BIG RIVER INDUSTRIES LIMITED AND CONTROLLED ENTITIES

ABN: 72 609 901 377

Interim Financial Report For The Half-Year Ended 31 December 2016

BIG RIVER INDUSTRIES LIMITED

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Interim Financial Report For The Half-Year Ended 31 December 2016

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BIG RIVER INDUSTRIES LIMITED
DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to herafter as the 'Group') consisting of Big River Industries Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of the company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Martin Kaplan
James Bernard Bindon
Malcolm Jackman
Gregory Ray Laurie, appointed (1/03/2017)
Jeremy Andrew Samuel, resigned (24/03/2017)

Directors have been in office since their date of appointment to the date of this report unless otherwise stated.

Review of Operations

The profit for the Group for the financial half-year after providing for income tax amounted to $2,514,921.

A reduction in sales at Perth and Townsville was offset by gains in other branches. While sales of building products remained steady, sales of hardwood flooring products increased on the back of a supply agreement with a national retailer that commenced in the prior year. Employment expenses grew from prior year due to annual wage increases and additional staff at Wagga Wagga, while selling and distribution expenses were impacted by higher net cartage costs.

Significant Changes in the State of Affairs

There were no significant changes in the state of the Group during the financial half-year.

Events Subsequent to the End of the Reporting Period

Other than as disclosed in Note 19, no other matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dividends

A fully franked dividend of $1,495,794 was paid during the period in respect of the Preference Shares.

Options

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

Comparative Figures

The company was incorporated on 18 December 2015 and was inactive until it acquired the shares in Big River Group Holdings Pty Ltd on 19 February 2016. Accordingly, comparative figures have not been presented in the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows.

Auditor's Independence Declaration

A copy of the auditor's independence declaration is set out on page 2.

This report is made in accordance with a resolution of directors.

On behalf of the directors

Martin Kaplan
Director

24 March 2017
Sydney

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Big River Industries Limited
Trenayr Road
Junction Hill NSW 2480

24 March 2017

Dear Board Members

Big River Industries Limited

I am pleased to provide the following declaration of independence to the directors of Big River Industries Limited.

As lead audit partner for the review of the condensed consolidated financial statements of Big River Industries Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountant

BIG RIVER INDUSTRIES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31 Dec 2016 $
Revenue	2	85,876,163
Raw materials and consumables used		(58,908,782)
Selling and distribution expense		(3,302,589)
Employment expense		(12,934,187)
Occupancy expense		(3,421,766)
General and administration expense		(2,349,516)
Depreciation and amortisation expense		(880,263)
Finance costs	3(a)	(470,469)
Profit before income tax expense		3,608,591
Income tax expense	4(a)	(1,093,670)
Net profit after tax		2,514,921
Other comprehensive income:		
Other comprehensive income for the half-year, net of tax		-
Total comprehensive income		2,514,921
Basic earnings per share	18	183.6c
Diluted earnings per share	18	6.5c

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

BIG RIVER INDUSTRIES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Consolidated Group 31 Dec 2016 $	30 Jun 2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	8,780	8,505
Trade and other receivables	6	28,944,094	32,039,743
Inventories	7	19,423,008	18,775,844
Other assets		1,573,990	842,419
TOTAL CURRENT ASSETS		49,949,872	51,666,511
NON-CURRENT ASSETS			
Property, plant and equipment	9	24,552,663	24,860,507
Deferred tax assets		1,432,428	1,386,295
Intangible assets		942,699	942,699
TOTAL NON-CURRENT ASSETS		26,927,790	27,189,501
TOTAL ASSETS		76,877,662	78,856,012
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	21,511,685	23,803,871
Borrowings	11	3,239,071	4,551,142
Current tax liabilities		640,551	429,214
Provisions		2,602,344	2,563,936
TOTAL CURRENT LIABILITIES		27,993,651	31,348,163
NON-CURRENT LIABILITIES			
Borrowings	11	12,441,559	11,988,183
Provisions		572,977	669,318
TOTAL NON-CURRENT LIABILITIES		13,014,536	12,657,501
TOTAL LIABILITIES		41,008,187	44,005,664
NET ASSETS		35,869,475	34,850,348
EQUITY			
Issued capital	12	38,460,001	38,460,001
Accumulated losses		(2,590,526)	(3,609,653)
TOTAL EQUITY		35,869,475	34,850,348

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

BIG RIVER INDUSTRIES LIMITED ABN: 72 609 901 377
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

		Share Capital			
		Ordinary	Preference Shares	Accumulated Losses	Total
	Note	$	$	$	$
Consolidated Group					
Balance at 1 July 2016		1,370,001	37,090,000	(3,609,653)	34,850,348
Profit after income tax exepnse for the half-year		-	-	2,514,921	2,514,921
Total comprehensive income for the half-year		-	-	2,514,921	2,514,921
Transactions with owners, in their capacity as owners:					
Dividends paid or provided for		-	-	(1,495,794)	(1,495,794)
Total transactions with owners, in their capacity as owners		-	-	(1,495,794)	(1,495,794)
Balance at 31 December 2016		1,370,001	37,090,000	(2,590,526)	35,869,475

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

BIG RIVER INDUSTRIES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Group 31 Dec 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)		96,810,669
Other receipts (inclusive of GST)		2,162
Payments to suppliers and employees (inclusive of GST)		(92,502,606)
Finance costs		(470,469)
Income tax paid		(928,466)
Net cash provided by operating activities	14(a)	2,911,290
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment		16,455
Payments for property, plant and equipment		(572,981)
Net cash used in investing activities		(556,526)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of borrowings		(234,758)
Dividends paid		(1,495,794)
Net cash used in financing activities		(1,730,552)
Net increase in cash held		624,212
Cash and cash equivalents at beginning of financial half-year		(1,562,284)
Cash and cash equivalents at end of financial half-year	5	(938,072)

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

These financial statements and notes represent those of Big River Industries Limited and its controlled entities. Big River Industries Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 March 2017.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting', as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The Group previously prepared special purpose finance reports in accordance with the requirements of the Corporations Act 2001. This is the first period that the Group has prepared a general purpose financial report, as the parent intends to make an Initial Public Offering (IPO) on the Australian Securities Exchange (ASX) in or around April 2017. In its half year report for the six months ended 31 December 2016, in accordance with AASB 1 'First time adoption of Australian Accounting Standards' (AASB 1), the Group has adopted all relevant IFRS standards with effect from the beginning of the comparative period, 1 July 2015. The application of AASB 1 has not resulted in any changes in recognition or measurement of amounts in the financial statements.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016, which was lodged with ASIC.

The financial statements have been prepared on an accruals basis and are based on historical costs. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The accounting policies set out below have been consistently applied to the Company's annual financial report for the financial year ended 30 June 2016.

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of entities controlled by Big River Industries Limited at the end of the reporting period. Control is achieved when the Company (1) has power over the investee; (2) is exposed, or has rights, to variable returns from its involvement with the investee; and (3) has the ability to use its power to affect its returns.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 8 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(b) Income Tax

The Group is a tax-consolidated group under Australian taxation law, of which Big River Industries Limited is the head entity. As a result, members in the group are subject to income tax through their membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the head entity of the tax-consolidated group. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

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 the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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 the profit and loss when the tax relates to items that are recognised outside the profit and 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.

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, and branches, 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.

(b) Income Tax (Continued)

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: (a) a legally enforceable right of set-off exists; and (b) 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) 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 portion 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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(d) Property, Plant and Equipment

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

Property, 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 in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(i)).

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 straight line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Buildings	25 to 40 years
Plant and equipment	5 to 25 years

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.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset 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 amounts equal to 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 for the period.

Leased assets are depreciated on a straight-line 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.

(f) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(g) 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.

(h) 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.

(i) 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 equivalent to 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 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) 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.

(ii) 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).

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.

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.

(j) Revenue and Other Income

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

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

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) Comparative Figures

The company was incorporated on 18 December 2015 and was inactive until it acquired the shares in Big River Group Holdings Pty Ltd on 19 February 2016. Accordingly, comparative figures have not been presented on the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows.

(p) 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 - goodwill*

For the purpose of impairment testing, goodwill has been allocated to the operating segment, being the lowest level at which it is monitored for internal management purposes. Goodwill is tested for impairment annually and whenever there is an indication of impairment. There were no indicators of impairment of goodwill at 31 December 2016 and no impairment test has been performed at this date.

(ii) *Impairment – manufacturing property, plant and equipment*

The Group assesses for indicators of impairment of manufacturing property, plant and equipment at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment.

The recoverable amount of property, plant and equipment has been determined based on a value in use model. There were no indicators of impairment of manufacturing property, plant and equipment at 31 December 2016.

Key judgements

(i) *Provision for impairment of receivables*

Given the nature and volume of the Company's debtors, the provision for impairment of receivables is considered a key judgement. The provision for doubtful debts is based on certain debtors' balance outstanding, contingent upon the length of time payments are in arrears, and insured debts. By adopting this policy, the directors have determined that no further provision is necessary in respect of the current period. Bad debts are written off in the year in which their collectability is determined to be unlikely and after all avenues of recovery have been exhausted based on normal commercial decisions.

(q) Application of New and Revised Accounting Standards

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current period, the Group has adopted all relevant amendments to AASBs and new Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2016, and therefore relevant for the current year end.

Standards in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15', and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

While the directors are yet to assess the impact of the above Standards issued not yet adopted, in particular AASB 16, it is noted that operating leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation and the rental expense will be replaced with depreciation of the right-of-use asset and interest on the lease liability.

Note 2 Revenue and Other Income

	Consolidated Group 31 Dec 2016 $
Sales revenue:	
— sale of goods	85,858,305
Total sales revenue	85,858,305
Other income:	
— gain on disposal of property, plant and	15,893
— other revenues	1,965
Total other revenue	17,858
Total revenue	85,876,163

Note 3 Profit before Income Tax

Profit before income tax from continuing operations includes the following specific expenses:	Consolidated Group 31 Dec 2016 $
(a) Expenses	
Interest expense on financial liabilities - external	470,469
Bad and doubtful debts - trade receivables	376,730
Rental expense on operating leases	984,473

Note 4 Tax Expense

	Consolidated Group 31 Dec 2016 $
(a) The components of tax expense/(income) comprise:	
Current tax	1,139,803
Deferred tax	(46,133)
	1,093,670
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:	
Accounting profit before income tax expense	3,608,591
Tax at Australia's statutory income tax rate of 30%	1,082,577
Add tax effect of non-allowable items	11,093
Income tax expense	1,093,670

Note 5 Cash and Cash Equivalents

		Consolidated Group	
		31 Dec 2016	30 Jun 2016
CURRENT	**Note**	$	$
Petty Cash Imprest		8,780	8,505
		8,780	8,505
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		8,780	8,505
Bank overdrafts	11	(946,852)	(1,570,789)
		(938,072)	(1,562,284)

Note 6 Trade and Other Receivables

		Consolidated Group	
		31 Dec 2016	30 Jun 2016
CURRENT	**Note**	$	$
Trade receivables		28,975,454	31,341,985
Provision for impairment	6(a)	(897,672)	(608,728)
		28,077,782	30,733,257
Other receivables		884,884	1,306,486
Total current trade and other receivables	6(b)	28,944,094	32,039,743

(a) Provision for impairment of receivables

Current trade receivables are generally on 30-day terms and are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in the other expenses item.

(b) Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 6. The main source of credit risk to the Group is considered to relate to the class of assets described as 'trade and other receivables'.

Note 7 Inventories

	Consolidated Group	
	31 Dec 2016	30 Jun 2016
CURRENT	$	$
At cost:		
Raw materials and stores	2,873,319	2,429,916
Work in progress	116,465	41,616
Finished goods	16,433,224	16,304,312
	19,423,008	18,775,844

Note 8 Controlled Entities

Controlled Entities Consolidated

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.

		Percentage Owned (%)*	
Subsidiaries of Big River Industries Pty Limited:	Country of Incorporation	31 Dec 2016	30 Jun 2016
Big River Group Holdings Pty Limited	Australia	100%	100%
Big River Group Pty Limited	Australia	100%	100%

* Percentage of voting power in proportion to ownership.

Note 9 Property, Plant and Equipment

	Consolidated Group	
	31 Dec 2016	30 Jun 2016
LAND AND BUILDINGS	$	$
Freehold land at:		
— Cost	855,701	855,701
Total land	855,701	855,701
Buildings at:		
— Cost	5,828,669	5,631,703
Accumulated depreciation	(172,865)	(84,004)
Total buildings	5,655,804	5,547,699
Total land and buildings	6,511,505	6,403,400
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	19,416,202	19,141,711
Accumulated depreciation	(1,375,044)	(684,604)
	18,041,158	18,457,107
Total property, plant and equipment	24,552,663	24,860,507

Note 10 Trade and Other Payables

	Consolidated Group	
	31 Dec 2016	30 Jun 2016
	$	$
CURRENT		
Unsecured liabilities		
Trade payables	19,363,875	20,846,561
Sundry payables and accrued expenses	1,904,834	2,650,293
Net GST Liability	242,976	307,017
Total trade and other payables	21,511,685	23,803,871

Note 11 Borrowings

		Consolidated Group	
		31 Dec 2016	30 Jun 2016
	Note	$	$
CURRENT			
Bank overdraft secured	11(a)	946,852	1,570,789
Lease liability secured	11(a)	792,219	2,480,353
Bank bills secured		1,500,000	500,000
Total current borrowings		3,239,071	4,551,142
NON-CURRENT			
Bank bills secured	11(a)	10,500,000	11,500,000
Lease liability secured	11(a)	1,941,559	488,183
Total non-current borrowings		12,441,559	11,988,183
Total borrowings		15,680,630	16,539,325

(a) The bank debt is secured by a fixed and floating charge over the assets of the Group.

Lease liabilities are secured by the underlying leased assets.

Note 12 Issued Capital

	Consolidated Group	
	31 Dec 2016	30 Jun 2016
	$	$
1,370,001 fully paid ordinary shares	1,370,001	1,370,001
37,090,000 fully paid Series "A" preference shares	37,090,000	37,090,000
	38,460,001	38,460,001

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The holders of the Preference Shares are entitled to receive notices, reports and accounts of the Company on the same basis as ordinary shares and have a right to one vote per share. The preference shares are not redeemable, but are convertible to ordinary share capital on a one-for-one basis at the discretion of the shareholders. Subject to the discretion of the board, each preference share entitles the holder to receive a dividend of 8% per annum.

Options

The Company has granted 1,370,000 and 45,455 options to senior management exercisable at $2.00 and $2.20 each respectively, with expiry dates of February 2021 and February 2022 respectively. The fair value of the options are 16 cents each.

Note 13 Contingent Liabilities

The Group has given bank guarantees as at 31 December 2016 totalling $581,137 to various landlords.

Note 14 Cash Flow Information

	Consolidated Group
	31 Dec 2016
(a) Reconciliation of cash flows from operating activities with profit after income tax	$
Profit after income tax	2,514,921
Non-cash flows in profit	
— depreciation	880,263
— net (gain)/loss on disposal of property, plant and equipment	(15,893)
Changes in assets and liabilities, net of the effects of purchase and	
— increase/(decrease) in trade and term debtors	3,095,649
— increase/(decrease) in other assets	(731,571)
— increase/(decrease) in inventories	(647,164)
— increase/(decrease) in deferred tax receivable	(46,133)
— increase/(decrease) in trade and other payables	(2,292,186)
— increase/(decrease) in income taxes payable	211,337
— increase/(decrease) in provisions	(57,933)
Net cash provided by operating activities	2,911,290

Note 16 Segment Information

The Group has only one reportable segment. The Group operates predominantly in Australia and in one industry being the supply of building products. This assessment is based on internal reports that are reviewed and used by the Chief Executice Officer (identified as the Chief Operating Decision Maker) in assessing performance and in determining the allocation of resources. No revenue from a single customer exceeds 10% of group revenue.

Note 17 Fair Value of Financial Instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair value.

Note 18 Earnings Per Share

Weighted average number of shares outstanding during the period used in determining basic earnings per share	1,370,001
Weighted average number of shares outstanding during the period used in determining diluted earnings per share	38,460,001

Note 19 Events After the Reporting Period

In the period from 31 December 2016 to the date of this report, the following subsequent events have occurred:

(a) The Company intends to make an Initial Public Offering (IPO) on the Australian Securities Exchange (ASX) in or around April 2017. A due diligence process has been underway since December 2016 to facilitate the IPO. A prospectus is expected to be lodged with ASIC in March 2017. In preparation for the IPO, the Company converted from a proprietary company to a public company on 24 February 2017.

Furthermore, all Series A preference shareholders have agreed to convert all their preference shares to Ordinary shares on a one-for-one basis at a time determined by the Board once the Company's Listing application has been approved by the ASX subject only to customary conditions.

(b) On 13 February 2017 the Company issued 45,455 Series A preference shares and 45,455 Ordinary shares at an issue price of $1.10 per preference and ordinary share.

(c) On 1 March 2017 Big River Group Pty Ltd executed a business purchase deed to acquire the business assets of Adelaide Timber and Building Supplies, a business located in Adelaide SA. The purchase price is $7,500,000 which includes stock, plant and equipment and is to be settled through the payment of $3,800,000 in cash and the issue of ordinary shares upon listing to the value of $3,500,000. A contingent amount of $200,000 is also payable upon achieving an agreed EBITDA target. The number of shares to be issued will be based on the share price under the IPO. Goodwill of $5,070,200 represents the excess of the consideration transferred for the business over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed, and has been determined on a provisional basis.

If listing has not occurred by 30 June 2017, the Group has agreed to instead pay an amount of $2,200,000 to the ATBS vendor in cash plus two contingent amounts of $275,000 each, payable upon achieving agreed profit targets, in lieu of the issue of ordinary shares.

Details of the acquisition are as follows:

	$
Inventories	1,200,000
Customer relationships	1,584,000
Deferred tax liability	(475,200)
Plant and equipment	121,000
Net assets acquired	2,429,800
Goodwill	5,070,200
Acquisition date fair value of total consideration transferred	7,500,000
Representing:	
Big River Industries Limited shares to be issued to vendor	3,500,000
Cash used to acquire the business	3,800,000
Contingent consideration	200,000
	7,500,000

(d) On 8 March 2017 Big River Group Pty Ltd executed a business purchase deed to acquire the business assets of Sabdia Mitre 10, a business located in Brisbane QLD. The purchase price is $1,250,000 which includes stock, plant and equipment and is payable in cash. The asset value allocations below have been determined on a provisional basis.

Details of the acquisition are as follows:

	$
Inventories	1,080,000
Plant and equipment	170,000
Acquisition date fair value of total consideration transferred	1,250,000
Representing:	
Cash used to acquire the business	1,250,000

BIG RIVER INDUSTRIES LIMITED ABN: 72 609 901 377
DIRECTORS' DECLARATION
31 DECEMBER 2016

The directors declare that, in the directors opinion:

(a) the attached financial statements and notes comply with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements;

(b) the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Martin Kaplan
Director

24 March 2017
Sydney

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Independent Auditor's Review Report to the Board of Directors of Big River Industries Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Big River Industries Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration of the directors as set out on pages 3 to 15. The consolidated entity comprises the company Big River Industries Limited and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the entity are responsible for the preparation and fair presentation of the half-year financial report and have determined that the basis of preparation described in Note 1 is appropriate to meet the financial reporting requirements of the Australian Accounting Standards and is appropriate to meet the needs of the directors. The directors' responsibility also includes such internal control as the directors determine is necessary for the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standards. As the auditor of Big River Industries Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Big River Industries Limited does not present fairly, in all material respects, the consolidated entity's financial position as at 31 December 2016 and of its financial performance for the half-year ended on that date in accordance with Australian Accounting Standards AASB134 Interim Financial Reporting.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 24 March 2017