and equipment	4,400,000
Right-of-use assets	1,155,211
Deferred tax asset	231,692
Trade payables	(453,930)
Employee benefits	(772,307)
Lease liability	<u>(1,155,211)</u>
Net assets acquired	6,998,631
Bargain Acquisition	<u>(231,692)</u>
Acquisition-date fair value of the total consideration transferred	<u><u>6,766,939</u></u>
Representing:	
Cash paid or payable to vendor	<u><u>6,766,939</u></u>

**Note 30. Interests in subsidiaries**

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

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	
		2022 %	2021 %
Allen Taylor & Company Ltd	Australia	100%	-
Duncan's Holdings Ltd	Australia	100%	-
Oberon Softwood Holdings Pty Limited	Australia	100%	-
Highland Pine Products Joint Venture	Australia	50%	-

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



**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 31. Deed of cross guarantee**

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Allen Taylor & Company Ltd  
Duncan's Holdings Ltd  
Oberon Softwood Holdings Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Allied Natural Wood Enterprises Pty Ltd, they also represent the 'Allied Natural Wood Enterprises Pty Ltd and controlled entities consolidated group'.

**Note 32. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2022 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.

**Note 33. Non-cash investing and financing activities**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Additions to the right-of-use assets	<u>1,015,852</u>	<u>-</u>

**Allied Natural Wood Enterprises Pty Ltd and its controlled entities**  
**Directors' declaration**  
**30 June 2022**

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 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31 to the financial statements.

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



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Malcolm David McComb  
Director

14 November 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Allied Natural Wood Enterprises Pty Ltd

### Opinion

We have audited the financial report of Allied Natural Wood Enterprises Pty Ltd (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2022 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 Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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 Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

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 Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

A stylized, handwritten signature in blue ink that reads "RSM".

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink that reads "J S Croall".

**J S Croall**  
Partner

Dated: 17 November 2022  
Melbourne, VIC