Australian Securities & Investments Commission

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Form 388
Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name

PENTARCH HOLDINGS PTY. LTD.

ACN

064 165 635

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date
30-06-2018

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?
160707497

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?
66563000

How many employees are employed by the large proprietary company and the entities that it controls?
262

How many members does the large proprietary company have?
7

Auditor's report

Were the financial statements audited?

No

Is the company exempt from any audit or review requirements?

Yes

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

No

Certification

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

Yes

Signature

Select the capacity in which you are lodging the form

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	Simon John YUNCKEN
Date	29-10-2018

For more help or information

Web	www.asic.gov.au
Ask a question?	www.asic.gov.au/question
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PENTARCH HOLDINGS PTY LTD AND CONTROLLED ENTITIES

ABN: 21 064 165 635

Financial Report For The Year Ended 30 June 2018

PENTARCH HOLDINGS PTY LTD
AND CONTROLLED ENTITIES

ABN: 21 064 165 635

Financial Report For The Year Ended 30 June 2018

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

Your directors present their report on the consolidated group for the financial year ended 30 June 2018.

Directors

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

Malcolm David McComb
Ian Kenneth Sedger
Simon John Yuncken

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

Review of Operations

The consolidated profit of the consolidated group for the financial year after providing for income tax amounted to $4,004,903.

Group revenue declined by 12% this financial year predominantly due to a reduction in turnover within the Forestry Division, arising from a change in the division's services mix. Counteracting the revenue reduction, the gross profit margin lifted to 24.3% from 21.3 % in the 16/17 financial year, resulting in a gross profit of $39.1M for 17/18 as compared to $38.7M in 16/17. After allowing for operating and overhead expenses, the profit before tax amounted to $5.9M (16/17 $9.3M).

Pentarch Holdings Pty Ltd comprises two operating divisions, both of which engaged in significant projects during the 17/18 year. The Agricultural Division developed a new hay processing facility in Ultima Victoria which was commissioned in June 2018. The Forestry Division engaged in a management restructure in February 2018 to align its structure with the changing needs of its business, and commenced a minor land subdivision.

Significant Changes in the State of Affairs

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

Principal Activities

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

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years other than those disclosed in Note 25 of the financial statement.

Likely Developments and Expected Results of Operations

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

Environmental Regulation

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

Dividends

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

a) A fully franked dividend of $2,900,000 declared in the 2016/17 year was paid during the year.
b) A fully franked dividend of $2,000,000 was declared during the year for payment in the 2018/19 year.

Options

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

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

Indemnification of Officers

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

Proceedings on Behalf of the Company

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

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

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

ASIC Class Order 98/1417 - Audit Relief

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

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

Director

Malcolm David McComb

Dated this 26th day of October 2018

PENTARCH HOLDINGS PTY LTD ABN: 21 064 165 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2018

		Consolidated Group	
		2018	2017
	Note	$	$
Revenue	3	160,707,497	182,031,374
Cost of sales	4	(121,600,075)	(143,299,194)
Gross profit		39,107,422	38,732,180
Other revenue	3	424,817	442,399
Employee benefits expense		(23,606,527)	(21,512,668)
Depreciation expense		(3,115,286)	(2,623,729)
Occupancy expense		(1,697,132)	(1,714,853)
Administration expense		(419,544)	(332,946)
Finance costs	4(a)	(818,473)	(585,772)
Other expenses		(4,002,540)	(3,121,523)
Share of net profits of associates and joint venture entities		28,343	-
Profit before income tax		5,901,080	9,283,088
Income tax (expense) benefit	5	(1,896,177)	(2,778,932)
Profit for the year		4,004,903	6,504,157
Other comprehensive income		-	-
Total comprehensive income for the year		4,004,903	6,504,157
Profit attributable to:			
Non-controlling interest		314,082	785,387
Members of the parent entity		3,690,821	5,718,770
		4,004,903	6,504,157

The accompanying notes form part of these financial statements.

PENTARCH HOLDINGS PTY LTD ABN: 21 064 165 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated Group 2018 $	Consolidated Group 2017 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	6,598,387	8,607,823
Trade and other receivables	9	10,019,956	8,712,049
Inventories	10	14,499,050	13,011,894
Biological Assets	10	816,832	584,433
Other assets	11	4,400,407	3,347,003
Financial assets	13	-	301,743
Current tax asset	19	240,823	-
TOTAL CURRENT ASSETS		36,575,455	34,564,945
NON-CURRENT ASSETS			
Investments accounted for using the equity method	12	53,343	-
Financial assets	13	84,833	109,833
Property, plant and equipment	15	28,534,217	20,384,325
Deferred tax assets	19	947,853	1,172,205
Other assets	11	367,299	20,679
TOTAL NON-CURRENT ASSETS		29,987,545	21,687,042
TOTAL ASSETS		66,563,000	56,251,987
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	22,967,566	18,946,718
Borrowings	17	8,831,503	5,840,034
Other financial liabilities	18	294,113	-
Current tax liabilities	19	-	1,366,346
Provisions	20	3,996,589	4,523,088
TOTAL CURRENT LIABILITIES		36,089,771	30,676,186
NON-CURRENT LIABILITIES			
Borrowings	17	10,232,337	7,314,445
Provisions	20	247,154	272,522
TOTAL NON-CURRENT LIABILITIES		10,479,491	7,586,967
TOTAL LIABILITIES		46,569,262	38,263,153
NET ASSETS		19,993,738	17,988,834
EQUITY			
Issued capital	21	6,074	6,074
Retained earnings		16,544,181	14,853,359
Minority Interest		3,443,483	3,129,401
TOTAL EQUITY		19,993,738	17,988,834

The accompanying notes form part of these financial statements.

PENTARCH HOLDINGS PTY LTD ABN: 21 064 165 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Share Capital			
	Ordinary	Retained Earnings (accumulated losses)	Minority Interest	Total
	$	$		$
Consolidated Group				
Balance at 1 July 2016	7,500	16,932,405	2,344,014	19,283,919
Profit attributable to members of the parent entity		5,718,770		5,718,770
Profit attributable to members of the minority interest			785,387	785,387
Shares bought back and cancelled	(1,426)			(1,426)
Dividends paid or provided for		(7,797,816)		(7,797,816)
Balance at 30 June 2017	6,074	14,853,359	3,129,401	17,988,834
Comprehensive income				
Profit attributable to members of the parent entity		3,690,821		3,690,821
Profit attributable to members of the minority interest			314,082	314,082
Dividends paid or provided for		(2,000,000)		(2,000,000)
Balance at 30 June 2018	6,074	16,544,181	3,443,483	19,993,738

The accompanying notes form part of these financial statements.

PENTARCH HOLDINGS PTY LTD ABN: 21 064 165 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group 2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		159,884,135	181,093,603
Interest received/other income		71,891	68,846
Payments to suppliers and employees		(149,859,701)	(167,610,174)
Interest paid		(818,473)	(585,772)
Income tax (paid)/refunded		(3,278,995)	(2,593,464)
Net cash provided by/(used in) operating activities	24(a)	5,998,857	10,373,039
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		150,844	386,872
Purchase of property, plant and equipment		(5,860,999)	(4,771,083)
Purchase of investments		-	(83)
Disposal of subsidiary		-	(314,574)
Net cash provided by/(used in) investing activities		(5,710,155)	(4,698,868)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - other		2,936,411	5,376,000
Repayment of borrowings - other		(884,995)	(2,713,007)
Payment of dividend on ordinary shares		(2,700,000)	(1,940,518)
Finance Lease Payments		(1,833,729)	(1,574,987)
Net cash provided by/(used in) financing activities		(2,482,313)	(852,512)
Net increase/(decrease) in cash held		(2,193,611)	4,821,659
Cash and cash equivalents at beginning of financial year		8,607,823	3,786,164
Cash and cash equivalents at end of financial year	8	6,414,212	8,607,823

The accompanying notes form part of these financial statements.

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

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

The financial statements were authorised for issue on 26th October 2018 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

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

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

(a) Principles of Consolidation

The special purpose consolidated financial statements incorporate all of the assets, liabilities and results of the Parent Pentarch Holdings Pty Ltd) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 14.

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

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

Business Combinations

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

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

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

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

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

Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

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

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

(b) Income Tax

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

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

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

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

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

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

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

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

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

(c) Fair Value of Assets and Liabilities

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

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

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

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

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

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

(d) Inventories

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

(e) Property, Plant and Equipment

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

Plant and equipment

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

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

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

Depreciation

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

Depreciation is recognised in profit or loss.
The depreciation rates used for each class of depreciable assets are:

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

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

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

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

(f) Leases (the Group as lessee)

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

Leased assets are depreciated on a diminishing value basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the date that the entity commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments. Accordingly, such interests are accounted for on a cost basis.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial Liabilities

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

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial Guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.
The fair value of financial guarantee contracts has been assessed using the probability weighted discounted cash flow approach. The probability has been based on:

— the likelihood of the guaranteed party defaulting during the next reporting period;
— the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
— the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Impairment of Non-Financial Assets

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

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(k) Investments in Associates

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

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

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

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

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

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

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

(j) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(k) Provisions

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

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

(l) Cash and Cash Equivalents

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

(m) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint ventures are accounted for in accordance with the equity method of accounting.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Trade and Other Receivables

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

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

(o) Trade and Other Payables

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

(p) Borrowing Costs

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

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

(q) Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(r) Comparative Figures

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

Where the group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(s) Critical Accounting Estimates and Judgements

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

Key estimates

(i) *Impairment - general*

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

(t) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The directors have decided not to early adopt any of the new and amended pronouncements. Their assessment of the pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

— AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The group has established a AASB 9 project team and is in the process of completing its impact assessment of AASB 9. Based on a preliminary assessment performed over each line of business and product type, the effects of AASB 9 are not expected to have a material effect on the group.

— AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

— identify the contract(s) with a customer;

— identify the performance obligations in the contract(s);

— determine the transaction price;

— allocate the transaction price to the performance obligations in the contract(s); and
— recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The group has established a AASB 15 project team and is in the process of completing its impact assessment of AASB 15. Based on a preliminary assessment performed over each line of business and product type, the effects of AASB 15 are not expected to have a material effect on the group.

— AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

— recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
— depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
— inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
— application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
— inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The group has established a AASB 16 project team and is in the process of completing its impact assessment of AASB 16. Based on a preliminary assessment performed over each line of business and product type, the effect of AASB 16 is not expected to have a material effect on the group. It is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2 Parent Information

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

	2018 $	2017 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	10,728,019	11,925,411
Non-current Assets	2,401,312	2,660,753
TOTAL ASSETS	13,129,331	14,586,164
LIABILITIES		
Current Liabilities	4,716,403	5,582,621
Non-current Liabilities	50,573	78,251
TOTAL LIABILITIES	4,766,976	5,660,872
EQUITY		
Issued Capital	6,074	6,074
Retained earnings	8,356,281	8,919,218
TOTAL EQUITY	8,362,355	8,925,292
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit	1,973,749	8,012,969
Total comprehensive income	1,973,749	8,012,969

Guarantees

Pentarch Holdings Pty Ltd has entered into guarantees in relation to the banking debts of its subsidiaries.

Contractual Commitments

At 30 June 2018 Pentarch Holdings Pty Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2017: nil).

Note 3 Revenue and Other Income

	Consolidated Group 2018 $	2017 $
Sales revenue:		
— sale of goods	160,707,497	182,031,374
Total sales revenue	160,707,497	182,031,374
Other revenue:		
— dividends received		
— other corporations	8,288	8,287
— interest received		
— other persons	71,891	68,845
— gain on disposal of property, plant and equipment	46,300	90,484
— other revenues	298,338	274,783
Total other revenue	424,817	442,399
Total revenue	161,132,314	182,473,773

Note 4 Profit before Income Tax

Profit before income tax from continuing operations includes the following specific expenses:	Consolidated Group 2018 $	2017 $
(a) Expenses		
Cost of sales	121,600,075	143,299,194
Interest expense on financial liabilities		
— external	818,473	585,772
Total finance costs	818,473	585,772
Rental expense on operating leases:		
— minimum lease payments	1,031,558	1,088,245
(b) Significant Revenue and Expenses		
The following significant revenue and expense items are relevant in explaining the financial performance:		
— unrealised gain/(loss) on revaluation of foreign exchange contracts held but not delivered at 30 June 2018	(294,113)	301,743
— loss on disposal of property, plant and equipment	(46,300)	(90,484)
— gain on sale of subsidiary	-	274,783
	(340,413)	486,042

Note 5 Tax Expense

	Note	Consolidated Group 2018 $	2017 $
(a) The components of tax (expense) income comprise:			
Current tax		1,671,825	2,935,010
Deferred tax	19	224,352	(156,078)
		1,896,177	2,778,932
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2017: 30%)			
— consolidated group		1,770,324	2,784,926
Less:			
Tax effect of:			
— other non-allowable items		125,853	5,995
Income tax attributable to entity		1,896,177	2,778,932
The weighted average effective tax rates are as follows:		32.1%	29.9%

Note 6 Auditor's Remuneration

		Consolidated Group 2018 $	2017 $
Remuneration of the auditor of the parent entity for:			
— auditing or reviewing the financial statements		67,500	66,000
		67,500	66,000

Note 7 Dividends

		Consolidated Group 2018 $	2017 $
Declared fully franked ordinary dividend of $2,000,000 (2017: $7,797,816) cents per share franked at the tax rate of 30% (2017: 30%).		2,000,000	7,797,816

Note 8 Cash and Cash Equivalents

		Consolidated Group 2018 $	2017 $
CURRENT			
Cash at bank and on hand		6,598,387	8,607,823
		6,598,387	8,607,823
Reconciliation of cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		6,598,387	8,607,823
Bank overdrafts	17	(184,175)	-
		6,414,212	8,607,823

A floating charge over cash and cash equivalents has been provided for certain debt. Refer to Note 17 for further detail.

Note 9 Trade and Other Receivables

	Consolidated Group 2018 $	2017 $
CURRENT		
Trade receivables	10,019,956	8,712,049
Total current trade and other receivables	10,019,956	8,712,049

Note 10 Inventories and Biological Assets

	Consolidated Group 2018 $	2017 $
CURRENT		
Inventories		
At cost:		
Raw materials and stores	13,982,183	11,768,848
Work in progress	-	240,511
Finished goods	516,867	1,002,535
	14,499,050	13,011,894
Biological assets		
At fair value:	816,832	584,433
	816,832	584,433

Note 11 Other Assets

	Consolidated Group 2018 $	2017 $
CURRENT		
Prepayments	517,001	376,353
GST receivable	652,617	749,291
Advances	1,513,359	1,136,836
Related Party Loan	1,717,430	1,084,523
	4,400,407	3,347,003

An unsecured current loan of $1,717,429 was provided to a related party.

NON-CURRENT		
Security deposit and bonds	367,299	20,679
	367,299	20,679

Note 12 Associates

a. Information about Principal Associates

Set out below are the material associates of the Group. All of the entities listed below have share capital consisting solely of ordinary shares. The proportion of ordinary shares held by the Group equals the voting rights held by the Group. Each entity's place of incorporation is its principal place of business.

Consolidated Group			Proportion of ordinary share interests/participating share		Carrying amount
Name	Classification	Place of incorporation/ business	2018 %	Measurement method	2018 $
Australian Forage Group Pty Ltd	Hay Trading	Australia	25%	Equity	53,343
					53,343

e. Summarised financial information for associates

Set out below is the summarised financial information for the Group's material investments in associates. Unless otherwise stated, the disclosed information reflects the amounts presented in the Australian-Accounting-Standards financial statements of the associates. The following summarised financial information, however, reflects the adjustments made by the Group when applying the equity method, including adjustments for any differences in accounting policies between the Group and the associates.

	Australian Forage Group Pty Ltd 2018
Summarised financial position	$
Total current assets	1,320,364
Total non-current assets	-
Total current liabilities	1,106,994
Total non-current liabilities	-
Net assets	213,370
Group's share (%)	25%
Group's share of associate's net assets	53,343
	2018
Summarised financial performance	$
Revenue	4,382,625
Profit after tax from continuing operations	51,356
Total comprehensive income	51,356
Group's share of associate's profit after tax from continuing operations	28,343
Reconciliation to carrying amounts	
Group's share of associate's opening net assets	25,000
Group's share of associate's profit after tax from continuing operations	28,343
Group's share of associate's closing net assets (closing carrying amount of investment)	53,343

Investment has been equity accounted for the first time this year.

Note 13 Financial Assets

		Consolidated Group 2018	2017
	Note	$	$
CURRENT			
Foreign exchnage contracts	13(a)	-	301,743
Total Current Assets		-	301,743
NON-CURRENT			
Available-for-sale financial assets			
Shares in unlisted entities		84,833	109,833
Total available-for-sale financial assets		84,833	109,833

(a) Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments. No intention to dispose of any unlisted available-for-sale financial assets existed at 30 June 2018.

Forward Exchange Contracts

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

	Sell United States Dollars 2018	2017	Average Exchange Rate 2018	2017
Settlement	$	$	$	$
— less than 3 months	8,800,000	9,934,300	0.7567	0.7522

Note 14 Interests in Subsidiaries

a. Information about Principal Subsidiaries

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

Name of subsidiary	Principal place of business	Ownership interest held by the Group		Proportion of non-controlling interests	
		2018 (%)	2017 (%)	2018 (%)	2017 (%)
Australian Radiata Industries Pty Ltd	Australia	0	100		
ARI Leasing Pty Ltd	Australia	100	100		
Australian Marshalling Services Pty Ltd	Australia	100	100		
AMS Stevedoring Pty Ltd	Australia	100	100		
Cornel Exports Pty Ltd	Australia	100	100		
Narrogin Hay Pty Ltd	Australia	60	60	40	40
Pentarch Export Agency Pty Ltd	Australia	100	100		
Pentarch Agricultural Pty Ltd	Australia	100	100		
Pentarch Forest Products Pty Ltd	Australia	100	100		
Pentarch Forestry Services (VIC) Pty Ltd	Australia	100	100		
Pentarch Forestry Services (NSW) Pty Ltd	Australia	100	100		
Pentarch Forestry Services (QLD) Pty Ltd	Australia	0	100		
Pentarch Forest Investments Pty Ltd	Australia	0	100		
Pentarch Product Services Pty Ltd	Australia	100	100		
Pentarch Grains Pty Ltd	Australia	0	60	0	40
Petarch Grain Storage Pty Ltd	Australia	0	60	0	40
Rail Pine Pty Ltd	Australia	100	100		
Stratus Shipping Pty Ltd	Australia	100	100		
Sapphire Harvesting Pty Ltd	Australia	0	100		
Sapphire Haulage Pty Ltd	Australia	100	100		
Pentarch Farms Pty Ltd	Australia	100	100		
Pentarch Forestry Services (TAS) Pty Ltd	Australia	100	100		
Pentarch Forestry Pty Ltd	Australia	100	100		
Mallee Hay Pty Ltd	Australia	60	60	40	40
Pentarch Hay Pty Ltd	Australia	60	60	40	40
Plantation Export Group	Australia	100	100		

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

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

Note 15 Property, Plant and Equipment

	Consolidated Group	
	2018 $	2017 $
LAND AND BUILDINGS		
Freehold land at:		
— At cost	1,632,931	1,368,524
Total land	1,632,931	1,368,524
Buildings at:		
— At cost	10,733,113	7,848,281
Accumulated depreciation	(2,564,881)	(2,361,025)
Total buildings	8,168,232	5,487,256
Total land and buildings	9,801,163	6,855,780
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	35,968,923	28,491,970
Accumulated depreciation	(17,235,869)	(14,963,425)
Total plant and equipment	18,733,054	13,528,545
Total property, plant and equipment	28,534,217	20,384,325

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year	Freehold Land $	Buildings $	Plant and Equipment $	Total $
Consolidated Group:				
Balance at 1 July 2016	1,746,347	3,786,813	13,185,381	18,718,541
Additions	19,275	2,190,481	6,792,796	9,002,552
Disposals - written down value	-	-	(296,388)	(296,388)
Disposals through sale of subsidiary	(397,098)	(250,304)	(3,769,249)	(4,416,651)
Depreciation expense	-	(239,734)	(2,383,995)	(2,623,729)
Carrying amount at 30 June 2017	1,368,524	5,487,256	13,528,545	20,384,325
Additions	264,407	3,015,026	8,056,314	11,335,747
Disposals - written down value	-	-	(104,544)	(104,544)
Depreciation expense	-	(334,050)	(2,781,236)	(3,115,286)
Capitalised borrowing cost and depreciation	-	-	33,975	33,975
Carrying amount at 30 June 2018	1,632,931	8,168,232	18,733,054	28,534,217

Note 16 Trade and Other Payables

	Consolidated Group 2018 $	2017 $
CURRENT		
Unsecured liabilities		
Trade payables	16,597,381	13,760,137
Sundry payables and accrued expenses	1,775,314	1,902,036
Other payables	4,144,998	3,284,545
Unearned income	449,873	-
	22,967,566	18,946,718

Note 17 Borrowings

	Note	Consolidated Group 2018 $	2017 $
CURRENT			
Bank loan secured	17 (b)	6,042,416	3,670,005
Bank overdraft secured		184,175	-
Lease liability secured	17(c), 22	2,266,151	1,651,724
Other Loan	17 (d)	338,761	518,305
Total current borrowings		8,831,503	5,840,034
NON-CURRENT			
Bank loan secured	17(c)	2,460,000	2,816,000
Lease liability secured	17(c), 22	6,972,337	3,911,769
Other Loan	17 (d)	800,000	586,676
Total non-current borrowings		10,232,337	7,314,445
Total borrowings		19,063,840	13,154,479

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

	2018	2017
Bank loan	8,502,416	6,486,005
Hire Purchase Liability	9,238,488	5,563,493
	17,925,079	12,049,498

(b) A controlled entity has a $7.5 million working capital facility with HSBC of which $2,620,000 is drawn as at 30 June 2018, all of which expires in less than 12 months. This is secured by a general security deed over the entity's assets and gurantee from the parent entity.

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

A controlled entity has a secured term loan of $2,840,000 repayable in $220,000 quarterly instalments with $880,000 (four quarters due) payable in the next 12 months with HSBC. This loan is secured by a general security deed over the entity's assets and guarantee from the parent entity.

A controlled entity has a secured term loan of $600,000 repayable in $100,000 quarterly instalments with $400,000 (four quarters due) payable in the next 12 months with HSBC. This loan is secured by a general security deed over the entity's assets and guarantee from the parent entity.

A controlled entity has a working capital facility with HSBC which is fully drawn for $1,542,416 and repayable within 12 months. This loan is secured by a general security deed over the entity's assets and guarantee from the parent entity.

(c) Hire purchase liabilities held by the group are repayable montlhy and expire from July 2018 to April 2023. Effective interest rate is 4.58%. The parent entity has provided a guarantee in respect of these liabilities.

Lease liabilities are secured by underlying leased assets.

(d) The external shareholders of a controlled entity made an unsecured advance of $1,138,761 as an interest bearing liability of which $338,761 is payable in the next 12 months.

Note 18 Other Financial Liabilities

	Consolidated Group 2018 $	2017 $
CURRENT		
Foreign exchange contracts	294,113	-
	294,113	-

Note 19 Tax

	Consolidated Group 2018 $	2017 $
LIABILITIES		
CURRENT		
Income tax	-	1,366,346
TOTAL	-	1,366,346
NON-CURRENT		
Deferred tax liability	498,900	452,812
ASSETS		
CURRENT		
Income tax	240,823	-
TOTAL	240,823	-
NON-CURRENT		
Deferred tax asset	1,446,753	1,625,017
Net deferred tax	947,853	1,172,205

Note 20 Provisions

Analysis of Provisions	Consolidated Group 2018 $	2017 $
CURRENT		
Employee Benefits	1,796,589	1,623,088
Dividends		
Opening balance at 1 July 2017	2,900,000	-
Additional provisions raised during year	2,000,000	7,797,816
Amounts used	(2,700,000)	(4,897,816)
Balance at 30 June 2018	2,200,000	2,900,000
Total current provisions	3,996,589	4,523,088
NON-CURRENT		
Employee Benefits		
Opening balance at 1 July 2017	272,522	188,508
Additional provisions raised during year	213,464	272,522
Amounts used	(238,832)	(188,508)
Balance at 30 June 2018	247,154	272,522
ANALYSIS		
Employee Benefits		
Opening balance at 1 July 2017	1,895,610	1,772,582
Additional provisions raised during year	1,111,451	653,168
Amounts used	(963,318)	(530,140)
Balance at 30 June 2018	2,043,743	1,895,610

Provision for Employee Benefits

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

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

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

Provision for Dividends

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

Note 21 Issued Capital

	Consolidated Group 2018 $	Consolidated Group 2017 $
6074 (2017: 6074) fully paid ordinary shares	6,074	6,074
	6,074	6,074

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

(b) Capital Management

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

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

There are no externally imposed capital requirements.

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

	Note	Consolidated Group 2018 $	Consolidated Group 2017 $
Total borrowings	17	19,063,840	13,154,479
Trade and other payables	16	22,967,566	18,946,718
Less cash and cash equivalents	8	(6,598,387)	(8,607,823)
Net debt		35,433,019	23,493,374
Total equity		19,993,738	17,988,834
Total capital		55,426,757	41,482,208
Gearing ratio		64%	57%

Note 22 Capital and Leasing Commitments

	Note	Consolidated Group 2018 $	Consolidated Group 2017 $
(a) Finance Lease Commitments			
Payable — minimum lease payments			
— not later than 12 months		2,697,744	1,882,500
— between 12 months and five years		7,723,279	4,210,932
— later than five years		-	-
Minimum lease payments		10,421,023	6,093,432
Less future finance charges		(1,182,535)	(529,939)
Present value of minimum lease payments	17	9,238,488	5,563,493
(b) Operating Lease Commitments			
Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable — minimum lease payments			
— not later than 12 months		432,379	842,315
— between 12 months and five years		83,600	515,979
		515,979	1,358,294

Note 23 Contingent Liabilities and Contingent Assets

Controlled entities have overdraft facilities of $2,500,000 which are secured by a fixed and floating charge over the whole of the controlled entity's assets. One controlled entity has a working capital facililty of $9,000,000 secured by a fixed and floating charge over the whole of the controlled entity's assets. Pentarch Holdings Pty Ltd provides a guarantee in respect of these facilities.

Note 24 Cash Flow Information

	Consolidated Group 2018 $	Consolidated Group 2017 $
(a) Reconciliation of cash flows from operating activities with profit after income tax		
Profit after income tax	4,004,903	6,504,157
Non-cash flows in profit		
— depreciation	3,115,287	2,623,729
— net (gain)/loss on disposal of property, plant and equipment	(46,300)	(90,484)
— foreign exchange (gain)/loss	294,113	(301,743)
— net (gain)/loss on disposal of subsidiary	-	(274,783)
— share of associates' net (profit)/losses	(28,343)	-
Changes in assets and liabilities:		
— (increase)/decrease in trade and other receivables	(1,307,907)	(1,679,060)
— (increase)/decrease in other assets	(1,400,024)	467,826
— (increase)/decrease in inventories	(1,269,681)	(1,700,447)
— (increase)/decrease in deferred income tax assets	178,264	(335,977)
— increase/(decrease) in trade and other creditors	3,570,977	3,483,849
— increase/(decrease) in income taxes payable	(1,607,169)	593,318
— increase/(decrease) in deferred taxes payable	46,088	130,284
— increase/(decrease) in provisions	448,650	952,370
Net cash provided by operating activities	5,998,857	10,373,039
Non-cash investing activities:		
Acquisition of plant and equipment by means of finance leases	5,508,723	4,231,469
	5,508,723	4,231,469
(b) During the 2016/17 financial year, controlled entity Pentarch Pty Ltd was sold. Details of the transaction are as follows.		
— net identifiable assets disposed	-	2,683,941
— gain on disposal	-	274,783
Disposal price	-	2,958,724
— proceeds offset by dividends declared and share buy back	-	(3,273,298)
Net cash outflow on disposal	-	(314,574)

Note 25 Events After the Reporting Period

The directors are not aware of any significant events since the end of the reporting period.

Note 26 Company Details

The registered office of the company is:

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

The principal place of business is:

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

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

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

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

   (a) comply with Australian Accounting Standards;

   (b) give a true and fair view of the company's financial position as at 30 June 2018 and of the performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

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

Director

Malcolm David McComb

Dated this 26th day of October 2018

RSM Australia Pty Ltd

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COMPILATION REPORT
TO THE DIRECTORS OF
PENTARCH HOLDINGS PTY LTD

We have compiled the accompanying special purpose financial statements of Pentarch Holdings Pty Ltd, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. The specific purpose for which the special purpose financial statements have been prepared is set out in note 1.

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

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

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

RSM

RSM AUSTRALIA PTY LTD

J S CROALL
Director

Melbourne, VIC
Dated: 26 October 2018