BIG RIVER GROUP PTY LIMITED

ABN: 72 000 009 754

Financial Report For The Year Ended
30 June 2016

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BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754
DIRECTORS' REPORT

Your directors present their report on the company 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 (19/02/2016)
James Bernard Bindon
Malcolm Jackman, appointed (19/02/2016)
David Derrick Scanlan, resigned (19/02/2016)
Kyran Thomas Pidcock, resigned (19/02/2016)
Denis William Pidcock, resigned (19/02/2016)
Gregory Ray Laurie, resigned (19/02/2016)
John Gerald Fitzgerald, resigned (19/02/2016)

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

Review of Operations

The loss of the company from continuing operations for the financial year after providing for income tax amounted to $1,357,022 (2015: Profit $10,927,110).

On 19th February 2016 the company was sold to Big River Industries Pty Limited. Costs associated with the sale totalled $2,064,905. As a result of the sale, goodwill was impaired by $5,053,581. 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 $499,229 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:

	2016 $	2015 $
Sales Revenue	**170,770,992**	**148,594,381**
Less:		
Raw materials and consumables used	(118,455,976)	(100,841,420)
Employee benefits expense	(21,604,376)	(20,527,549)
Other expenses	(19,658,164)	(16,983,269)
Earnings before interest, tax, depreciation and amortisation	**11,052,476**	**10,242,143**
Depreciation and amortisation expense	(1,655,036)	(1,738,169)
Earnings before interest and tax	**9,397,440**	**8,503,974**
Finance costs	(631,010)	(1,246,383)
Profit before tax expense	**8,766,430**	**7,257,591**

Significant Changes in the State of Affairs

Apart from the above, no significant changes in the company's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the company 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 company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company 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 company.

Environmental Regulation

The company'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) Fully franked dividends of $3,297,278 (2015: $2,125,854) were paid during the year.

Options

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

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

Indemnification of Officers

During the financial year, the company paid a premium 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	***James Bernard Bindon***
Director	Director

Dated this 26th day of October 2016

Deloitte.

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

26 October 2016

Dear Board Members

Big River Group Pty Limited

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 Group Pty Limited.

As lead audit partner for the audit of the financial statements of Big River Group Pty Limited 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 GROUP PTY LIMITED ABN: 72 000 009 754
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
Continuing Operations			
Revenue	2	170,770,992	148,594,381
Net insurance proceeds	2	-	10,267,330
Raw materials and consumables used		(119,280,092)	(100,841,420)
Employee benefits expense		(21,604,376)	(20,527,549)
Depreciation and amortisation expense		(1,655,036)	(1,738,169)
Finance costs	3(a)	(631,010)	(1,246,383)
Impairment of goodwill	3(b)	(5,053,581)	-
Other expenses	3(b)	(21,723,069)	(18,443,055)
Profit from continuing operations before income tax		823,828	16,065,135
Tax expense	4(a)	(2,180,850)	(5,138,025)
Profit/(loss) from continuing operations after income tax		(1,357,022)	10,927,110
Discontinued operations			
Loss from discontinued operations after income tax	21	(803,554)	(194,488)
Net profit/(loss) for the year		(2,160,576)	10,732,622
Other comprehensive income:			
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		(2,160,576)	10,732,622

The accompanying notes form part of these financial statements.

BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 $	2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	8,504	8,504
Trade and other receivables	9	32,149,039	29,656,814
Inventories	10	18,775,844	18,589,476
Other assets	11	842,419	1,094,273
TOTAL CURRENT ASSETS		51,775,806	49,349,067
NON-CURRENT ASSETS			
Property, plant and equipment	12	24,860,507	24,730,170
Deferred tax assets	16	1,386,295	1,140,692
Intangible assets	13	942,699	5,996,280
TOTAL NON-CURRENT ASSETS		27,189,501	31,867,142
TOTAL ASSETS		78,965,307	81,216,209
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	23,803,871	22,512,705
Borrowings	15	4,051,142	809,352
Current tax liabilities	16	1,065,218	4,528,789
Provisions	17	2,563,936	1,803,731
TOTAL CURRENT LIABILITIES		31,484,167	29,654,577
NON-CURRENT LIABILITIES			
Trade and other payables	14	-	718,887
Borrowings	15	7,853,005	2,358,173
Provisions	17	669,318	442,835
TOTAL NON-CURRENT LIABILITIES		8,522,323	3,519,895
TOTAL LIABILITIES		40,006,490	33,174,472
NET ASSETS		38,958,817	48,041,737
EQUITY			
Issued capital	18	126,103	3,751,169
Reserves		74,756	74,756
Retained earnings		38,757,958	44,215,812
TOTAL EQUITY		38,958,817	48,041,737

The accompanying notes form part of these financial statements.

BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Note	Share Capital Ordinary $	Share Capital Preference Shares $	Retained Earnings $	Capital Profits Reserve $	Total $
Balance at 1 July 2014		126,103	3,625,068	35,609,044	74,756	39,434,971
Comprehensive income						
Profit for the year		-	-	10,732,622	-	10,732,622
Total comprehensive income for the year attributable to members of the entity		-	-	10,732,622	-	10,732,622
Transactions with owners, in their capacity as owners, and other transfers:						
Dividends paid or provided for	7	-	-	(2,125,854)	-	(2,125,854)
Shares issued during the year		-	1,115,998	-	-	1,115,998
Shares redeemed during the year		-	(1,116,000)	-	-	(1,116,000)
Total transactions with owners, in their capacity as owners, and other transfers		-	(2)	(2,125,854)	-	(2,125,856)
Balance at 30 June 2015		126,103	3,625,066	44,215,812	74,756	48,041,737
Balance at 1 July 2015		126,103	3,625,066	44,215,812	74,756	48,041,737
Comprehensive income						
Loss for the year		-	-	(2,160,576)	-	(2,160,576)
Total comprehensive income for the year attributable to members of the entity		-	-	(2,160,576)	-	(2,160,576)
Transactions with owners, in their capacity as owners, and other transfers						
Shares redeemed during the year		-	(3,625,066)	-		(3,625,066)
Dividends paid or provided for	7	-	-	(3,297,278)	-	(3,297,278)
Total transactions with owners, in their capacity as owners, and other transfers		-	(3,625,066)	(3,297,278)	-	(6,922,344)
Balance at 30 June 2016		126,103	-	38,757,958	74,756	38,958,817

The accompanying notes form part of these financial statements.

BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		186,701,140	165,869,325
Interest received		-	215
Total insurance proceeds		-	18,500,000
Other receipts		123,439	237,549
Payments to suppliers and employees		(179,843,779)	(161,182,146)
Finance costs		(631,010)	(1,246,383)
Income tax paid		(5,545,645)	(1,252,688)
Net cash provided by operating activities	20(a)	804,145	20,925,872
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		18,182	39,974
Purchase of property, plant and equipment		(1,917,716)	(1,310,792)
Net cash used in investing activities		(1,899,534)	(1,270,818)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,115,998
Payment for shares bought back		(3,625,066)	(1,116,000)
Net proceeds/(repayment) of borrowings		70,758	(9,530,097)
Dividends paid		(3,297,278)	(2,125,854)
Net proceeds of borrowings from parent company		7,364,822	-
Repayment of borrowings from related company		(718,887)	-
Net cash used in financing activities		(205,651)	(11,655,953)
Net increase/(decrease) in cash held		(1,301,040)	7,999,101
Cash and cash equivalents at beginning of financial year		(261,245)	(8,260,346)
Cash and cash equivalents at end of financial year	8	(1,562,285)	(261,245)

The accompanying notes form part of these financial statements.

These financial statements and notes represent those of Big River Group Pty Limited. Big River Group Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

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 company 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 company 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) Goodwill

Goodwill is initially measured at cost, being the excess of the consideration transferred and the amount of 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 from the acquisition date is allocated to each of the company'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 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.

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.

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 company 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 company 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.

(d) Property, Plant and Equipment (continued)

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 company 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 company, 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.

(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 company 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 company 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 company 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. 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 company 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 company in respect of services provided by employees up to reporting date.

(i) Provisions

Provisions are recognised when the company 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 company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company 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 company; 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 company 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

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

(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 company.

Key estimates

(i) *Impairment – general*

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

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 company 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 Revenue and Other Income

	2016 $	2015 $
Sales revenue:		
— sale of goods	170,658,776	148,367,752
Total sales revenue	170,658,776	148,367,752
Other revenue:		
— interest received (other persons - bank)	-	215
— gain on disposal of property, plant and equipment	-	10,461
— other revenues	112,216	215,953
Total other revenue	112,216	226,629
Total revenue	170,770,992	148,594,381

Note 3 Profit before Income Tax

Profit before income tax from continuing operations includes the following specific expenses:	2016 $	2015 $
(a) Expenses		
Raw materials and consumables used	119,280,092	100,841,420
Interest expense on financial liabilities - external	631,010	1,246,383
Bad and doubtful debts - trade receivables	1,020,151	545,300
Rental expense on operating leases	2,009,574	1,994,154
(b) Significant Expenses		
The following significant expense items are relevant in explaining the financial performance:		
— write-off of inventory included within cost of sales	824,116	-
— expenses associated with the sale of the company	2,064,905	-
— onerous lease provision	648,706	-
— goodwill impairment	5,053,581	-
— write-off of investment in subsidiary companies	-	1,293,372
— restructuring expenses	-	166,414

Note 4 Tax Expense

	Note	2016 $	2015 $
(a) The components of tax expense/(income) comprise:			
Current tax		2,492,450	5,287,299
Deferred tax		(245,603)	(59,122)
Over provision in respect of prior year		(65,997)	(90,152)
		2,180,850	5,138,025
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Accounting profit before tax from continuing operations		823,828	16,065,135
Loss before tax from a discontinued operation	21	(1,147,935)	(277,840)
Accounting profit/(loss) before income tax		(324,107)	15,787,295
At Australia's statutory income tax rate of 30% (2015: 30%)		(97,232)	4,736,189
Add:			
Tax effect of:			
— non-deductible impairment of goodwill		1,516,074	-
— other non-allowable items		22,185	20,624
— non-deductible loss on write off of investment		-	388,012
— non-deductible sale expenses		461,439	-
		1,902,466	5,144,825
Less:			
Tax effect of:			
— Over-provision for income tax in prior year		65,997	90,152
Income tax attributable to entity		1,836,469	5,054,673
Income tax expense attributable to:			
Continuing operations		2,180,850	5,138,025
Discontinued operations	21	(344,381)	(83,352)
		1,836,469	5,054,673

Note 5 Net Insurance Proceeds

	2016 $	2015 $
Insurance proceeds:		
Insurance proceeds:	-	18,500,000
Less		
- Direct expenses incurred as a result of the fire	-	(3,108,052)
- Property, plant and equipment written off	-	(1,440,627)
- Property, plant and equipment impaired	-	(3,683,991)
Net insurance proceeds before tax expense	-	10,267,330
Insurance related tax expense	-	(3,080,199)
Net insurance proceeds after tax expense	-	7,187,131

The net insurance proceeds after tax expense is as a direct result of a fire which occurred in November 2014 at the company's manufacturing plant located at Grafton, NSW. The company was covered by a comprehensive insurance policy which resulted in the receipt of insurance proceeds of $18,500,000 during the year. The fire resulted in the destruction of the two lathes at the plant which have been fully written off, as well as rendering other items of plant fully impaired. The full cost of the fire, including write off and impairment of assets as well as other costs directly associated with the fire are described above.

The profit from operations was not materially impacted by the fire as the company was able to meet market demand by shifting production to the company's other plant in Wagga Wagga, NSW.

Note 6 Auditor's Remuneration

	2016 $	2015 $
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial statements	100,000	95,000
— taxation services	19,409	131,878
— due diligence services	127,625	-
	247,034	226,878

Note 7 Dividends

	2016 $	2015 $
Distributions paid:		
— Ordinary dividends	2,285,973	1,430,557
— Preference dividends	1,011,305	695,297
	3,297,278	2,125,854

Note 8 Cash and Cash Equivalents

	Note	2016 $	2015 $
CURRENT			
Petty Cash Imprest		8,504	8,504
		8,504	8,504

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:

	Note	2016 $	2015 $
Cash and cash equivalents		8,504	8,504
Bank overdrafts	15	(1,570,789)	(269,749)
		(1,562,285)	(261,245)

Note 9 Trade and Other Receivables

	Note	2016	2015
CURRENT		$	$
Trade receivables		31,341,985	29,434,003
Provision for impairment	9(a)	(608,728)	(1,067,683)
		30,733,257	28,366,320
Other receivables		1,306,486	1,270,082
Loans to other related parties		109,296	20,412
Total current trade and other receivables	9(b)	32,149,039	29,656,814

(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 company 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 company is considered to relate to the class of assets described as 'trade and other receivables'.

Note 10 Inventories

	2016	2015
CURRENT	$	$
At cost:		
Raw materials and stores	2,429,916	2,228,183
Work in progress	41,616	41,616
Finished goods	16,304,312	16,319,677
	18,775,844	18,589,476

Note 11 Other Assets

	2016	2015
CURRENT	$	$
Prepayments	842,419	1,094,273
	842,419	1,094,273

Note 12 Property, Plant and Equipment

	2016	2015
LAND AND BUILDINGS	$	$
Freehold land at:		
— Cost	855,701	855,701
Total land	855,701	855,701
Buildings at:		
— Cost	7,103,500	6,512,065
Accumulated depreciation	(1,555,801)	(1,396,797)
Total buildings	5,547,699	5,115,268
Total land and buildings	6,403,400	5,970,969
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	37,263,128	36,601,140
Accumulated depreciation	(15,220,369)	(14,256,287)
Accumulated impairment losses	(3,585,652)	(3,585,652)
	18,457,107	18,759,201
Total property, plant and equipment	24,860,507	24,730,170

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year	Freehold Land $	Buildings $	Plant and Equipment $	Total $
Consolidated Group:				
Balance at 1 July 2014	855,701	5,163,369	24,349,356	30,368,426
Additions	-	187,118	1,123,674	1,310,792
Disposals - written down value	-	(8,254)	(1,461,885)	(1,470,139)
Impairment losses	-	(98,339)	(3,585,652)	(3,683,991)
Depreciation expense	-	(128,626)	(1,666,292)	(1,794,918)
Carrying amount at 30 June 2015	855,701	5,115,268	18,759,201	24,730,170
Additions	-	591,435	1,326,281	1,917,716
Disposals - written down value	-	-	(18,182)	(18,182)
Depreciation expense	-	(159,004)	(1,610,193)	(1,769,197)
Carrying amount at 30 June 2016	855,701	5,547,699	18,457,107	24,860,507

Note 13 Intangible Assets

	2016	2015
	$	$
Resource Quota	578,817	578,817
Goodwill at cost	5,417,463	5,417,463
Accumulated impairment losses	(5,053,581)	-
Net carrying amount	942,699	5,996,280

Note 14 Trade and Other Payables

	2016	2015
	$	$
CURRENT		
Unsecured liabilities		
Trade payables	20,846,561	18,337,739
Sundry payables and accrued expenses	2,650,293	3,677,775
GST Liability	307,017	497,191
	23,803,871	22,512,705
NON-CURRENT		
Unsecured liabilities		
Amounts payable to:		
— Thos Pidcock & Sons Pty Ltd	-	718,887
	-	718,887

Note 15 Borrowings

	Note	2016	2015
		$	$
CURRENT			
Bank overdraft secured	15(a)	1,570,789	269,749
Lease liability secured	15(a), 19	2,480,353	539,603
Total current borrowings		4,051,142	809,352
NON-CURRENT			
Lease liability secured	15(a), 19	488,183	2,358,173
Amounts payable to related companies unsecured:			
— Big River Industries Pty Ltd		7,364,822	-
Total non-current borrowings		7,853,005	2,358,173
Total borrowings		11,904,147	3,167,525

(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 16 Tax

	2016	2015
	$	$
CURRENT		
Income tax payable	1,065,218	4,528,789
TOTAL	1,065,218	4,528,789
NON-CURRENT		
Deferred tax asset	1,386,295	1,140,692
TOTAL	1,386,295	1,140,692

Note 17 Provisions

	2016	2015
Analysis of Provisions	$	$
CURRENT		
Provision for holiday pay	995,647	748,349
Provision for long service leave	1,333,064	1,055,382
Provision for onerous lease	235,225	-
Total current provisions	2,563,936	1,803,731
NON-CURRENT		
Provision for long service leave	255,837	442,835
Provision for onerous lease	413,481	-
Total non-current provisions	669,318	442,835

Note 18 Issued Capital

	2016 $	2015 $
59,563 (2015: 59,563) fully paid ordinary shares	126,103	126,103
Nil (2015: 1,375,000) fully paid 8% preference shares "REDP"	-	1,375,000
Nil (2015: 2,249,998) fully paid 8% preference shares "RED2"	-	2,249,998
Nil (2015: 581) fully paid "D" class preference shares	-	58
Nil (2015: 100) fully paid "S" class preference shares	-	10
	126,103	3,751,169

The company has authorised share capital amounting to 99,400 ordinary shares of no par value.

(a) Ordinary Shares

	No.	No.
At the beginning of the reporting period	59,563	59,563
Shares issued during year	-	-
At the end of the reporting period	59,563	59,563

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.	No.
At the beginning of the reporting period	3,625,066	3,625,068
Shares issued during year	-	1,115,998
Shares redeemed during year	(3,625,066)	(1,116,000)
At the end of the reporting period	-	3,625,066

During the financial year (in February 2016) the company redeemed 1,375,000 fully paid "REDP" preference shares for $1.00 each, 2,249,998 fully paid "RED2" preference shares for $1.00 each, 581 fully paid "D" class preference shares for $0.10 each and 100 fully paid "S" class preference shares for $0.10 each.

Note 19 Capital and Leasing Commitments

	Note	2016 $	2015 $
(a) Finance Lease Commitments			
Payable — minimum lease payments			
— not later than 12 months		2,603,217	732,264
— between 12 months and five years		538,574	2,453,233
Minimum lease payments		3,141,791	3,185,497
Less future finance charges		(173,255)	(287,721)
Present value of minimum lease payments	15	2,968,536	2,897,776

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.

(b) Operating Lease Commitments

	2016 $	2015 $
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	2,064,486
— between 12 months and five years	3,623,451	4,686,501
— later than five years	783,333	91,667
	6,386,606	6,842,654

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 20 Cash Flow Information

	2016 $	2015 $
(a) Reconciliation of cash flows from operating activities with profit/(loss) after income tax		
Profit/(loss) after income tax	(2,160,576)	10,732,622
Non-cash flows in profit or loss		
— depreciation	1,769,197	1,794,918
— write off of investment in subsidiary companies	-	1,293,372
— impairment of property, plant and equipment	-	3,683,991
— net loss on disposal of property, plant and equipment	-	1,430,165
— impairment of goodwill	5,053,581	-
Changes in assets and liabilities		
— increase/(decrease) in trade and term debtors	(2,492,223)	555,065
— increase/(decrease) in other assets	251,854	(238,265)
— increase/(decrease) in inventories	(186,368)	(1,889,465)
— increase/(decrease) in deferred tax receivable	(245,603)	(59,123)
— increase/(decrease) in trade and other payables	1,291,166	179,666
— increase/(decrease) in income taxes payable	(3,463,571)	3,861,107
— increase/(decrease) in provisions	986,688	(418,181)
Net cash provided by operating activities	804,145	20,925,872

Note 21 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:

	2016 $	2015 $
Revenue	804,062	1,305,426
Expenses	(1,303,291)	(1,583,266)
Loss before onerous lease provision	(499,229)	(277,840)
Onerous lease provision	(648,706)	-
Loss before tax from discontinued operations	(1,147,935)	(277,840)
Income tax credit	344,381	83,352
Loss for the year from discontinued operations	(803,554)	(194,488)

Note 22 Company Details

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

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

The ultimate holding company is Big River Industries Pty Limited.

BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754
DIRECTORS' DECLARATION

As detailed in note 1 to the financial statements, the company 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 company 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 company.

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.

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Independent Auditor's Report
to the members of Big River Group Pty Limited

We have audited the accompanying financial report, being a special purpose financial report, of Big River Group Pty Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the 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 entity at the year's end as set out on pages 4 to 18.

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 Group Pty Limited 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 Group Pty Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the 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