BIG RIVER INDUSTRIES PTY LIMITED AND CONTROLLED ENTITIES

ABN: 72 609 901 377

Financial Report For The Period Ended 30 June 2016

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BIG RIVER INDUSTRIES PTY LIMITED ABN: 72 609 901 377
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DIRECTORS' REPORT

Your directors present their report on Big River Industries Pty Limited and its controlled entities for the financial year ended 30 June 2016.

Directors

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

Martin Kaplan, appointed (18/12/2015)
James Bernard Bindon appointed (19/02/2016)
Malcolm Jackman, appointed (19/02/2016)
Jeremy Andrew Samuel, appointed (19/02/2016)

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

Review of Operations

On 18th December 2015 Big River Industries Pty Limited was incorporated.

During the year the company raised $38,460,001 through the issue of 1,370,001 ordinary shares and 37,090,000 8% preference shares. See Note 19 for more details.

The consolidated loss from the consolidated group's continuing operations for the financial year after providing for income tax amounted to $1,320,337.

On 19th February 2016 the company purchased Big River Group Pty Limited. Costs associated with the sale totalled $3,909,045. During the year the company also wrote off inventory of $824,116.

In April 2016 the company closed the truss plant operation of its Townsville branch and took up an onerous lease provision for the remaining rental relating to the discontinued operations totalling $648,706. The truss plant had an operating loss before income tax of $249,910 in addition to the onerous lease provision.

The continuing operations of the company before income tax during the financial year and before the above significant non-recurring revenue and expenses were as follows:

	Consolidated Group 2016 $
Sales Revenue	**71,422,647**
Less:	
Raw materials and consumables used	(49,299,935)
Employee benefits expense	(9,312,932)
Other expenses	(8,345,620)
Earnings before interest, tax, depreciation and amortisation	**4,464,160**
Depreciation and amortisation expense	(686,528)
Earnings before interest and tax	**3,777,632**
Finance costs	(384,286)
Profit before tax expense	**3,393,346**

Significant Changes in the State of Affairs

Apart from the above, 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 manufacture of veneer, plywood and formply, and the distribution of building supplies. 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.

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 $1,660,285 was paid during the year.

Options

On 19th February 2016 the company issued 1,370,000 options over ordinary shares to a number of employees.

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 in respect of a contract insuring the directors of the company (as named above), the company secretary, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

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

Martin Kaplan Director	***James Bernard Bindon*** Director

Dated this 26th day of October 2016

Deloitte.

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The Board of Directors
Big River Industries Pty Limited
Trenayr Road
Junction Hill NSW 2460

26 October 2016

Dear Board Members

Big River Industries Pty Limited and Controlled Entities

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Big River Industries Pty Limited and Controlled Entities.

As lead audit partner for the audit of the financial statements of Big River Industries Pty Limited and Controlled Entities for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants

BIG RIVER INDUSTRIES PTY LIMITED ABN: 72 609 901 377
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016

	Note	Consolidated Group 2016 $
Continuing Operations		
Revenue	3	71,422,647
Raw materials and consumables used		(50,124,051)
Employee benefits expense		(9,312,932)
Depreciation and amortisation expense		(686,528)
Finance costs	4(a)	(384,286)
Other expenses		(12,254,665)
Loss from continuing operations before income tax		(1,339,815)
Tax benefit	5(a)	19,478
Loss from continuing operations after income tax		(1,320,337)
Discontinued operations		
Loss from discontinued operations after income tax	22	(629,031)
Net loss for the year		(1,949,368)
Other comprehensive income:		
Other comprehensive income for the period net of tax		-
Total comprehensive income for the year		(1,949,368)

The accompanying notes form part of these financial statements.

BIG RIVER INDUSTRIES PTY LIMITED ABN: 72 609 901 377
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	Consolidated Group 2016 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	8	8,505
Trade and other receivables	9	32,039,743
Inventories	10	18,775,844
Other assets	11	842,419
TOTAL CURRENT ASSETS		51,666,511
NON-CURRENT ASSETS		
Property, plant and equipment	13	24,860,507
Deferred tax assets	17	1,386,295
Intangible assets	14	942,699
TOTAL NON-CURRENT ASSETS		27,189,501
TOTAL ASSETS		78,856,012
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	15	23,803,871
Borrowings	16	4,551,142
Current tax liabilities	17	429,214
Provisions	18	2,563,936
TOTAL CURRENT LIABILITIES		31,348,163
NON-CURRENT LIABILITIES		
Borrowings	16	11,988,183
Provisions	18	669,318
TOTAL NON-CURRENT LIABILITIES		12,657,501
TOTAL LIABILITIES		44,005,664
NET ASSETS		34,850,348
EQUITY		
Issued capital	19	38,460,001
Retained earnings		(3,609,653)
TOTAL EQUITY		34,850,348

The accompanying notes form part of these financial statements.

BIG RIVER INDUSTRIES PTY LIMITED ABN: 72 609 901 377
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2016

		Share Capital			
		Ordinary	Preference Shares	Retained Earnings	Total
	Note	$	$	$	$
Consolidated Group					
Balance at 1 July 2015		-	-	-	-
Comprehensive income					
Profit for the year		-	-	(1,949,368)	(1,949,368)
Total comprehensive income for the year attributable to members of the parent		-	-	(1,949,368)	(1,949,368)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year		1,370,001	37,090,000	-	38,460,001
Dividends paid or provided for	7	-	-	(1,660,285)	(1,660,285)
Total transactions with owners, in their capacity as owners, and other transfers		1,370,001	37,090,000	(1,660,285)	36,799,716
Balance at 30 June 2016		1,370,001	37,090,000	(3,609,653)	34,850,348

The accompanying notes form part of these financial statements.

BIG RIVER INDUSTRIES PTY LIMITED ABN: 72 609 901 377
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016

		Consolidated Group
		2016
	Note	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers		75,718,493
Other receipts		49,347
Payments to suppliers and employees		(72,441,181)
Finance costs		(384,286)
Income tax paid		(413,847)
Net cash provided by operating activities	21(a)	2,528,526
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(748,274)
Acquisition of a subsidiary, including borrowings acquired		(48,892,492)
Net cash used in investing activities		(49,640,766)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		38,460,001
Net proceeds from borrowings		12,375,306
Dividends paid		(1,660,285)
Payment for shares bought back		(3,625,066)
Net cash provided by financing activities		45,549,956
Net decrease in cash held		(1,562,284)
Cash and cash equivalents at beginning of financial year		-
Cash and cash equivalents at end of financial year	8	(1,562,284)

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of Big River Industries Pty Limited and its controlled entities (the 'consolidated group' or 'group'). Big River Industries Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Big River Industries Pty Limited, 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 2016 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The Group is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the director's reporting requirements under the Corporations Act 2001.

For the purposes of preparing the financial statements, the Group is a for-profit entity.

The financial statements have been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Accounting Standards and Interpretations, and the disclosure requirements of the AASB101 'Presentation of Financial Statements', AASB107 'Cash Flow Statements', AASB108 'Accounting Policies, Changes in Accounting Estimates and Errors' and AASB1054 'Australian Additional Disclosures'.

The financial statements have been prepared on an accruals 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. 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 all years presented.

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of entites controlled by Big River Industries Pty Limited at the end of the reporting period. A controlled entity is any entity over which Big River Industries Pty Limited has the power to govern the financial and operating policies so as to obtain benefits from its activites.

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 12 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.

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 attained, 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 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. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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 that are 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 Pty 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, excluding a business combination, 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.

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 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(g) 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 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. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Leases

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 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) 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 i s 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.

(g) Impairment of 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.

(h) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick 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.

(i) 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.

(j) 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.

(k) Revenue and Other Income

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Comparative Figures

The company was incorporated on 18th December 2015. Accordingly, comparative figures have not been presented.

(q) 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 evaluation of 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.

No impairment has been recognised in respect of goodwill at the end of the reporting period.

Key judgements

(i) *Provision for impairment of receivables*

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 year. 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.

(r) 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 year, the Group has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

— AASB 2015-3: *'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'*

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

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 1057 'Application of Australian Accounting Standards' and AASB 2015-9 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
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 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.

	2016
STATEMENT OF FINANCIAL POSITION	$
ASSETS	
Current Assets	8,000,827
Non-current Assets	40,975,166
TOTAL ASSETS	48,975,993
LIABILITIES	
Current Liabilities	500,000
Non-current Liabilities	11,500,000
TOTAL LIABILITIES	12,000,000
EQUITY	
Issued Capital	38,460,001
Retained earnings	(1,484,008)
TOTAL EQUITY	36,975,993
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Total loss	(414,865)
Total comprehensive income	(414,865)

Guarantees

Big River Industries Pty Limited and its subsidiaries have entered into guarantee and security arrangements in respect of the group's indebtedness as described in Note 16.

Contingent Liabilities

At 30 June 2016 Big River Industries Pty Limited did not have any contingent liabilities.

Contractual Commitments

At 30 June 2016 Big River Industries Pty Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment.

Note 3 Revenue and Other Income

	Consolidated Group 2016 $
Sales revenue:	
— sale of goods	71,377,787
Total sales revenue	71,377,787
Other revenue:	
— gain on disposal of property, plant and	-
— other revenues	44,860
Total other revenue	44,860
Total revenue	71,422,647

Note 4 Profit before Income Tax

Profit before income tax from continuing operations includes the following specific expenses:	Consolidated Group 2016 $
(a) Expenses	
Raw materials and consumables used	50,124,051
Interest expense on financial liabilities - external	384,286
Bad and doubtful debts - trade receivables	410,794
Rental expense on operating leases	1,434,965
(b) Significant Expenses	
The following significant revenue and expense items are relevant in explaining the financial performance:	
— write-off of inventory included within cost of sales	824,116
— expenses associated with the purchase of Big River Group Pty Limited	3,909,045
— onerous lease provision	648,706

Note 5 Tax Expense

	Note	Consolidated Group 2016 $
(a) The components of tax expense/(income) comprise:		
Current tax		408,717
Deferred tax		(428,195)
		(19,478)
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Accounting loss before tax from continuing operations		(1,339,815)
Loss before tax from a discontinued operation	22	(898,616)
Accounting loss before income tax		(2,238,431)
At Australia's statutory income tax rate of 30%.		
— consolidated group		(671,529)
Add:		
Tax effect of:		
— other non-allowable items		3,785
— non-deductible sale expenses		378,681
Income tax attributable to entity		(289,063)
Income tax expense attributable to:		
Continuing operations		(19,478)
Discontinued operations	22	(269,585)
		(289,063)

Note 6 Auditor's Remuneration

	Consolidated Group 2016 $
Remuneration of the auditor of the parent entity for:	
— auditing or reviewing the financial statements	100,000
— taxation services	19,409
— due diligence services	127,625
	247,034

Note 7 Dividends

	Consolidated Group 2016 $
Distributions paid:	
— Ordinary dividends	7,058
— Preference dividends	1,653,227
	1,660,285

The amount of franking credits available for the subsequent financial year are:	
— Franking account balance as at the end of the financial year at 30% (2015: 30%)	17,973,823
— Franking credits that will arise from the payment of income tax payable as at the end of the financial year	429,214
	18,403,037

Note 8 Cash and Cash Equivalents

	Note	Consolidated Group 2016 $
CURRENT		
Petty Cash Imprest		8,505
		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		8,505
Bank overdrafts	16	(1,570,789)
		(1,562,284)

Note 9 Trade and Other Receivables

	Note	Consolidated Group 2016 $
CURRENT		
Trade receivables		31,341,985
Provision for impairment	9(a)	(608,728)
		30,733,257
Other receivables		1,306,486
Total current trade and other receivables	9(b)	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 9. 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 10 Inventories

	Consolidated Group 2016 $
CURRENT	
At cost:	
Raw materials and stores	2,429,916
Work in progress	41,616
Finished goods	16,304,312
	18,775,844

Note 11 Other Assets

	Consolidated Group 2016 $
CURRENT	
Prepayments	842,419
	842,419

Note 12 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.

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

* Percentage of voting power in proportion to ownership.

Note 13 Property, Plant and Equipment

	Consolidated Group 2016 $
LAND AND BUILDINGS	
Freehold land at:	
— Cost	855,701
Total land	855,701
Buildings at:	
— Cost	5,631,703
Accumulated depreciation	(84,004)
Total buildings	5,547,699
Total land and buildings	6,403,400
PLANT AND EQUIPMENT	
Plant and equipment:	
At cost	19,141,711
Accumulated depreciation	(684,604)
	18,457,107
Total property, plant and equipment	24,860,507

(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:				
Carrying amount at 30 June 2015	-	-	-	-
Additions through acquisition of Big River Group Pty Limited	855,701	5,605,558	18,419,582	24,880,841
Additions post acquisition of Big River Group Pty Limited	-	26,145	722,129	748,274
Depreciation expense	-	(84,004)	(684,604)	(768,608)
Carrying amount at 30 June 2016	855,701	5,547,699	18,457,107	24,860,507

Note 14 Intangible Assets

	Consolidated Group 2016 $
Goodwill at cost	942,699
Net carrying amount	942,699

Note 15 Trade and Other Payables

	Consolidated Group 2016 $
CURRENT	
Unsecured liabilities	
Trade payables	20,846,561
Sundry payables and accrued expenses	2,650,293
GST Liability	307,017
	23,803,871

Note 16 Borrowings

	Note	Consolidated Group 2016 $
CURRENT		
Bank overdraft secured	16(a)	1,570,789
Lease liability secured	16(a), 20	2,480,353
Bank bills secured		500,000
Total current borrowings		4,551,142
NON-CURRENT		
Bank bills secured	16(a)	11,500,000
Lease liability secured	16(a), 20	488,183
Total non-current borrowings		11,988,183
Total borrowings		16,539,325

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

Lease liabilities are secured by the underlying leased assets.

Note 17 Tax

	Consolidated Group 2016 $
CURRENT	
Income tax payable	429,214
TOTAL	429,214
NON-CURRENT	
Deferred tax asset	1,386,295
TOTAL	1,386,295

Note 18 Provisions

	Consolidated Group 2016 $
CURRENT	
Provision for holiday pay	995,647
Provision for long service leave	1,333,064
Provision for onerous lease	235,225
Total current provisions	2,563,936
NON-CURRENT	
Provision for long service leave	255,837
Provision for onerous lease	413,481
Total non-current provisions	669,318

Note 19 Issued Capital

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

(a) Ordinary Shares

	No.
Shares issued during year	1,370,001
At the end of the reporting period	1,370,001

During the financial year the company issued 1,370,001 fully paid ordinary shares at $1.00 each.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity 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.

(b) Preference Shares

	No.
Shares issued during year	37,090,000
At the end of the reporting period	37,090,000

During the financial year the company issued 37,090,000 fully paid Series "A" preference shares at $1.00 each. The preference shares issued by the company have been classified as equity. The preference shares on issue are entitled to a 8% dividend and are not redeemable. They are however convertible to ordinary share capital on a one-for-one basis at the discretion of the shareholders.

Note 20 Capital and Leasing Commitments

	Note	Consolidated Group 2016 $
(a) Finance Lease Commitments		2,968,536
Payable — minimum lease payments		
— not later than 12 months		2,603,217
— between 12 months and five years		538,574
Minimum lease payments		3,141,791
Less future finance charges		(173,255)
Present value of minimum lease payments	16	2,968,536

The finance lease commitments are for plant and equipment, which commenced at various starting periods. They are up to 5 years. The leases are financed through National Australia Bank Limited and Australia and New Zealand Banking Group Limited with loan payments paid monthly in advance.

	Consolidated Group 2016 $
(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	1,979,822
— between 12 months and five years	3,623,451
— later than five years	783,333
	6,386,606

The operating lease commitments relate to distribution outlets being rented in various locations across Australia. The leases are of varying lengths between 1 to 10 years. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

Note 21 Cash Flow Information

	Consolidated Group 2016 $
(a) Reconciliation of cash flows from operating activities with loss after income tax	
Loss after income tax	(1,949,368)
Non-cash flows in profit	
— depreciation	768,608
Changes in assets and liabilities, net of the effects of purchase and	
— increase/(decrease) in trade and term debtors	(4,680,695)
— increase/(decrease) in other assets	89,585
— increase/(decrease) in inventories	1,861,581
— increase/(decrease) in deferred tax receivable	(428,195)
— increase/(decrease) in trade and other payables	5,915,973
— increase/(decrease) in income taxes payable	(274,714)
— increase/(decrease) in provisions	1,225,751
Net cash provided by operating activities	2,528,526

Note 22 Discontinued Operations

In April 2016 the company closed the truss plant operation of its Townsville branch and took up an onerous lease provision for the remaining rental relating to the discontinued operations totalling $648,706.

The results of the discontinued operations for the year until disposal are presented below:

	Consolidated Group 2016 $
Revenue	158,743
Expenses	(408,653)
Loss before onerous lease provision	(249,910)
Onerous lease provision	(648,706)
Loss before tax from discontinued operations	(898,616)
Income tax credit	269,585
Loss for the year from discontinued operations	(629,031)

Note 23 Business Combinations

On 31st January 2016 the group acquired 100% of the voting shares of Big River Group Pty Limited.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Big River Group Pty Limited as at the date of acquisition were:

	Fair value recognition on acquisition $
Assets	
Cash and cash equivalents	8,504
Trade and other receivables	27,359,048
Inventories	20,637,425
Other assets	932,004
Property, plant and equipment	24,880,841
Deferred tax assets	958,100
	74,775,922
Liabilities	
Trade and other payables	17,887,898
Borrowings - bank overdraft	7,925,830
Borrowings - lease liabilities	2,593,230
Current tax liabilities	703,928
Provisions	2,007,503
	31,118,389
Total identifiable net assets at fair value	43,657,533
Non-controlling interest (preference shares)	(3,625,066)
Goodwill arising on acquisition	942,699
Purchase consideration transferred	40,975,166
Analysis of cash flows on acquisition:	
Cash Paid	(40,975,166)
Net cash acquired with the subsdiary (included in cash flows from investing activities)	(7,917,326)
Net cash flow on acquisition	(48,892,492)

Transaction costs related to the acquisition amounted to $3,909,045 and are included in other expenses and within cash flows from operating activite

Note 24 Company Details

The registered office of the company is:
Big River Industries Pty Limited
Trenayr Road
Junction Hill, NSW 2460

The principal place of business is:
Big River Industries Pty Limited
Trenayr Road
Junction Hill, NSW 2460

BIG RIVER INDUSTRIES PTY LIMITED ABN: 72 609 901 377
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

As detailed in note 1 to the financial statements, the Group is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Martin Kaplan	***James Bernard Bindon***
Director	Director

Dated this 26th day of October 2016

Deloitte.

Deloitte Touche Tohmatsu
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Australia

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Independent Auditor's Report to the members of Big River Industries Pty Limited and Controlled Entities

We have audited the accompanying financial report, being a special purpose financial report, of Big River Industries Pty Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end as set out on pages 4 to 19.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Big River Industries Pty Limited and Controlled Entities would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Opinion

In our opinion, the financial report of Big River Industries Pty Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 26 October 2016