

**BIG RIVER GROUP PTY LIMITED  
AND CONTROLLED ENTITIES**

**ABN: 72 000 009 754**

**Financial Report For The Year Ended  
30 June 2015**

**Big River**



# **BIG RIVER GROUP PTY LIMITED AND CONTROLLED ENTITIES**

**ABN: 72 000 009 754**

## **Financial Report For The Year Ended 30 June 2015**

### **CONTENTS**

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### **Page**

|   |    |
|---|----|
| Directors' Report   | 1  |
| Auditor's Independence Declaration                                      | 3  |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 4  |
| Consolidated Statement of Financial Position                            | 5  |
| Consolidated Statement of Changes in Equity                             | 6  |
| Consolidated Statement of Cash Flows                                    | 7  |
| Notes to the Financial Statements                                       | 8  |
| Directors' Declaration  | 21 |
| Independent Auditor's Report  | 22 |

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES  
DIRECTORS' REPORT**

Your directors present their report on the consolidated group for the financial year ended 30 June 2015.

**Directors**

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

David Derrick Scanlan  
Kyran Thomas Pidcock  
Denis William Pidcock  
Gregory Ray Laurie  
James Bernard Bindon  
John Gerald Fitzgerald

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

**Review of Operations**

The consolidated profit of the consolidated group for the financial year after providing for income tax amounted to \$12,025,994 (2014: \$2,861,168).

The operations of the consolidated group before income tax during the financial year and before net insurance proceeds of \$10,267,330 and restructuring expenses of \$166,414 were as follows:

|   | Consolidated Group |                    |
|---|--------------------|--------------------|
|   | 2015               | 2014               |
|   | \$                 | \$                 |
| <b>Sales Revenue</b>  | <b>149,899,807</b> | <b>146,694,960</b> |
| Less:   |                    |                    |
| Raw materials and consumables used                                  | (101,664,532)      | (96,330,391)       |
| Employee benefits expense   | (20,853,990)       | (23,291,868)       |
| Other expenses  | (17,360,233)       | (19,455,459)       |
| <b>Earnings before interest, tax, depreciation and amortisation</b> | <b>10,021,052</b>  | <b>7,617,242</b>   |
| Depreciation and amortisation expense                               | (1,794,918)        | (2,127,844)        |
| <b>Earnings before interest and tax</b>                             | <b>8,226,134</b>   | <b>5,489,398</b>   |
| Finance costs   | (1,246,383)        | (1,443,474)        |
| <b>Profit before tax expense</b>                                    | <b>6,979,751</b>   | <b>4,045,924</b>   |

The net insurance proceeds before income tax is as a direct result of a fire which occurred in November 2014 at one of the company's manufacturing plants 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 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.

**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.

ACN 062 874 195 Pty Ltd and ACN 000 346 752 Pty Ltd are non-trading subsidiaries and both were deregistered on 3 September 2015.

**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) Fully franked dividends of \$2,125,854 (2014: \$1,247,849) 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.

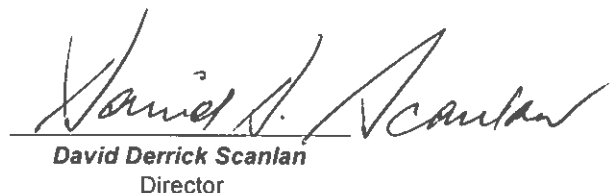
## **Auditor's Independence Declaration**

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:



*Kyran Thomas Pidcock*  
Kyran Thomas Pidcock  
Director



*David Derrick Scanlan*  
David Derrick Scanlan  
Director

Dated this 29th day of September 2015

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

29 September 2015

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 2015, 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



Catherine Hill  
Partner  
Chartered Accountants

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2015**

|   |         | Consolidated Group              |                                |
|---|---------|---------------------------------|--------------------------------|
|   |         | 2015                            | 2014                           |
|   | Note    | \$                              | \$                             |
| Sales Revenue   | 3       | 149,899,807                     | 146,694,960                    |
| Net insurance proceeds                                    | 6       | 10,267,330                      | -                              |
| Raw materials and consumables used                        |         | (101,664,532)                   | (96,330,391)                   |
| Employee benefits expense                                 |         | (20,853,990)                    | (23,291,868)                   |
| Depreciation and amortisation expense                     |         | (1,794,918)                     | (2,127,844)                    |
| Finance costs   | 4(a)    | (1,246,383)                     | (1,443,474)                    |
| Other expenses  |         | (17,526,647)                    | (19,455,459)                   |
| <b>Profit before tax expense</b>                          |         | <u>17,080,667</u>               | <u>4,045,924</u>               |
| Tax expense   | 5(a), 6 | (5,054,673)                     | (1,184,756)                    |
| <b>Profit for the year</b>                                |         | <u><b>12,025,994</b></u>        | <u><b>2,861,168</b></u>        |
| <b>Other comprehensive income:</b>                        |         |                                 |                                |
| <b>Other comprehensive income for the year net of tax</b> |         | -                               | -                              |
| <b>Total comprehensive income for the year</b>            |         | <u><u><b>12,025,994</b></u></u> | <u><u><b>2,861,168</b></u></u> |

The accompanying notes form part of these financial statements.

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

|                                      | Note | Consolidated Group |                   |
|--------------------------------------|------|--------------------|-------------------|
|                                      |      | 2015               | 2014              |
|                                      |      | \$                 | \$                |
| <b>ASSETS</b>                        |      |                    |                   |
| <b>CURRENT ASSETS</b>                |      |                    |                   |
| Cash and cash equivalents            | 9    | 8,504              | 8,504             |
| Trade and other receivables          | 10   | 29,656,814         | 30,211,879        |
| Inventories                          | 11   | 18,589,476         | 16,700,011        |
| Other assets                         | 12   | 1,094,273          | 856,008           |
| <b>TOTAL CURRENT ASSETS</b>          |      | <u>49,349,067</u>  | <u>47,776,402</u> |
| <b>NON-CURRENT ASSETS</b>            |      |                    |                   |
| Property, plant and equipment        | 14   | 24,730,170         | 30,368,426        |
| Deferred tax assets                  | 18   | 1,140,692          | 1,081,569         |
| Intangible assets                    | 15   | 6,016,427          | 6,016,427         |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <u>31,887,289</u>  | <u>37,466,422</u> |
| <b>TOTAL ASSETS</b>                  |      | <u>81,236,356</u>  | <u>85,242,824</u> |
| <b>LIABILITIES</b>                   |      |                    |                   |
| <b>CURRENT LIABILITIES</b>           |      |                    |                   |
| Trade and other payables             | 16   | 22,512,704         | 22,350,073        |
| Borrowings                           | 17   | 809,352            | 10,216,665        |
| Current tax liabilities              | 18   | 4,528,789          | 667,682           |
| Provisions                           | 19   | 1,803,731          | 1,482,640         |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <u>29,654,576</u>  | <u>34,717,060</u> |
| <b>NON-CURRENT LIABILITIES</b>       |      |                    |                   |
| Trade and other payables             | 16   | 718,887            | 701,852           |
| Borrowings                           | 17   | 2,358,173          | 10,480,058        |
| Provisions                           | 19   | 442,835            | 1,182,107         |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <u>3,519,895</u>   | <u>12,364,017</u> |
| <b>TOTAL LIABILITIES</b>             |      | <u>33,174,471</u>  | <u>47,081,077</u> |
| <b>NET ASSETS</b>                    |      | <u>48,061,885</u>  | <u>38,161,747</u> |
| <b>EQUITY</b>                        |      |                    |                   |
| Issued capital                       | 20   | 3,751,169          | 3,751,171         |
| Reserves                             |      | 109,103            | 109,103           |
| Retained earnings                    |      | 44,201,613         | 34,301,473        |
| <b>TOTAL EQUITY</b>                  |      | <u>48,061,885</u>  | <u>38,161,747</u> |

The accompanying notes form part of these financial statements.

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015**

|  | Note | Share Capital  |                            |                            |                                  | Total       |
|--|------|----------------|----------------------------|----------------------------|----------------------------------|-------------|
|  |      | Ordinary<br>\$ | Preference<br>shares<br>\$ | Retained<br>Earnings<br>\$ | Capital Profits<br>Reserve<br>\$ |             |
| <b>Consolidated Group</b>  |      |                |                            |                            |                                  |             |
| <b>Balance at 1 July 2013</b>  |      | 126,103        | 3,450,077                  | 32,688,154                 | 109,103                          | 36,373,437  |
| <b>Comprehensive income:</b>   |      |                |                            |                            |                                  |             |
| Profit for the year  |      | -              | -                          | 2,861,168                  | -                                | 2,861,168   |
| <b>Total comprehensive income for the year attributable to members of the parent</b> |      |                |                            | 2,861,168                  |                                  | 2,861,168   |
| <b>Transactions with owners, in their capacity as owners, and other transfers:</b>   |      |                |                            |                            |                                  |             |
| Dividends paid or provided for   | 8    |                |                            | (1,247,849)                |                                  | (1,247,849) |
| Shares issued during the year  |      |                | 175,000                    |                            |                                  | 175,000     |
| Shares redeemed during the year  |      |                | (9)                        |                            |                                  | (9)         |
| <b>Total transactions with owners and other transfers</b>                            |      |                | 174,991                    | (1,247,849)                |                                  | (1,072,858) |
| <b>Balance at 30 June 2014</b>   |      | 126,103        | 3,625,068                  | 34,301,473                 | 109,103                          | 38,161,747  |
| <b>Balance at 1 July 2014</b>  |      | 126,103        | 3,625,068                  | 34,301,473                 | 109,103                          | 38,161,747  |
| <b>Comprehensive income:</b>   |      |                |                            |                            |                                  |             |
| Profit for the year  |      |                |                            | 12,025,994                 |                                  | 12,025,994  |
| <b>Total comprehensive income for the year attributable to members of the parent</b> |      |                |                            | 12,025,994                 |                                  | 12,025,994  |
| <b>Transactions with owners, in their capacity as owners, and other transfers:</b>   |      |                |                            |                            |                                  |             |
| Shares issued during the year  |      |                | 1,115,998                  |                            |                                  | 1,115,998   |
| Shares redeemed during the year  |      |                | (1,116,000)                |                            |                                  | (1,116,000) |
| Dividends paid or provided for   |      |                |                            | (2,125,854)                |                                  | (2,125,854) |
| <b>Total transactions with owners and other transfers</b>                            | 8    |                | (2)                        | (2,125,854)                |                                  | (2,125,856) |
| <b>Balance at 30 June 2015</b>   |      | 126,103        | 3,625,066                  | 44,201,613                 | 109,103                          | 48,061,885  |

The accompanying notes form part of these financial statements.



**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015**

|  | Note  | Consolidated Group  |                    |
|--|-------|---------------------|--------------------|
|  |       | 2015<br>\$          | 2014<br>\$         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |       |                     |                    |
| Receipts from customers                                  |       | 165,869,325         | 158,026,391        |
| Interest received  |       | 215                 | 782                |
| Total insurance proceeds                                 |       | 18,500,000          | -                  |
| Other receipts   |       | 237,549             | 272,269            |
| Payments to suppliers and employees                      |       | (161,182,146)       | (152,505,484)      |
| Finance costs  |       | (1,246,383)         | (1,443,474)        |
| Income tax paid  |       | (1,252,688)         | (892,992)          |
| Net cash provided by operating activities                | 22(a) | <u>20,925,872</u>   | <u>3,457,492</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |       |                     |                    |
| Proceeds from sale of property, plant and equipment      |       | 39,974              | 370,307            |
| Purchase of property, plant and equipment                |       | (1,310,792)         | (1,514,685)        |
| Net cash used in investing activities                    |       | <u>(1,270,818)</u>  | <u>(1,144,378)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>              |       |                     |                    |
| Proceeds from issue of shares                            |       | 1,115,998           | 175,000            |
| Payment for shares bought back                           |       | (1,116,000)         | (9)                |
| Repayment of borrowings                                  |       | (9,530,097)         | (1,626,975)        |
| Dividends paid   |       | (2,125,854)         | (1,247,849)        |
| Net cash used in financing activities                    |       | <u>(11,655,953)</u> | <u>(2,699,833)</u> |
| Net increase/(decrease) in cash held                     |       | 7,999,101           | (386,719)          |
| Cash and cash equivalents at beginning of financial year |       | <u>(8,260,346)</u>  | <u>(7,873,627)</u> |
| Cash and cash equivalents at end of financial year       | 9     | <u>(261,245)</u>    | <u>(8,260,346)</u> |

The accompanying notes form part of these financial statements.

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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

The financial statements were authorised for issue on 29th September 2015 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 the assets, liabilities and results of entities controlled by Big River Group Pty Limited at the end of the reporting period. A controlled entity is any entity over which Big River Group Pty Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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 13 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.

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**(b) Income Tax**

The Group is a tax-consolidated group under Australian taxation law, of which Big River Group Pty Ltd 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**

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:

| <b>Class of Fixed Asset</b> | <b>Depreciation Rate</b> |
|-----------------------------|--------------------------|
| 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.

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**(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 company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

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

**Classification and Subsequent Measurement**

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

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

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

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

**(i) Loans and receivables**

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

**(ii) Financial Liabilities**

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

**Impairment**

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

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

**Derecognition**

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

**(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 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 to sell 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 (e.g. in accordance with the revaluation model in AASB 116). 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) Intangibles other than Goodwill**

**Resource Quota**

Expenditure for the purchase of a wood supply agreement is amortised over the life of the associated wood supply agreement. Where the term of a wood supply agreement is changed the amount to be amortisation is adjusted accordingly.

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**(i) 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.

**(j) 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.

**(k) 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 short-term borrowings in current liabilities on the statement of financial position.

**(l) 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.

**(m) 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.

**(n) 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.

**(o) 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.

**(p) 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.

**(q) Comparative Figures**

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

**(r) 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.

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**(s) 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 2014, and therefore relevant for the current year end.

— AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any material impact on amounts recognised in the Group's financial statements.

— AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'

The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the Group does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the amounts recognised in the Group's financial statements.

— AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'

The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both;
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to AASB 12 and AASB 127 to introduce new disclosure requirements for investment entities.

As the Group is not an investment entity (assessed based on the criteria set out in AASB 10 as at 1 July 2014), the application of the amendments does not have any material impact on the amounts recognised in the Group's financial statements.

— AASB 2014-1 'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

The Annual Improvements 2010-2012 has made number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share based payment transactions for which the grant date is on or after 1 July 2014.
- The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.
- The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.
- The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated

The Annual Improvements 2011-2013 has made number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.
- The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.
- The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:
  - (i) the property meets the definition of investment property in terms of AASB 140; and
  - (ii) the transaction meets the definition of a business combination under AASB 3.

The application of these amendments does not have any material impact on the amounts recognised in the Group's financial statements.

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**(s) Application of New and Revised Accounting Standards (continued)**

- AASB 2014-1 'Amendments to Australian Accounting Standards' (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119)

The amendments to AASB 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The application of these amendments to AASB 119 does not have any material impact on the amounts recognised in the Group's financial statements.

- Interpretation 21 'Levies'

Interpretation 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

Interpretation 21 has been applied retrospectively. The application of this Interpretation does not have any material impact on the amounts recognised in the Group's financial statements.

- AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)

The revised AASB 1031 is an interim standard that cross references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the amounts recognised in the Group's financial statements.

**Standards and Interpretations 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.

| <b>Standard/Interpretation</b>   | <b>Effective for annual reporting periods beginning on or after</b> | <b>Expected to be initially applied</b> |
|--|---|---|
| AASB 9 'Financial Instruments', and the relevant amending standards  | 1 January 2018  | 30 June 2019                            |
| AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'                 | 1 January 2017  | 30 June 2018                            |
| AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'                           | 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 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'   | 1 January 2016  | 30 June 2017                            |
| AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'   | 1 January 2016  | 30 June 2017                            |
| AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' | 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 2015-3 'Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality'                                     | 1 July 2015   | 30 June 2016                            |
| AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'           | 1 July 2015   | 30 June 2016                            |
| AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'                              | 1 January 2016  | 30 June 2017                            |

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**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.

|   | 2015              | 2014              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| <b>STATEMENT OF FINANCIAL POSITION</b>                            |                   |                   |
| <b>ASSETS</b>   |                   |                   |
| Current Assets  | 49,349,067        | 47,810,480        |
| Non-current Assets  | 31,867,142        | 38,743,602        |
| <b>TOTAL ASSETS</b>   | <u>81,216,209</u> | <u>86,554,082</u> |
| <b>LIABILITIES</b>  |                   |                   |
| Current Liabilities   | 29,654,577        | 34,718,749        |
| Non-current Liabilities   | 3,519,895         | 12,400,362        |
| <b>TOTAL LIABILITIES</b>  | <u>33,174,472</u> | <u>47,119,111</u> |
| <b>EQUITY</b>   |                   |                   |
| Issued Capital  | 3,751,169         | 3,751,171         |
| Retained earnings   | 44,215,812        | 35,609,044        |
| Revaluation surplus   | 74,756            | 74,756            |
| <b>TOTAL EQUITY</b>   | <u>48,041,737</u> | <u>39,434,971</u> |
| <b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b> |                   |                   |
| Total profit  | <u>10,732,623</u> | <u>2,861,168</u>  |

**Guarantees**

Big River Group Pty Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

**Contingent Liabilities**

At 30 June 2015 Big River Group Pty Limited did not have any contingent liabilities.

**Contractual Commitments**

At 30 June 2015 Big River Group Pty Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2014: Nil).

**Note 3 Revenue and Other Income**

|  | Consolidated Group |                    |
|--|--------------------|--------------------|
|  | 2015               | 2014               |
|  | \$                 | \$                 |
| <b>Sales revenue:</b>                                      |                    |                    |
| — sale of goods  | 149,673,178        | 146,446,661        |
| <b>Total sales revenue</b>                                 | <u>149,673,178</u> | <u>146,446,661</u> |
| <b>Other revenue:</b>                                      |                    |                    |
| — interest received (other persons - bank)                 | 215                | 782                |
| — gain/(loss) on disposal of property, plant and equipment | 10,461             | 118,782            |
| — other revenues   | 215,953            | 128,735            |
| <b>Total other revenue</b>                                 | <u>226,629</u>     | <u>248,299</u>     |
| <b>Total revenue</b>                                       | <u>149,899,807</u> | <u>146,694,960</u> |

**Note 4 Profit before Income Tax**

|  | Consolidated Group |            |
|--|--------------------|------------|
|  | 2015               | 2014       |
|  | \$                 | \$         |
| <b>Profit before income tax from continuing operations includes the following specific expenses:</b> |                    |            |
| <b>(a) Expenses</b>  |                    |            |
| Raw materials and consumables used   | 101,664,533        | 96,330,392 |
| Interest expense on financial liabilities - external   | 1,246,383          | 1,443,474  |
| Bad and doubtful debts - trade receivables   | 545,300            | 650,449    |
| Rental expense   | 2,118,409          | 2,077,884  |



**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 5 Tax Expense**

|  | Note | Consolidated Group |                  |
|--|------|--------------------|------------------|
|  |      | 2015               | 2014             |
|  |      | \$                 | \$               |
| (a) The components of tax (expense)/income comprise:   |      |                    |                  |
| Current tax  |      | 5,203,947          | 1,284,182        |
| Deferred tax   | 18   | (59,122)           | (96,390)         |
| Over provision in respect of prior year  |      | (90,152)           | (3,036)          |
|  |      | <u>5,054,673</u>   | <u>1,184,756</u> |
| (b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: |      |                    |                  |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2014: 30%)                          |      |                    |                  |
| — consolidated group   |      | 5,124,200          | 1,213,777        |
| Add tax effect of:   |      |                    |                  |
| — other non-allowable items  |      | 20,625             | 13,926           |
|  |      | <u>5,144,825</u>   | <u>1,227,703</u> |
| Less tax effect of:  |      |                    |                  |
| — capital profits not subject to income tax  |      | -                  | 39,911           |
| — Over-provision for income tax in prior year  |      | 90,152             | 3,036            |
| Income tax attributable to entity  |      | <u>5,054,673</u>   | <u>1,184,756</u> |
| The applicable weighted average effective tax rates are as follows:  |      | 29.6%              | 29.3%            |

**Note 6 Net Insurance Proceeds**

|  | Note | Consolidated Group |      |
|--|------|--------------------|------|
|  |      | 2015               | 2014 |
|  |      | \$                 | \$   |
| <b>Insurance proceeds:</b>                         |      |                    |      |
| 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           |      | <u>7,187,131</u>   | -    |

The net insurance proceeds after tax expense is as a direct result of a fire which occurred in November 2014 at one of the company's manufacturing plants 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 7 Auditors' Remuneration**

|   | Consolidated Group |                |
|---|--------------------|----------------|
|   | 2015               | 2014           |
|   | \$                 | \$             |
| Remuneration of the auditor of the parent entity for: |                    |                |
| — auditing or reviewing the financial statements      | 95,000             | 88,000         |
| — taxation services                                   | 131,878            | 19,061         |
|   | <u>226,878</u>     | <u>107,061</u> |

**Note 8 Dividends**

|                        | Consolidated Group |                  |
|------------------------|--------------------|------------------|
|                        | 2015               | 2014             |
|                        | \$                 | \$               |
| Distributions paid:    |                    |                  |
| — Ordinary Dividends   | 1,430,557          | 649,862          |
| — Preference Dividends | 695,297            | 597,987          |
|                        | <u>2,125,854</u>   | <u>1,247,849</u> |

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% (2014: 30%)                             | 13,841,271        | 13,511,144        |
| — Franking credits that will arise from the payment of income tax payable as at the end of the financial year | 4,528,789         | 667,682           |
|   | <u>18,370,060</u> | <u>14,178,826</u> |

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 9 Cash and Cash Equivalents**

|                    |             | Consolidated Group |              |
|--------------------|-------------|--------------------|--------------|
|                    |             | 2015               | 2014         |
|                    |             | \$                 | \$           |
| CURRENT            | <b>Note</b> |                    |              |
| Petty Cash Imprest |             | 8,504              | 8,504        |
|                    |             | <u>8,504</u>       | <u>8,504</u> |

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 |    | 8,504            | 8,504              |
| Bank overdrafts           | 17 | <u>(269,749)</u> | <u>(8,268,850)</u> |
|                           |    | <u>(261,245)</u> | <u>(8,260,346)</u> |

**Note 10 Trade and Other Receivables**

|   |             | Consolidated Group |                    |
|---|-------------|--------------------|--------------------|
|   |             | 2015               | 2014               |
|   |             | \$                 | \$                 |
| CURRENT                                   | <b>Note</b> |                    |                    |
| Trade receivables                         |             | 29,434,003         | 30,662,832         |
| Provision for impairment                  | 10(a)       | <u>(1,067,683)</u> | <u>(1,099,130)</u> |
|   |             | 28,366,320         | 29,563,702         |
| Other receivables                         |             | 1,270,082          | 633,166            |
| Other related parties                     |             | 20,412             | 15,011             |
| Total current trade and other receivables | 8(b)        | <u>29,656,814</u>  | <u>30,211,879</u>  |

**(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 10. 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 11 Inventories**

|                            |             | Consolidated Group |                   |
|----------------------------|-------------|--------------------|-------------------|
|                            |             | 2015               | 2014              |
|                            |             | \$                 | \$                |
| CURRENT                    | <b>Note</b> |                    |                   |
| At cost:                   |             |                    |                   |
| Raw materials and stores   |             | 2,228,183          | 2,955,173         |
| Work in progress           |             | 41,616             | 139,841           |
| Finished goods             |             | 16,319,677         | 13,665,482        |
| Provision for obsolescence |             | -                  | <u>(60,485)</u>   |
|                            |             | <u>18,589,476</u>  | <u>16,700,011</u> |

**Note 12 Other Assets**

|             |  | Consolidated Group |                |
|-------------|--|--------------------|----------------|
|             |  | 2015               | 2014           |
|             |  | \$                 | \$             |
| CURRENT     |  |                    |                |
| Prepayments |  | 1,094,273          | 856,008        |
|             |  | <u>1,094,273</u>   | <u>856,008</u> |

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 13      Controlled Entities**

**Controlled Entities Consolidated**

| Subsidiaries of Big River Group Pty Limited: | Country of Incorporation | Percentage Owned (%)* |      |
|--|--------------------------|-----------------------|------|
|  |                          | 2015                  | 2014 |
| ACN 062 874 195 Pty Ltd                      | Australia                | 100%                  | 100% |
| ACN 000 346 752 Pty Ltd                      | Australia                | 100%                  | 100% |

\* Percentage of voting power in proportion to ownership.

ACN 062 874 195 Pty Ltd and ACN 000 346 752 Pty Ltd are non-trading subsidiaries and both were deregistered on 3 September 2015, refer to Note 23.

**Note 14      Property, Plant and Equipment**

|                                     | Note | Consolidated Group |                   |
|-------------------------------------|------|--------------------|-------------------|
|                                     |      | 2015               | 2014              |
|                                     |      | \$                 | \$                |
| <b>LAND AND BUILDINGS</b>           |      |                    |                   |
| Freehold land at:                   |      |                    |                   |
| — Cost                              |      | 855,701            | 855,701           |
| Total land                          |      | <u>855,701</u>     | <u>855,701</u>    |
| Buildings at:                       |      |                    |                   |
| — Cost                              |      | 6,512,065          | 6,352,685         |
| Accumulated depreciation            |      | (1,396,797)        | (1,189,316)       |
| Total buildings                     |      | <u>5,115,268</u>   | <u>5,163,369</u>  |
| Total land and buildings            |      | <u>5,970,969</u>   | <u>6,019,070</u>  |
| <b>PLANT AND EQUIPMENT</b>          |      |                    |                   |
| Plant and equipment:                |      |                    |                   |
| At cost                             |      | 36,601,140         | 41,942,904        |
| Accumulated depreciation            |      | (14,256,287)       | (17,593,548)      |
| Accumulated impairment losses       |      | (3,585,652)        | -                 |
| Total plant and equipment           |      | <u>18,759,201</u>  | <u>24,349,356</u> |
| Total property, plant and equipment |      | <u>24,730,170</u>  | <u>30,368,426</u> |

**(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             |
|--|----------------|------------------|---------------------|-------------------|
|  | \$             | \$               | \$                  | \$                |
| <b>Consolidated Group:</b>   |                |                  |                     |                   |
| Balance at 1 July 2013   | 991,089        | 5,199,243        | 25,042,777          | 31,233,109        |
| Additions  | -              | 84,799           | 1,429,886           | 1,514,685         |
| Disposals - written down value   | (135,388)      | -                | (116,136)           | (251,524)         |
| Depreciation expense   | -              | (120,673)        | (2,007,171)         | (2,127,844)       |
| Carrying amount at 30 June 2014  | <u>855,701</u> | <u>5,163,369</u> | <u>24,349,356</u>   | <u>30,368,426</u> |
| Additions  | -              | 187,118          | 1,123,674           | 1,310,792         |
| Disposals - written down value   | -              | (8,254)          | (1,461,885)         | (1,470,139)       |
| Impairment   | 6              | (98,339)         | (3,585,652)         | (3,683,991)       |
| Depreciation expense   | 6              | (128,626)        | (1,666,292)         | (1,794,918)       |
| Carrying amount at 30 June 2015  | <u>855,701</u> | <u>5,115,268</u> | <u>18,759,201</u>   | <u>24,730,170</u> |

**Note 15      Intangible Assets**

|                     | Consolidated Group |                  |
|---------------------|--------------------|------------------|
|                     | 2015               | 2014             |
|                     | \$                 | \$               |
| Resource Quota      | 578,817            | 578,817          |
| Goodwill at cost    | 5,437,610          | 5,437,610        |
| Net carrying amount | <u>6,016,427</u>   | <u>6,016,427</u> |

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 16 Trade and Other Payables**

|  | Note | Consolidated Group |                   |
|--|------|--------------------|-------------------|
|  |      | 2015               | 2014              |
|  |      | \$                 | \$                |
| <b>CURRENT</b>                                 |      |                    |                   |
| Unsecured liabilities                          |      |                    |                   |
| Trade payables                                 |      | 18,337,738         | 18,795,671        |
| Sundry payables and accrued expenses           |      | 3,677,775          | 3,097,818         |
| GST Liability                                  |      | 497,191            | 456,584           |
|  |      | <u>22,512,704</u>  | <u>22,350,073</u> |
| <b>NON-CURRENT</b>                             |      |                    |                   |
| Unsecured liabilities - ultimate parent entity |      | 718,887            | 701,852           |
|  |      | <u>718,887</u>     | <u>701,852</u>    |

**Note 17 Borrowings**

|                              | Note      | Consolidated Group |                   |
|------------------------------|-----------|--------------------|-------------------|
|                              |           | 2015               | 2014              |
|                              |           | \$                 | \$                |
| <b>CURRENT</b>               |           |                    |                   |
| Bank overdraft secured       | 17(a)     | 269,749            | 8,268,850         |
| Lease liability secured      | 17(a), 21 | 539,603            | 1,352,615         |
| Bank bills secured           |           | -                  | 595,200           |
| Total current borrowings     |           | <u>809,352</u>     | <u>10,216,665</u> |
| <b>NON-CURRENT</b>           |           |                    |                   |
| Bank bills secured           | 17(a)     |                    | 6,065,400         |
| Lease liability secured      | 17(a), 21 | 2,358,173          | 4,414,658         |
| Total non-current borrowings |           | <u>2,358,173</u>   | <u>10,480,058</u> |
| Total borrowings             |           | <u>3,167,525</u>   | <u>20,696,723</u> |

(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 18 Tax**

|                    | Consolidated Group |                  |
|--------------------|--------------------|------------------|
|                    | 2015               | 2014             |
|                    | \$                 | \$               |
| <b>CURRENT</b>     |                    |                  |
| Income tax payable | 4,528,789          | 667,682          |
| Total              | <u>4,528,789</u>   | <u>667,682</u>   |
| <b>NON-CURRENT</b> |                    |                  |
| Deferred tax asset | 1,140,692          | 1,081,569        |
| Total              | <u>1,140,692</u>   | <u>1,081,569</u> |

**Note 19 Provisions**

| Analysis of Provisions           | Consolidated Group |                  |
|----------------------------------|--------------------|------------------|
|                                  | 2015               | 2014             |
|                                  | \$                 | \$               |
| <b>CURRENT</b>                   |                    |                  |
| Provision for holiday pay        | 748,349            | 976,023          |
| Provision for long service leave | 1,055,382          | 506,617          |
| Total current provisions         | <u>1,803,731</u>   | <u>1,482,640</u> |
| <b>NON-CURRENT</b>               |                    |                  |
| Provision for Long Service Leave | 442,835            | 1,182,107        |
| Total non-current provisions     | <u>442,835</u>     | <u>1,182,107</u> |

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 20 Issued Capital**

|  | Consolidated Group |                  |
|--|--------------------|------------------|
|  | 2015               | 2014             |
|  | \$                 | \$               |
| 59,563 (2014: 59,563) fully paid ordinary shares                   | 126,103            | 126,103          |
| 1,375,000 (2014: 1,375,000) fully paid 8% preference shares "REDP" | 1,375,000          | 1,375,000        |
| 2,249,998 (2014: 2,250,000) fully paid 8% preference shares "RED2" | 2,249,998          | 2,250,000        |
| 581 (2014: 581) fully paid "D" class preference shares             | 58                 | 58               |
| 100 (2014: 100) fully paid "S" class preference shares             | 10                 | 10               |
|  | <u>3,751,169</u>   | <u>3,751,171</u> |

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       | <u>59,563</u> | <u>59,563</u> |

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 | 3,625,068        | 3,450,077        |
| Shares issued during year                | 1,115,998        | 175,000          |
| Shares redeemed during year              | (1,116,000)      | (9)              |
| At the end of the reporting period       | <u>3,625,066</u> | <u>3,625,068</u> |

During the financial year (in March 2015) the company issued 1,115,998 fully paid 8% preference shares at \$1.00 each and redeemed 1,116,000 fully paid 8% preference shares for \$1.00 each. The preference shares issued by the company have been classified as equity. The 8% preference shares on issue are redeemable at the discretion of the directors and are entitled to a non-cumulative 8% fully franked dividend.

**Note 21 Capital and Leasing Commitments**

|  | Note | Consolidated Group |                  |
|--|------|--------------------|------------------|
|  |      | 2015               | 2014             |
|  |      | \$                 | \$               |
| <b>(a) Finance Lease Commitments</b>   |      |                    |                  |
| Payable — minimum lease payments   |      |                    |                  |
| — not later than 12 months   |      | 732,264            | 1,748,394        |
| — between 12 months and five years   |      | 2,453,233          | 4,829,780        |
| Minimum lease payments   |      | <u>3,185,497</u>   | <u>6,578,174</u> |
| Less future finance charges  |      | (287,721)          | (810,901)        |
| Present value of minimum lease payments  | 17   | <u>2,897,776</u>   | <u>5,767,273</u> |
| <b>(b) Operating Lease Commitments</b>   |      |                    |                  |
| Non-cancellable operating leases contracted for but not recognised in the financial statements |      |                    |                  |
| Payable — minimum lease payments   |      |                    |                  |
| — not later than 12 months   |      | 2,064,486          | 2,024,188        |
| — between 12 months and five years   |      | 4,686,501          | 3,349,804        |
| — later than five years  |      | 91,667             | 97,000           |
|  |      | <u>6,842,654</u>   | <u>5,470,992</u> |

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.

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.

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 22 Cash Flow Information**

|  | Consolidated Group |                  |
|--|--------------------|------------------|
|  | 2015               | 2014             |
|  | \$                 | \$               |
| <b>(a) Reconciliation of cash flow from operations</b>   |                    |                  |
| <b>with profit after income tax</b>  |                    |                  |
| Profit after income tax  | 12,025,994         | 2,861,168        |
| Non-cash flows in profit   |                    |                  |
| — depreciation   | 1,794,918          | 2,127,844        |
| — net loss/(gain) on disposal of property, plant and equipment                                 | 1,430,165          | (118,782)        |
| — impairment of property, plant and equipment  | 3,683,991          | -                |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries |                    |                  |
| — increase/(decrease) in trade and term debtors  | 555,065            | (2,716,409)      |
| — increase/(decrease) in inventories   | (1,889,465)        | (680,929)        |
| — increase/(decrease) in other assets  | (238,265)          | 29,451           |
| — increase/(decrease) in deferred tax receivable   | (59,123)           | (96,389)         |
| — increase/(decrease) in trade and other payables  | 179,666            | 1,470,069        |
| — increase/(decrease) in income taxes payable  | 3,861,107          | 387,371          |
| — increase/(decrease) in provisions  | (418,181)          | 194,098          |
| Net cash provided by operating activities  | <u>20,925,872</u>  | <u>3,457,492</u> |

**Note 23 Events After the Reporting Period**

Other than the following, the directors are not aware of any significant events since the end of the reporting period.  
ACN 062 874 195 Pty Ltd and ACN 000 346 752 Pty Ltd are non-trading subsidiaries and both were deregistered on 3 September 2015.

**Note 24 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

**BIG RIVER GROUP PTY LIMITED ABN: 72 000 009 754  
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

  
Kyran Thomas Pidcock  
Director

  
David Derrick Scanlan  
Director

Dated this 29th day of September 2015

## 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 consolidated statement of financial position as at 30 June 2015, 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 21.

### *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.

*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 consolidated entity's financial position as at 30 June 2015 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



Catherine Hill

Partner

Chartered Accountants

Parramatta, 29 September 2015