

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

30-06-2023

Details of large proprietary company

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

217598437

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

204044391

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

315

How many members does the large proprietary company have?

3

Auditor's report

Were the financial statements audited?

Yes

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

No

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

No

Details of current auditor or auditors

Current auditor

Date of appointment **09-05-2017**
Name of auditor **RSM AUSTRALIA PARTNERS**
Address **LEVEL 21
55 COLLINS STREET
MELBOURNE VIC 3000**

Certification

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

Yes

Signature

Select the capacity in which you are lodging the form
Director

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

Yes

Authentication

This form has been submitted by
Name **Malcolm David MCCOMB**
Date **27-10-2023**

For more help or information

Web www.asic.gov.au
Ask a question? www.asic.gov.au/question
Telephone 1300 300 630

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

ABN 65 607 144 089

Annual Report - 30 June 2023

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Directors' report
30 June 2023

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 2023.

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 Gordon Dadd

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	
	2023	2022
	\$	\$
Final dividend for the year ended 30 June 2023 (30 June 2022)	<u>5,000,000</u>	<u>3,000,000</u>

Review of operations

The consolidated profit of the consolidated group for the financial year after providing for income tax amounted to \$15,207,723 (30 June 2022: \$60,453,885).

The group had a strong year despite the challenges we faced as a result of global export volatility and pressures on local housing construction markets. We have been working through the premature closure of the Victorian hardwood industry and the challenges that has created for our pallet manufacturing business. This decision has put pressure on the renewable, sustainable regrowth industry but has delivered some more balanced media coverage and greater awareness of our vulnerability to imports.

An extension of that is strict regulation of our domestic industry is being recognised as a better alternative to less vigilant countries from which imports have increased. At Federal and NSW State Government level, the sector is enjoying support in the face of a sustained campaign of misinformation about the impacts of native forestry on endemic fauna. Recent studies have also reconfirmed positive outcomes for forest health and carbon mitigation. These are indicators that the Australian native timber sector is rightly being recognised as sustainable, renewable and environmentally responsible. Alongside native forestry, we also appreciate the growing role of plantation timber to meet the countries fibre needs and accordingly we continue to invest and explore opportunities in this space. Finally, our softwood business continued to perform well and provided significant earnings to the Group and we forecast this continue into the 2024 financial year.

Significant changes in the state of affairs

There were no 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 2023 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 2023

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

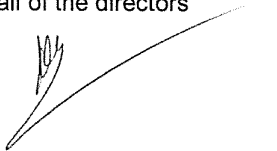
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

16 October 2023

RSM Australia Partners

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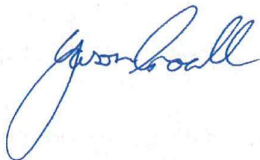
AUDITOR'S INDEPENDENCE DECLARATION

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 2023, 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.

A handwritten signature in blue ink, appearing to read 'RSM'.

RSM AUSTRALIA PARTNERS

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

J S Croall Partner

Dated: 16 October 2023
Melbourne, Victoria

Allied Natural Wood Enterprises Pty Ltd and its controlled entities

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30 June 2023

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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 16 October 2023. 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 2023

	Note	Consolidated 2023 \$	2022 \$
Revenue	4	217,598,437	190,402,700
Cost of sales	6	<u>(145,588,571)</u>	<u>(123,613,889)</u>
Gross profit		<u>72,009,866</u>	<u>66,788,811</u>
Other income	5	25,893,958	54,691,125
Expenses			
Employee benefits expense		(35,509,925)	(32,546,470)
Depreciation and amortisation expense		(8,073,548)	(6,856,378)
Occupancy Costs		(4,994,784)	(2,206,591)
Administration Costs		(6,139,429)	(2,111,127)
Business Acquisition Costs		(21,968)	(2,961,441)
Loss on disposal of assets		(1,647)	-
Finance costs	6	(3,049,473)	(1,445,749)
Other expenses		<u>(16,110,405)</u>	<u>(8,950,924)</u>
Profit before income tax expense		24,002,645	64,401,256
Income tax expense	7	<u>(8,794,922)</u>	<u>(3,947,371)</u>
Profit after income tax expense for the year	23	15,207,723	60,453,885
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>15,207,723</u>	<u>60,453,885</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 2023

	Note	Consolidated 2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	8	7,289,573	13,557,773
Trade and other receivables	9	44,922,355	38,314,663
Inventories	10	78,169,110	53,932,527
Other	12	4,980,953	4,827,405
Total current assets		<u>135,361,991</u>	<u>110,632,368</u>
Non-current assets			
Property, plant and equipment	13	61,555,121	62,413,021
Deferred tax	14	7,127,279	6,317,447
Total non-current assets		<u>68,682,400</u>	<u>68,730,468</u>
Total assets		<u>204,044,391</u>	<u>179,362,836</u>
Liabilities			
Current liabilities			
Trade and other payables	15	29,258,046	24,246,200
Lease liabilities	16	2,443,351	2,981,589
Contract liabilities	17	730,959	2,216,677
Borrowings	18	49,323,487	15,544,842
Income tax	11	6,269,231	1,372,483
Provisions	19	9,815,761	6,912,575
Total current liabilities		<u>97,840,835</u>	<u>53,274,366</u>
Non-current liabilities			
Contract liabilities	17	2,941,016	-
Lease liabilities	16	2,894,139	4,584,147
Borrowings	18	20,575,640	52,216,807
Deferred tax	20	290,649	-
Provisions	19	392,447	385,574
Total non-current liabilities		<u>27,093,891</u>	<u>57,186,528</u>
Total liabilities		<u>124,934,726</u>	<u>110,460,894</u>
Net assets		<u>79,109,665</u>	<u>68,901,942</u>
Equity			
Issued capital	21	400,000	400,000
Reserves	22	900,000	900,000
Retained profits	23	77,809,665	67,601,942
Total equity		<u>79,109,665</u>	<u>68,901,942</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 2023

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
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 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>
Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2022	400,000	900,000	67,601,942	68,901,942
Profit after income tax expense for the year	-	-	15,207,723	15,207,723
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	15,207,723	15,207,723
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid to or provided for	-	-	(5,000,000)	(5,000,000)
Balance at 30 June 2023	<u>400,000</u>	<u>900,000</u>	<u>77,809,665</u>	<u>79,109,665</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 2023

	Note	Consolidated	
		2023	2022
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		232,282,862	200,459,866
Payments to suppliers and employees (inclusive of GST)		<u>(238,269,922)</u>	<u>(167,058,537)</u>
		(5,987,060)	33,401,329
Other revenue		25,893,958	3,376,766
Interest and other finance costs paid		(3,049,473)	(1,265,252)
Income taxes paid		<u>(4,417,357)</u>	<u>(1,341,064)</u>
Net cash from operating activities		<u>12,440,068</u>	<u>34,171,779</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(68,189,897)
Payments for property, plant and equipment	13	(9,183,522)	(6,201,604)
Proceeds from disposal of property, plant and equipment		<u>1,648</u>	<u>159,374</u>
Net cash used in investing activities		<u>(9,181,874)</u>	<u>(74,232,127)</u>
Cash flows from financing activities			
Dividends paid	24	(5,000,000)	(3,000,000)
Repayment of borrowings		<u>(4,526,394)</u>	<u>54,825,943</u>
Net cash from/(used in) financing activities		<u>(9,526,394)</u>	<u>51,825,943</u>
Net increase/(decrease) in cash and cash equivalents		(6,268,200)	11,765,595
Cash and cash equivalents at the beginning of the financial year		<u>13,557,773</u>	<u>1,792,178</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>7,289,573</u></u>	<u><u>13,557,773</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 2023

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.

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 2023 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.

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.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 1. Significant accounting policies (continued)

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.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Allied Natural Wood Enterprises Pty Ltd's functional and presentation currency.

Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

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.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 1. Significant accounting policies (continued)

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.

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.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 1. Significant accounting policies (continued)

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.

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.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 1. Significant accounting policies (continued)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

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

Contract liabilities

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

Borrowings

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

Lease liabilities

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

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

Finance costs

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

Provisions

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

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.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
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Note 1. Significant accounting policies (continued)

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Fair value measurement

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

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

Issued capital

Ordinary shares are classified as equity.

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

Dividends

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

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.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 1. Significant accounting policies (continued)

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.

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.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

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

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 2023

Note 3. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2023	2022
	\$	\$
Profit after income tax	7,866,289	1,517,895
Total comprehensive income	7,866,289	1,517,895

Statement of financial position

	Parent	
	2023	2022
	\$	\$
Total current assets	45,174,508	12,745,947
Total assets	115,375,270	85,462,172
Total current liabilities	81,006,639	20,498,041
Total liabilities	102,543,033	75,496,224
Equity		
Issued capital	400,000	400,000
General Reserve	900,000	900,000
Retained profits	11,532,237	8,665,948
Total equity	<u>12,832,237</u>	<u>9,965,948</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 bank guarantees as at 30 June 2023 of \$669,840 (2022: \$669,840) 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 2023 and 30 June 2022.

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 2023

Note 4. Revenue

	Consolidated	
	2023	2022
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	217,251,820	189,095,610
<i>Other revenue</i>		
Other revenue	346,617	1,307,090
	<u>217,598,437</u>	<u>190,402,700</u>

Disaggregation of revenue

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

	Consolidated	
	2023	2022
	\$	\$
<i>Major product lines</i>		
Hardwood	139,304,281	127,115,094
Softwood	77,947,539	61,980,516
	<u>217,251,820</u>	<u>189,095,610</u>
<i>Geographical regions</i>		
Australia	179,518,909	150,678,503
Asia	37,732,911	38,417,107
	<u>217,251,820</u>	<u>189,095,610</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>217,251,820</u>	<u>189,095,610</u>

Note 5. Other income

	Consolidated	
	2023	2022
	\$	\$
Gain on business combinations	-	51,271,121
Net gain on disposal of property, plant and equipment	-	43,238
Other income	2,955,866	3,263,117
Sundry income	22,938,092	113,649
Other income	<u>25,893,958</u>	<u>54,691,125</u>

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 6. Expenses

	Consolidated	
	2023	2022
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Inventories expensed	145,588,571	123,613,889
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	2,829,812	1,265,252
Interest and finance charges paid/payable on lease liabilities	219,661	180,497
Finance costs expensed	3,049,473	1,445,749
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	568,234	-
<i>Superannuation expense</i>		
Superannuation expense	2,474,641	1,739,755
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	33,035,284	30,806,715

Note 7. Income tax expense

	Consolidated	
	2023	2022
	\$	\$
<i>Income tax expense</i>		
Current tax	8,308,510	3,187,986
Deferred tax - origination and reversal of temporary differences	(1,177,837)	759,385
Under provision in respect of prior years	1,664,249	-
Aggregate income tax expense	<u>8,794,922</u>	<u>3,947,371</u>
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 14)	(1,487,833)	831,798
Increase/(decrease) in deferred tax liabilities (note 20)	309,996	(72,413)
Deferred tax - origination and reversal of temporary differences	<u>(1,177,837)</u>	<u>759,385</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	24,002,645	64,401,256
Tax at the statutory tax rate of 30%	7,200,794	19,320,377
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	11,752	8,645
Under/(over) provision for income tax in prior years	1,005,595	-
Under provision in DTL/DTA not recognised in previous years	658,654	-
Gain on business combination	-	(15,381,337)
Interco Transfer of Provisions	(104,112)	-
Sundry items	22,239	(314)
Income tax expense	<u>8,794,922</u>	<u>3,947,371</u>

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 8. Cash and cash equivalents

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Cash at bank	7,289,573	13,557,773

Note 9. Trade and other receivables

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Trade receivables	26,984,974	23,800,224
Less: Allowance for expected credit losses	(418,455)	-
	<u>26,566,519</u>	<u>23,800,224</u>
Other receivables	1,408,924	948,372
Receivable from related parties	16,946,912	13,446,886
GST receivable	-	119,181
	<u>44,922,355</u>	<u>38,314,663</u>

Note 10. Inventories

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Raw materials and stores - at cost	5,510,842	5,589,371
Work in progress - at cost	26,523,607	25,331,832
Finished goods - at cost	49,753,375	26,609,834
Less: Provision for impairment	(3,618,714)	(3,598,510)
	<u>46,134,661</u>	<u>23,011,324</u>
	<u>78,169,110</u>	<u>53,932,527</u>

Note 11. Income tax

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Income tax payable	6,269,231	1,372,483

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
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Note 12. Other

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Prepayments	2,016,453	1,877,208
Security deposits	2,964,500	2,950,197
	<u>4,980,953</u>	<u>4,827,405</u>

Note 13. Property, plant and equipment

	Consolidated	
	2023	2022
	\$	\$
<i>Non-current assets</i>		
Buildings - at cost	55,826,030	55,656,821
Less: Accumulated depreciation	<u>(33,000,138)</u>	<u>(32,506,025)</u>
	22,825,892	23,150,796
Plant and equipment - at cost	139,739,447	131,030,029
Less: Accumulated depreciation	<u>(113,086,034)</u>	<u>(108,910,161)</u>
Less: Impairment	(2,861,394)	-
	<u>23,792,019</u>	<u>22,119,868</u>
Capital work in progress	9,791,417	9,788,816
Right-of-use assets - at cost	10,539,454	10,854,368
Less: Accumulated depreciation	<u>(5,352,913)</u>	<u>(3,500,827)</u>
Less: Impairment	(40,748)	-
	<u>5,145,793</u>	<u>7,353,541</u>
	<u>61,555,121</u>	<u>62,413,021</u>

Reconciliations

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

Consolidated	Land & buildings	Plant and equipment	Capital work in progress	Right-of-use assets	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2022	23,150,796	22,119,868	9,788,816	7,353,541	62,413,021
Additions	842	-	9,182,680	935,916	10,119,438
Disposals	-	(1,648)	-	-	(1,648)
Impairment of assets	-	(2,861,394)	-	(40,748)	(2,902,142)
Transfers in/(out)	169,576	9,010,503	(9,180,079)	-	-
Depreciation expense	<u>(495,322)</u>	<u>(4,475,310)</u>	<u>-</u>	<u>(3,102,916)</u>	<u>(8,073,548)</u>
Balance at 30 June 2023	<u>22,825,892</u>	<u>23,792,019</u>	<u>9,791,417</u>	<u>5,145,793</u>	<u>61,555,121</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 2023.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 13. Property, plant and equipment (continued)

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.

Impairment of assets

With the announcement of the early cessation of logging by the Victorian Government, the Directors have reviewed the fair value of the plant and equipment. An impairment provision has been recognised during the FY23 year in the profit and loss statement.

Note 14. Deferred tax

	Consolidated	
	2023	2022
	\$	\$
<i>Non-current assets</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	1,412,913	-
Allowance for expected credit losses	127,613	-
Property, plant and equipment	-	922,474
Employee benefits	2,704,213	2,547,238
Leases	15,363	-
Accrued expenses	29,521	36,933
Revenue received in advance	643,514	310,274
Obsolete stock	1,229,682	1,086,627
Other provisions	816,150	632,225
Other	132,247	825,423
Claims provision	16,063	8,885
Prepayments	-	(52,632)
Deferred tax asset	<u>7,127,279</u>	<u>6,317,447</u>
<i>Movements:</i>		
Opening balance	6,317,447	336,825
Credited/(charged) to profit or loss (note 7)	1,487,833	(831,798)
Additions through business combinations	-	6,812,420
Under/Overs Prior Year	(678,001)	-
Closing balance	<u>7,127,279</u>	<u>6,317,447</u>

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 15. Trade and other payables

	Consolidated	
	2023	2022
	\$	\$
<i>Current unsecured liabilities</i>		
Trade payables	13,570,506	10,923,972
Sundry payables and accrued expenses	15,665,275	11,079,440
Other payables	21,949	2,242,788
GST Payable	316	-
	<u>29,258,046</u>	<u>24,246,200</u>

Note 16. Lease liabilities

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Lease liability	<u>2,443,351</u>	<u>2,981,589</u>
<i>Non-current liabilities</i>		
Lease liability	<u>2,894,139</u>	<u>4,584,147</u>
<i>Future lease payments</i>		
Future lease payments are due as follows:		
Within one year	2,505,189	3,047,895
One to five years	3,153,104	4,810,986
More than five years	3,330	16,500
	<u>5,661,623</u>	<u>7,875,381</u>

Note 17. Contract liabilities

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	<u>730,959</u>	<u>2,216,677</u>
<i>Non-current liabilities</i>		
Contract liabilities	<u>2,941,016</u>	<u>-</u>

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 18. Borrowings

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Bank loans	30,100,000	-
Related party loan	15,818,377	12,780,584
Other loans	795,197	249,164
Chattel mortgage liability secured	2,609,913	2,515,094
	<u>49,323,487</u>	<u>15,544,842</u>
<i>Non-current liabilities</i>		
Bank loans	4,235,130	28,600,000
Other loans	2,262,249	6,967,308
Chattel mortgage liability secured	14,078,261	16,649,499
	<u>20,575,640</u>	<u>52,216,807</u>

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	2023	2022
	\$	\$
Bank loans	30,100,000	28,600,000
Other loans	7,292,576	7,216,472
Chattel mortgage liability	16,688,174	19,164,592
	<u>54,080,750</u>	<u>54,981,064</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.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 18. Borrowings (continued)

Financing arrangements

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

	Consolidated	
	2023	2022
	\$	\$
Total facilities		
Bank loans	60,000,000	60,000,000
Other loans	7,850,000	7,363,432
Chattel mortgage liability secured	<u>20,500,000</u>	<u>20,500,000</u>
	<u>88,350,000</u>	<u>87,863,432</u>
Used at the reporting date		
Bank loans	30,100,000	28,600,000
Other loans	6,967,250	7,216,472
Chattel mortgage liability secured	<u>16,688,174</u>	<u>19,164,592</u>
	<u>53,755,424</u>	<u>54,981,064</u>
Unused at the reporting date		
Bank loans	29,900,000	31,400,000
Other loans	882,750	146,960
Chattel mortgage liability secured	<u>3,811,826</u>	<u>1,335,408</u>
	<u>34,594,576</u>	<u>32,882,368</u>

The bank loans are principal and interest payment loans, with no repayment schedule and range from due to mature in November 2023. The variable interest rate ranges from 2.25% to 5.91% (2022: 2.25%).

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% (2022: 2.5%).

Note 19. Provisions

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Employee benefits	6,560,135	6,036,537
Lease make good	113,231	112,332
Other	<u>3,142,395</u>	<u>763,706</u>
	<u>9,815,761</u>	<u>6,912,575</u>
<i>Non-current liabilities</i>		
Employee benefits	378,515	385,574
Lease make good	<u>13,932</u>	<u>-</u>
	<u>392,447</u>	<u>385,574</u>

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 20. Deferred tax

	Consolidated	
	2023	2022
	\$	\$
<i>Non-current liabilities</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	(714,017)	-
Inventories	1,006,714	-
Prepayments	39,150	-
Contract assets	8,709	-
Right-of-use assets	(42,900)	-
Other	(7,007)	-
	<u>290,649</u>	<u>-</u>
Deferred tax liability	<u>290,649</u>	<u>-</u>
<i>Movements:</i>		
Opening balance	-	72,413
Charged/(credited) to profit or loss (note 7)	309,996	(72,413)
Unders/Overs Prior Year	(19,347)	-
	<u>290,649</u>	<u>-</u>

Note 21. Issued capital

	Consolidated			
	2023	2022	2023	2022
	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.

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.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 22. Reserves

	Consolidated	
	2023	2022
	\$	\$
General Reserve	<u>900,000</u>	<u>900,000</u>

Note 23. Retained profits

	Consolidated	
	2023	2022
	\$	\$
Retained profits at the beginning of the financial year	67,601,942	10,453,625
Transfer to reserve	-	(305,568)
Retained profits at the beginning of the financial year - restated	67,601,942	10,148,057
Profit after income tax expense for the year	15,207,723	60,453,885
Dividends paid (note 24)	(5,000,000)	(3,000,000)
Retained profits at the end of the financial year	<u>77,809,665</u>	<u>67,601,942</u>

Note 24. Dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2023	2022
	\$	\$
Final dividend for the year ended 30 June 2023 (30 June 2022)	<u>5,000,000</u>	<u>3,000,000</u>

Franking credits

	Consolidated	
	2023	2022
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>10,035,311</u>	<u>6,404,500</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

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:

	Consolidated	
	2023	2022
	\$	\$
Aggregate compensation	<u>1,283,413</u>	<u>973,797</u>

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

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:

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services - RSM Australia</i>		
Audit of the financial statements	92,000	124,000
<i>Other services - RSM Australia</i>		
Preparation of the tax return	19,550	-
Preparation of FY22 statutory accounts	8,000	-
Other services	5,720	-
	<u>33,270</u>	<u>-</u>
	<u>125,270</u>	<u>124,000</u>

Note 27. Contingent liabilities and assets

The consolidated group has bank guarantees as at 30 June 2023 of \$669,840 (2022: \$669,840) to various landlords.

There are no contingent assets at 30 June 2023.

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 29.

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:

	Consolidated	
	2023	2022
	\$	\$
Current receivables:		
Trade receivables from other related party	1,354	165,726
Current payables:		
Trade payables to other related party	(6,207,349)	(2,407,567)

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

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:

	Consolidated	
	2023	2022
	\$	\$
Current receivables:		
Loan receivables from other related parties	16,715,221	434,609
Current borrowings:		
Loan from other related party	(15,586,685)	-
	Consolidated	
	2023	2022
	\$	\$
<i>Sales and purchases of goods and services</i>		
Sales to related parties	2,385	124,012
Purchases from related parties	<u>16,008,765</u>	<u>10,204,554</u>
	<u>16,011,150</u>	<u>10,328,566</u>

Terms and conditions

All transactions were made on normal commercial terms and conditions.

Note 29. 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	
		2023 %	2022 %
Allen Taylor & Company Ltd	Australia	100%	100%
Duncan's Holdings Ltd	Australia	100%	100%
Oberon Softwood Holdings Pty Limited	Australia	100%	100%
Highland Pine Products Joint Venture	Australia	50%	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.

Note 30. 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.

Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 30. Deed of cross guarantee (continued)

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 31. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 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 32. Non-cash investing and financing activities

	Consolidated	
	2023	2022
	\$	\$
Additions to the right-of-use assets	<u>809,576</u>	<u>1,015,852</u>

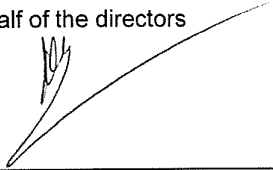
Allied Natural Wood Enterprises Pty Ltd and its controlled entities
Directors' declaration
30 June 2023

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 2023 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 Extended 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 30 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



Malcolm David McComb
Director

16 October 2023

INDEPENDENT AUDITOR'S REPORT
To the Members of Allied Natural Wood Enterprises
Pty Ltd

RSM Australia Partners

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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 2023, 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 2023 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 2023 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. This description forms part of our auditor's report.

A stylized signature of the letters 'RSM' in blue ink.

RSM AUSTRALIA PARTNERS

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

J S Croall
Partner

Dated: 17 October 2023
Melbourne, Victoria