

1. Company details

| | |
|-------------------|--|
| Name of entity: | Big River Industries Limited |
| ABN: | 72 609 901 377 |
| Reporting period: | For the year ended 30 June 2017 |
| Previous period: | Period from 18 December 2015 to 30 June 2016 |

2. Results for announcement to the market

| <i>Statutory results</i> | | | \$ |
|--|----|--|---|
| Revenues from ordinary activities | up | 147.4% to | 177,089,181 |
| Profit from ordinary activities after tax attributable to the owners of Big River Industries Limited | up | 301.5% to | 3,927,681 |
| Profit for the year attributable to the owners of Big River Industries Limited | up | 301.5% to | 3,927,681 |
| | | Year to 30 Jun 2017 Cents | Period from 18 Dec 2015 to 30 Jun 2016 Cents |
| Basic earnings per share | | 13.77 | (263.48) |
| Diluted earnings per share | | 13.77 | (263.48) |
| Adjusted basic earnings per share | | 9.55 | (5.07) |
| Adjusted diluted earnings per share | | 9.55 | (5.07) |

Adjusted earnings per share

The Company's preference shares were converted on the Initial Public Offer into ordinary shares on a 1 for 1 basis. To provide a more meaningful comparison, the Company has also presented Adjusted EPS which shows the impact as though the preference shares were ordinary shares from the date they were issued. Refer to note 35 in the attached financial statements for further details.

| <i>Pro forma results (consistent with Prospectus dated 3 April 2017)</i> | | \$'000 |
|--|--|---------|
| Revenues from ordinary activities | | 197,795 |
| EBITDA* attributable to the owners of Big River Industries Limited | | 11,618 |
| NPAT for the year attributable to the owners of Big River Industries Limited | | 6,092 |

* EBITDA is a non-IFRS term and is pre-tax profit adjusted for interest, depreciation and amortisation.

Dividends

On 29 August 2017, the directors declared a fully franked final dividend of 3.5 cents per fully paid ordinary share to be paid on 29 September 2017.

An A class preference dividend for the period ended 30 June 2017 of \$2,423,302 was paid prior to the Group listing.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---------------------------------------|--------------------------------------|
| Net tangible assets per ordinary security | <u>93.37</u> | <u>2,475.01</u> |

Big River Industries Limited

(Formerly known as Big River Industries Pty Limited)

ABN 72 609 901 377

Annual Report - 30 June 2017

Big River Industries Limited
(Formerly known as Big River Industries Pty Limited)
Contents
30 June 2017



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| | |
|--------------------------------|--|
| Directors | Gregory Ray Laurie James Bernard Bindon Martin Kaplan Malcolm Geoffrey Jackman |
| Company secretaries | Leanne Ralph Stephen Thomas Parks |
| Registered office | Trenayr Road Junction Hill NSW 2460 Tel: 02 6644 0900 |
| Share register | Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Tel: 1300 554 474 |
| Auditor | Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000 |
| Solicitors | Thomson Geer Level 25 1 O'Connell Street Sydney NSW 2000 |
| Stock exchange listing | Big River Industries Limited shares are listed on the Australian Securities Exchange (ASX code: BRI) |
| Website | bigrivergroup.com.au |
| Corporate Governance Statement | bigriverindustries.com.au/Investors/?page=Corporate-Governance |

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Big River Industries Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

The following persons were directors of Big River Industries Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

| | |
|--------------------------|------------------------|
| Gregory Ray Laurie | Appointed 1 March 2017 |
| James Bernard Bindon | |
| Martin Kaplan | |
| Malcolm Geoffrey Jackman | |
| Jeremy Andrew Samuel | Resigned 24 March 2017 |

Principal activities

During the financial year the principal continuing activities of the Group consisted of the manufacture of veneer, plywood and formply, and the distribution of building supplies.

Dividends

Dividends paid during the financial year were as follows:

| | Consolidated | Period from |
|--|---------------------|--------------------|
| | Year to | 18 Dec 2015 |
| | 30 Jun | to 30 Jun |
| | 2017 | 2016 |
| | \$ | \$ |
| Preference dividend for the period ended 30 June 2016 | - | 1,660,285 |
| A class preference dividend for the period ended 30 June 2017, paid prior to the Group listing | 2,423,302 | - |
| | <u>2,423,302</u> | <u>1,660,285</u> |

Since the end of the financial year the directors have declared a fully franked final dividend of 3.5 cents per fully paid ordinary share to be paid on 29 September 2017.

Review of operations

With an operating history of over 97 years, the Group has established itself as a diverse manufacturer and distributor of timber and building products. In its maiden financial results as a listed public company, Big River Industries Limited has recorded a statutory net profit after tax ('NPAT') of \$3.9 million for the 12 months to June 2017, up 22.5% on the prospectus forecast of \$3.2 million and up from the statutory loss of \$1.9 million recorded in the part-year period from 18 December 2015 to 30 June 2016.

Lower than expected IPO costs expensed in the statement of profit and loss along with some income tax savings from the prior year contributed to the improved statutory NPAT compared with the Prospectus, with underlying trading in line with the prospectus. Actual pro forma NPAT of \$6.1 million was up 1.7% on the prospectus forecast of \$6.0 million.

A reconciliation between the Statutory financial performance and the Prospectus pro forma NPAT is set out below.

| | 30 Jun 2017 Actual \$'000 | 30 Jun 2017 Prospectus \$'000 | | |
|---------------------------------------|--|--|----|-------|
| Statutory NPAT | <u>3,928</u> | <u>3,206</u> | up | 22.5% |
| Pro forma adjustment for acquisitions | 1,006 | 1,270 | | |
| Related party costs | 480 | 480 | | |
| Incremental public company costs | (306) | (306) | | |
| Initial public offering expenses | 1,905 | 2,125 | | |
| Interest expense | 366 | 336 | | |
| Additional tax deductions | (252) | - | | |
| Income tax effect | <u>(1,035)</u> | <u>(1,119)</u> | | |
| Pro forma NPAT | <u>6,092</u> | <u>5,992</u> | up | 1.7% |

The two acquisitions towards the end of the year, being Adelaide Timber and Building Supplies and Sabdia Mitre 10 made a positive contribution since purchase. Pro forma EBITDA of \$11.6 million, was up 1.5% on the prospectus forecast of \$11.4 million, which is explained in the table below.

| | 30 Jun 2017 Actual \$'000 | 30 Jun 2017 Prospectus \$'000 | | |
|---------------------------------------|--|--|----|------|
| Statutory EBITDA | <u>8,144</u> | <u>7,595</u> | up | 7.2% |
| Pro forma adjustment for acquisitions | 1,395 | 1,547 | | |
| Related party costs | 480 | 480 | | |
| Incremental public company costs | (306) | (306) | | |
| Initial public offering expenses | <u>1,905</u> | <u>2,125</u> | | |
| Pro forma EBITDA | <u>11,618</u> | <u>11,441</u> | up | 1.5% |

Statutory revenue for the 12 months totalled \$177.1 million, which was in line with Prospectus forecast statutory revenue of \$177.7 million and pro forma revenue was marginally down on prospectus forecasts primarily due to poor weather conditions towards the end of the year.

| | 30 Jun 2017 Actual \$'000 | 30 Jun 2017 Prospectus \$'000 | | |
|---------------------------------------|--|--|------|--------|
| Statutory revenue | <u>177,089</u> | <u>177,693</u> | down | (0.3%) |
| Pro forma adjustment for acquisitions | <u>20,706</u> | <u>23,343</u> | | |
| Pro forma revenue | <u>197,795</u> | <u>201,036</u> | down | (1.6%) |

The net operating cash flow after capital expenditure for the 12 months to June 2017 was \$3.2 million, exceeding the prospectus forecast of \$0.8 million by \$2.4 million. This was primarily due to strong working capital management and lower than expected tax payments. As a result, the net debt position at 30 June 2017 was only \$4.0 million.

| | 30 Jun 2017 Actual \$'000 | 30 Jun 2017 Prospectus \$'000 |
|--|--|--|
| Statutory EBITDA | 8,144 | 7,595 |
| Change in working capital | (1,128) | (2,185) |
| Operating cash flow | 7,016 | 5,410 |
| <i>Operating cash flow conversion</i> | 86.1% | 71.2% |
| Finance costs | (923) | (1,008) |
| Income tax paid | (1,352) | (2,351) |
| Operating cash flow after finance costs and income tax | 4,741 | 2,051 |
| Net capital expenditure | (1,207) | (1,213) |
| Net operating cash flow after capital expenditure | 3,534 | 838 |
| Proceeds from offer | 17,000 | 17,000 |
| Initial public offering expenses | (2,519) | (2,601) |
| Repayment of bank debt | (12,929) | (12,847) |
| Net cash flow | <u>5,086</u> | <u>2,390</u> |

Significant changes in the state of affairs

On 24 February 2017, the Company converted from a proprietary company to a public company changing its name from Big River Industries Pty Limited to Big River Industries Limited.

On 1 March 2017, the subsidiary Big River Group Pty Limited, executed a business purchase deed to acquire the business assets of Adelaide Timber and Building Supplies, a business located in Adelaide, South Australia. The purchase price was \$7,534,192 which includes inventory and plant and equipment and was settled through the payment of \$3,834,192 in cash and the issue of ordinary shares to a value of \$3,500,000. An amount of \$200,000 is payable upon achieving an agreed EBITDA target.

On 8 March 2017, the subsidiary Big River Group Pty Limited, executed a business purchase deed to acquire the business assets of Sabdia Mitre 10, a business located in Brisbane, Queensland. The purchase price was \$1,250,000 which includes inventory and plant and equipment and was settled through the payment of \$1,250,000 in cash.

On 24 April 2017, the Company converted all the A class preference shares to ordinary shares on a one-for-one basis.

On 27 April 2017, the Company successfully completed its Initial Public Offering raising \$17,000,000 and was admitted to the Official List of the Australian Securities Exchange ('ASX') under ASX code BRI. Official quotation of securities commenced on 1 May 2017.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 29 August 2017, the directors have declared a fully franked final dividend of 3.5 cents per fully paid ordinary share to be paid on 29 September 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The building products market is closely linked to activity levels in the residential, commercial, civil and infrastructure construction industry (comprising both new builds and additions and alterations) in Australia. The industry is cyclical and is highly sensitive to a broad range of economic and other factors that are beyond the Company's control.

The Company has a strong balance sheet and a healthy undrawn banking facility which will enable the Company to support the organic and acquisition growth opportunities outlined in its prospectus dated 3 April 2017. At the date of this report the Company does not expect any material change to the pro forma financial forecasts outlined in the prospectus for the year ended 30 June 2018.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Gregory Ray Laurie
Title: Independent Non-Executive Chairman
Qualifications: Greg holds a Bachelor of Commerce from UNSW and has completed an Advanced Management Programme at the University of Pittsburgh. Greg is a Fellow of the Australian Institute of Company Directors.
Experience and expertise: Greg has been the Non-Executive Chairman of the Company since March 2017, having formerly served as an independent non-executive director of Big River Group Pty Limited from September 2006 to February 2016. Greg was previously Finance Director of Crane Group Limited from 1989 to 2003.
Other current directorships: Independent non-executive director of Nick Scali Limited, Bradken Limited and Shriro Holdings Limited
Former directorships (last 3 years): None
Special responsibilities: Chairman of the Board
Interests in shares: 30,000 ordinary shares (indirectly)
Interests in options: None

Name: James Bernard Bindon
Title: Managing Director and Chief Executive Officer
Qualifications: Jim holds a Bachelor of Agricultural Economics (Honours) from the University of New England and a Masters of Business Administration from the University of Queensland. Jim is a member of the Australian Institute of Company Directors.
Experience and expertise: Jim joined Big River in January 2001 and has been Chief Executive Officer and Managing Director since 2005. He has been a director of Big River Group Pty Limited since July 2005 and a director of Big River Group Holdings Pty Ltd and the Company since February 2016. Prior to his current role as Chief Executive Officer and Managing Director, Jim was the Chief Financial Officer and Company Secretary from 2001 to 2005. Since working for Big River, Jim has developed and led the Group's strategy to transform Big River from a manufacturing focused business to a diversified provider of timber and building products. Prior to working at Big River, Jim held the position of Business Manager of Sugar and Horticulture at Incitec, where he was responsible for segment profitability, strategy and marketing.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 400,000 ordinary shares (indirectly)
Interests in options: 200,000 options (indirectly)

Name: Martin Kaplan
Title: Non-Executive Director
Qualifications: Martin holds a Bachelor of Commerce degree from the University of Cape Town and is a Chartered Accountant (South Africa & Canada).
Experience and expertise: Martin has been a Non-Executive Director of the Company since November 2015 and a director of Big River Group Pty Limited and Big River Group Holdings Pty Ltd since February 2016. Martin is currently an Investment Director of Anacacia Capital Pty Ltd, the management company of the Major Shareholder Anacacia.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman of the Audit and Risk Committee
Interests in shares: Martin is an Investment Director of Anacacia Capital Pty Ltd which manages the interests of Anacacia Partnership II, L.P., a substantial shareholder of the Company. Martin does not have a relevant interest in those shares for the purposes of the Corporations Act 2001.
Interests in options: None

Name: Malcolm Geoffrey Jackman
Title: Independent Non-Executive Director
Qualifications: Malcolm has a Bachelor of Science in Pure Mathematics and a Bachelor of Commerce in Accounting from Auckland University. He is a fellow of the Australian Institute of Directors and a recipient of the Centenary of Federation Medal.
Experience and expertise: Malcolm has been an independent Non-Executive Director of the Company since February 2016. Malcolm has also been a director of Big River Group Pty Limited and Big River Group Holdings Pty Ltd since February 2016. Malcolm is a member of the Anacacia Capital Business Advisory Council. Malcolm is also currently the Chief Executive Officer of SAFECOM (South Australian Fire & Emergency Services Commission) where he is employed in a full time capacity.
Other current directorships: None
Former directorships (last 3 years): Non-executive director of Subzero Group Limited. Managing Director of Elders Limited and Coates Hire Limited
Special responsibilities: Chairman of the Nomination and Remuneration Committee
Interests in shares: 68,493 ordinary shares (indirectly)
Interests in options: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Leanne Ralph and Stephen Thomas Parks are co-company secretaries.

Leanne Ralph

Leanne is a company secretary of the Company, joining the Company with over 15 years of experience in providing company secretary and corporate governance services. Leanne is also the founder and director of Boardworx, a corporate governance and compliance services firm. Leanne is company secretary of several other Australian listed companies. Leanne holds a Bachelor of Business and a graduate diploma in Applied Corporate Governance. She is a member of the Governance Institute of Australia and their Corporate and Legal Issues Committee, and a Graduate member of the Australian Institute of Company Directors.

Stephen Thomas Parks

Steve joined Big River in July 2008 as Chief Financial Officer. Prior to working for Big River, Steve was the Chief Financial Officer and General Manager at WDS International, where he was responsible for controlling operating performance and leading finance and administration functions including forecasting, cash management, treasury, payroll, information technology, general administration and warehouse operations. Prior to this role, Steve worked as Financial Controller for a number of Australasian companies including Brazin, Strathfield Group, Sunshades Eyewear and Noel Leeming. Steve holds a Bachelor of Commerce from the University of Canterbury and is a member of the Australian Institute of Company Directors. Steve is a qualified accountant and is a Fellow of the Institute of Public Accountants.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

| | Full Board | | Nomination and Remuneration Committee | | Audit and Risk Committee | |
|-------------|------------|------|---------------------------------------|------|--------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| G Laurie * | 6 | 7 | 1 | 1 | - | - |
| J Bindon | 16 | 16 | - | - | - | - |
| M Kaplan | 14 | 16 | 1 | 1 | - | - |
| M Jackman | 16 | 16 | 1 | 1 | - | - |
| J Samuel ** | 8 | 9 | - | - | - | - |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Appointed 1 March 2017

** Resigned 24 March 2017

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The key management personnel of the Group are the directors of Big River Industries Limited and the following persons:

- Dean Henderson - General Manager of Sales and Marketing
- Steve Parks - Chief Financial Officer (and co-Company Secretary)

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component;
- focusing on sustained growth in shareholder value and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder value; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. Unless otherwise determined by a resolution of Shareholders, the maximum aggregate remuneration payable by the Company to all Non-Executive Directors of the Company for their services as Directors, including their services on a Board Committee or Sub-Committee and including superannuation is limited to \$500,000 per annum (in total).

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has two components:

- fixed base salary, including superannuation and non-monetary benefits; and
- short-term performance incentives.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business with the performance hurdles of executives. STI payments granted to executives are at the discretion of the Board and are based on the achievement of certain financial hurdles, principally relating to earnings before interest, tax, depreciation and amortisation ('EBITDA') performance, and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, cash management, customer satisfaction, safety performance, leadership contribution and product management.

The Company has no long term incentive (LTI) plan in place at present. However, the Directors consider that the long-term interests of the senior executives are presently aligned with those of shareholders as these executives, including the Chief Executive Officer and the Chief Financial Officer, are, and will remain, existing shareholders and option holders either directly or through persons or entities nominated by them. Furthermore, the shares and options held by those executives or their nominees are subject to escrow arrangements. It is the intention of the Directors to consider the introduction of an LTI plan during the next twelve months, taking advice from independent advisors.

Consolidated entity performance and link to remuneration

Remuneration for the senior executives is directly linked to the performance of the Group. A portion of their STI is dependent on defined EBITDA targets being met. The remaining portion of the STI is at the discretion of the Nomination and Remuneration Committee based on performance against personal objectives. Refer to the section 'Additional information' below for details of the earnings for the last two years.

Use of remuneration consultants

During the financial year ended 30 June 2017, the Group did not engage remuneration consultants.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------|----------------|--------------|--------------------------|--------------------|----------------------|------------------|
| | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation | Leave benefits | Equity-settled | |
| Year to 30 Jun 2017 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| G Laurie*** | 30,207 | - | - | 2,870 | - | - | 33,077 |
| M Kaplan* | - | - | - | - | - | - | - |
| M Jackman | 46,404 | - | - | 1,193 | - | - | 47,597 |
| J Samuel** | - | - | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | | |
| J Bindon | 326,342 | 40,000 | - | 29,417 | 9,406 | - | 405,165 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| D Henderson | 251,617 | 22,527 | - | 26,363 | 6,125 | - | 306,632 |
| S Parks | 241,555 | 40,000 | - | 25,297 | 7,061 | - | 313,913 |
| | <u>896,125</u> | <u>102,527</u> | <u>-</u> | <u>85,140</u> | <u>22,592</u> | <u>-</u> | <u>1,106,384</u> |

* M Kaplan waived his Director's fees (including any committee fee to which he is entitled) until 31 March 2019.

** Remuneration is for the period from 1 July 2016 to date of resignation, 24 March 2017.

*** Remuneration is for the period from date of appointment, 1 March 2017, to 30 June 2017.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------|---------------|--------------|--------------------------|--------------------|----------------------|------------------|
| | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation | Leave benefits | Equity-settled | |
| Year to 30 Jun 2016 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| M Kaplan | - | - | - | - | - | - | - |
| M Jackman* | 14,462 | - | - | - | - | - | 14,462 |
| J Samuel* | - | - | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | | |
| J Bindon | 337,597 | - | - | 27,847 | 27,749 | - | 393,193 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| D Henderson | 254,883 | 45,647 | - | 26,753 | 7,569 | - | 334,852 |
| S Parks | 244,714 | 43,058 | - | 25,171 | 6,471 | - | 319,414 |
| | <u>851,656</u> | <u>88,705</u> | <u>-</u> | <u>79,771</u> | <u>41,789</u> | <u>-</u> | <u>1,061,921</u> |

* Remuneration is for the period from appointment, 19 February 2016 to 30 June 2016.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|--|---------------------|--|---------------------|--|---------------------|--|
| | Year to 30 Jun 2017 | Period from 18 Dec 2015 to 30 Jun 2016 | Year to 30 Jun 2017 | Period from 18 Dec 2015 to 30 Jun 2016 | Year to 30 Jun 2017 | Period from 18 Dec 2015 to 30 Jun 2016 |
| <i>Executive Directors:</i> | | | | | | |
| J Bindon | 90% | 100% | 10% | - | - | - |
| <i>Other Key Management Personnel:</i> | | | | | | |
| D Henderson | 93% | 86% | 7% | 14% | - | - |
| S Parks | 87% | 87% | 13% | 13% | - | - |

The proportion of the cash bonus paid/payable or forfeited is as follows:

| Name | Cash bonus paid/payable | | Cash bonus forfeited | |
|--|-------------------------|--|----------------------|--|
| | Year to 30 Jun 2017 | Period from 18 Dec 2015 to 30 Jun 2016 | Year to 30 Jun 2017 | Period from 18 Dec 2015 to 30 Jun 2016 |
| <i>Executive Directors:</i> | | | | |
| J Bindon | 32% | - | 68% | 100% |
| <i>Other Key Management Personnel:</i> | | | | |
| D Henderson | 39% | 79% | 61% | 21% |
| S Parks | 72% | 78% | 28% | 22% |

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: J Bindon
 Title: Managing Director and Chief Executive Officer
 Agreement commenced: January 2001
 Term of agreement: No fixed term
 Details: Either Jim or the Company may terminate the employment contract by giving 6 months' written notice to the other party.

Name: D Henderson
 Title: General Manager – Sales and Marketing
 Agreement commenced: July 2005
 Term of agreement: No fixed term
 Details: Either Dean or the Company may terminate the employment contract by giving 1 months' written notice to the other party.

Name: S Parks
 Title: Chief Financial Officer and co-Company Secretary
 Agreement commenced: July 2008
 Term of agreement: No fixed term
 Details: Steve may terminate his employment contract by giving 1 months' written notice to the Company and the Company may terminate the employment contract by giving 4 months' written notice to Steve.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2017.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Additional information

The results of the Group for the two years to 30 June 2017 are summarised below:

| | 2017 \$ | 2016 \$ |
|--------------------------------|-------------|-------------|
| Sales revenue | 176,891,981 | 71,377,787 |
| EBITDA | 8,144,377 | (1,085,537) |
| EBIT | 6,175,247 | (1,854,145) |
| Profit/(loss) after income tax | 3,927,681 | (1,949,368) |

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|-----------|------------------|--------------------------------|
| <i>Ordinary shares</i> | | | | | |
| G Laurie | - | - | 30,000 | - | 30,000 |
| M Jackman | - | - | 68,493 | - | 68,493 |
| J Bindon | 400,000 | - | - | - | 400,000 |
| D Henderson | 250,000 | - | - | - | 250,000 |
| S Parks | 200,000 | - | 20,000 | - | 220,000 |
| | 850,000 | - | 118,493 | - | 968,493 |

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|-------------------------------------|----------------------------------|---------|-----------|---------------------------|--------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| J Bindon | 200,000 | - | - | - | 200,000 |
| D Henderson | 125,000 | - | - | - | 125,000 |
| S Parks | 100,000 | - | - | - | 100,000 |
| | 425,000 | - | - | - | 425,000 |

| | | Vested and exercisable | Vested and unexercisable | Balance at the end of the year |
|-------------------------------------|--|------------------------|--------------------------|--------------------------------|
| <i>Options over ordinary shares</i> | | | | |
| J Bindon | | 200,000 | - | 200,000 |
| D Henderson | | 125,000 | - | 125,000 |
| S Parks | | 100,000 | - | 100,000 |
| | | 425,000 | - | 425,000 |

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Big River Industries Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|------------------|------------------|----------------|---------------------|
| 19 February 2016 | 19 February 2021 | \$2.00 | 1,370,000 |
| 13 February 2017 | 13 February 2022 | \$2.20 | 45,455 |
| | | | <u>1,415,455</u> |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Big River Industries Limited issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability 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.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

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 immediately after this directors' report.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Laurie".

Gregory Laurie
Chairman

29 August 2017
Sydney

A handwritten signature in black ink, appearing to read "Bindon".

James Bindon
Managing Director

29 August 2017

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

Dear Board Members


Big River Industries Pty Limited and Controlled Entities

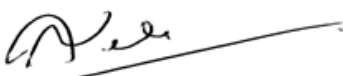
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Big River Industries Pty Limited and Controlled Entities.

As lead audit partner for the audit of the financial statements of Big River Industries Pty Limited and Controlled Entities for the financial year ended 30 June 2017, 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



Alfred Nehama
Partner
Chartered Accountants

Big River Industries Limited
(Formerly known as Big River Industries Pty Limited)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017



| | Note | Consolidated Year to 30 Jun 2017 \$ | Period from 18 Dec 2015 to 30 Jun 2016 \$ |
|---|-------------|--|--|
| Revenue from continuing operations | 5 | 177,089,181 | 71,422,647 |
| Other income | 6 | 57,451 | - |
| Expenses | | | |
| Raw materials and consumables used | | (121,574,190) | (50,124,051) |
| Employee benefits expense | | (22,955,089) | (9,312,932) |
| Depreciation and amortisation expense | 7 | (1,969,130) | (686,528) |
| IPO transaction costs | | (1,904,681) | - |
| Other expenses | | (22,568,295) | (12,254,665) |
| Finance costs | 7 | (923,545) | (384,286) |
| Profit/(loss) before income tax (expense)/benefit from continuing operations | | 5,251,702 | (1,339,815) |
| Income tax (expense)/benefit | 8 | (1,324,021) | 19,478 |
| Profit/(loss) after income tax (expense)/benefit from continuing operations | | 3,927,681 | (1,320,337) |
| Loss after income tax benefit from discontinued operations | 9 | - | (629,031) |
| Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Big River Industries Limited | 22 | 3,927,681 | (1,949,368) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year attributable to the owners of Big River Industries Limited | | <u>3,927,681</u> | <u>(1,949,368)</u> |
| Total comprehensive income for the year is attributable to: | | | |
| Continuing operations | | 3,927,681 | (1,320,337) |
| Discontinued operations | 9 | - | (629,031) |
| | | <u>3,927,681</u> | <u>(1,949,368)</u> |
| | | Cents | Cents |
| Earnings per share for profit/(loss) from continuing operations attributable to the owners of Big River Industries Limited | | | |
| Basic earnings per share | 35 | 13.77 | (217.56) |
| Diluted earnings per share | 35 | 13.77 | (217.56) |
| Earnings per share for loss from discontinued operations attributable to the owners of Big River Industries Limited | | | |
| Basic earnings per share | 35 | - | (45.91) |
| Diluted earnings per share | 35 | - | (45.91) |
| Earnings per share for profit/(loss) attributable to the owners of Big River Industries Limited | | | |
| Basic earnings per share | 35 | 13.77 | (263.48) |
| Diluted earnings per share | 35 | 13.77 | (263.48) |

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

Big River Industries Limited
(Formerly known as Big River Industries Pty Limited)
Statement of financial position
As at 30 June 2017



| | Note | Consolidated 30 Jun 2017 | 30 Jun 2016 |
|--------------------------------------|-------------|---|--------------------|
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 10 | 3,551,708 | 8,505 |
| Trade and other receivables | 11 | 36,845,446 | 32,039,743 |
| Inventories | 12 | 24,441,759 | 18,775,844 |
| Other | 13 | 905,224 | 842,419 |
| Total current assets | | <u>65,744,137</u> | <u>51,666,511</u> |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 24,563,327 | 24,860,507 |
| Intangibles | 15 | 7,420,632 | 942,699 |
| Deferred tax | 8 | 2,333,461 | 1,386,295 |
| Total non-current assets | | <u>34,317,420</u> | <u>27,189,501</u> |
| Total assets | | <u>100,061,557</u> | <u>78,856,012</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 30,926,342 | 23,803,871 |
| Borrowings | 17 | 1,330,804 | 4,551,142 |
| Income tax | 8 | 1,186,213 | 429,214 |
| Provisions | 18 | 2,933,597 | 2,563,936 |
| Total current liabilities | | <u>36,376,956</u> | <u>31,348,163</u> |
| Non-current liabilities | | | |
| Borrowings | 19 | 6,239,245 | 11,988,183 |
| Deferred tax | 8 | 422,400 | - |
| Provisions | 20 | 498,357 | 669,318 |
| Total non-current liabilities | | <u>7,160,002</u> | <u>12,657,501</u> |
| Total liabilities | | <u>43,536,958</u> | <u>44,005,664</u> |
| Net assets | | <u>56,524,599</u> | <u>34,850,348</u> |
| Equity | | | |
| Issued capital | 21 | 58,629,873 | 38,460,001 |
| Accumulated losses | 22 | (2,105,274) | (3,609,653) |
| Total equity | | <u>56,524,599</u> | <u>34,850,348</u> |

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

Big River Industries Limited
(Formerly known as Big River Industries Pty Limited)
Statement of changes in equity
For the year ended 30 June 2017



| Consolidated | Issued capital \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------------|--|----------------------------------|
| Balance at 18 December 2015 | - | - | - |
| Loss after income tax benefit for the period | - | (1,949,368) | (1,949,368) |
| Other comprehensive income for the period, net of tax | - | - | - |
| Total comprehensive income for the period | - | (1,949,368) | (1,949,368) |
| <i>Transactions with owners in their capacity as owners:</i> | | | |
| Contributions of equity, net of transaction costs (note 21) | 38,460,001 | - | 38,460,001 |
| Dividends paid (note 23) | - | (1,660,285) | (1,660,285) |
| Balance at 30 June 2016 | <u>38,460,001</u> | <u>(3,609,653)</u> | <u>34,850,348</u> |
| | Issued capital \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2016 | 38,460,001 | (3,609,653) | 34,850,348 |
| Profit after income tax expense for the year | - | 3,927,681 | 3,927,681 |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive income for the year | - | 3,927,681 | 3,927,681 |
| <i>Transactions with owners in their capacity as owners:</i> | | | |
| Contributions of equity, net of transaction costs (note 21) | 20,169,872 | - | 20,169,872 |
| Dividends paid (note 23) | - | (2,423,302) | (2,423,302) |
| Balance at 30 June 2017 | <u>58,629,873</u> | <u>(2,105,274)</u> | <u>56,524,599</u> |

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

Big River Industries Limited
(Formerly known as Big River Industries Pty Limited)
Statement of cash flows
For the year ended 30 June 2017



| | | Consolidated | |
|--|-------------|---|--|
| | Note | Year to 30 Jun 2017 \$ | Period from 18 Dec 2015 to 30 Jun 2016 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 189,775,476 | 75,718,493 |
| Payments to suppliers and employees (inclusive of GST) | | <u>(182,955,997)</u> | <u>(72,441,181)</u> |
| Other revenue | | 6,819,479 | 3,277,312 |
| Interest and other finance costs paid | | 197,200 | 49,347 |
| Income taxes paid | | <u>(1,351,701)</u> | <u>(413,847)</u> |
| Net cash from operating activities | 34 | <u>4,741,433</u> | <u>2,528,526</u> |
| Cash flows from investing activities | | | |
| Payment for purchase of businesses, net of cash acquired | 31 | (5,084,192) | - |
| Payment for purchase of subsidiary, net of cash acquired | 31 | - | (48,892,492) |
| Payments for property, plant and equipment | 14 | (1,339,718) | (748,274) |
| Proceeds from disposal of property, plant and equipment | | <u>132,727</u> | <u>-</u> |
| Net cash used in investing activities | | <u>(6,291,183)</u> | <u>(49,640,766)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 21 | 17,100,001 | 38,460,001 |
| Share issue transaction costs | 21 | (614,470) | - |
| Payments for non-controlling interest | | - | (3,625,066) |
| Proceeds from borrowings | | 5,020,000 | 12,375,306 |
| Repayment of borrowings | | (12,418,487) | - |
| Dividends paid | 23 | <u>(2,423,302)</u> | <u>(1,660,285)</u> |
| Net cash from financing activities | | <u>6,663,742</u> | <u>45,549,956</u> |
| Net increase/(decrease) in cash and cash equivalents | | 5,113,992 | (1,562,284) |
| Cash and cash equivalents at the beginning of the financial year | | <u>(1,562,284)</u> | <u>-</u> |
| Cash and cash equivalents at the end of the financial year | 10 | <u><u>3,551,708</u></u> | <u><u>(1,562,284)</u></u> |

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

Note 1. General information

The financial statements cover Big River Industries Limited as a Group consisting of Big River Industries Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Big River Industries Limited's functional and presentation currency.

Big River Industries Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Trenayr Road
Junction Hill NSW 2460

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2017. The directors have the power to amend and reissue the financial statements.

Incorporation

The Company was incorporated on 18 December 2015. Accordingly, comparative figures are for the period from date of incorporation to 30 June 2016. Current year figures are for the full year to 30 June 2017.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Big River Industries Limited ('Company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Big River Industries Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised when the goods are delivered, at which time the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

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

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Note 2. Significant accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overhead.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---------------------|----------------|
| Buildings | 25 to 40 years |
| Plant and equipment | 5 to 25 years |

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Note 2. Significant accounting policies (continued)

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of up to 5 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Note 2. Significant accounting policies (continued)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Note 2. Significant accounting policies (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Big River Industries Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets.

A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities at fair value, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The Group will adopt this standard from 1 July 2018 but the impact of its adoption is not expected to have any material impact on the amounts recognised in the Group's financial statements.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group will adopt this standard from 1 July 2018 but the impact of its adoption is not expected to have any material impact on the amounts recognised in the Group's financial statements.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group will adopt this standard from 1 July 2019. Whilst the directors are yet to assess the impact of AASB 16, it is noted that operating leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation and the rental expense will be replaced with depreciation of the right-of-use asset and interest on the lease liability.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into one operating segment as the Group operated predominantly in Australia and in one industry being the supply of building products. This assessment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. Accordingly, the information provided in this Annual Report reflects the one operating segment.

Note 5. Revenue

| | Consolidated | Period from |
|------------------------------------|---------------------|--------------------|
| | Year to | 18 Dec 2015 |
| | 30 Jun | to 30 Jun |
| | 2017 | 2016 |
| | \$ | \$ |
| From continuing operations | | |
| <i>Sales revenue</i> | | |
| Sale of goods | 176,891,981 | 71,377,787 |
| <i>Other revenue</i> | | |
| Other revenue | 197,200 | 44,860 |
| Revenue from continuing operations | <u>177,089,181</u> | <u>71,422,647</u> |

Note 6. Other income

| | Consolidated Year to 30 Jun 2017 \$ | Consolidated Period from 18 Dec 2015 to 30 Jun 2016 \$ |
|---|--|---|
| Net gain on disposal of property, plant and equipment | 57,451 | - |

Note 7. Expenses

| | Consolidated Year to 30 Jun 2017 \$ | Consolidated Period from 18 Dec 2015 to 30 Jun 2016 \$ |
|--|--|---|
| Profit/(loss) before income tax from continuing operations includes the following specific expenses: | | |
| <i>Cost of sales</i> | | |
| Cost of sales | 121,574,190 | 50,124,051 |
| <i>Depreciation</i> | | |
| Buildings | 179,044 | 84,004 |
| Plant and equipment | 1,614,086 | 602,524 |
| Total depreciation | 1,793,130 | 686,528 |
| <i>Amortisation</i> | | |
| Customer relationships | 176,000 | - |
| Total depreciation and amortisation | 1,969,130 | 686,528 |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable | 923,545 | 384,286 |
| <i>Rental expense relating to operating leases</i> | | |
| Minimum lease payments | 2,083,376 | 1,434,965 |
| <i>Superannuation expense</i> | | |
| Defined contribution superannuation expense | 1,576,758 | 628,370 |
| <i>Write off of assets</i> | | |
| Inventories (included in cost of sales) | - | 824,116 |
| <i>Expenses associated with business combinations</i> | | |
| Transaction costs | 192,439 | 3,909,045 |

Note 8. Income tax (continued)

Deferred tax asset

| | Consolidated | |
|---|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| <i>Deferred tax asset</i> | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Impairment of receivables | 349,901 | 182,618 |
| Property, plant and equipment | 66,941 | 63,109 |
| Employee benefits | 939,562 | 837,763 |
| IPO capitalised expenses | 583,166 | - |
| Lease provisions | 148,799 | 194,612 |
| Other provisions and accruals | 245,092 | 108,193 |
| | <u>2,333,461</u> | <u>1,386,295</u> |
| Deferred tax asset | | |
| | <u>2,333,461</u> | <u>1,386,295</u> |
| Movements: | | |
| Opening balance | 1,386,295 | - |
| Credited to profit or loss | 731,879 | 428,195 |
| Credited to equity | 184,341 | - |
| Additions through business combinations (note 31) | 30,946 | 958,100 |
| | <u>2,333,461</u> | <u>1,386,295</u> |
| Closing balance | | |
| | <u>2,333,461</u> | <u>1,386,295</u> |

Deferred tax liability

| | Consolidated | |
|---|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| <i>Deferred tax liability</i> | | |
| Deferred tax liability comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Customer relationships | 422,400 | - |
| | <u>422,400</u> | <u>-</u> |
| Deferred tax liability | | |
| | <u>422,400</u> | <u>-</u> |
| Amount expected to be settled within 12 months | 158,400 | - |
| Amount expected to be settled after more than 12 months | 264,000 | - |
| | <u>422,400</u> | <u>-</u> |
| Movements: | | |
| Credited to profit or loss | (52,800) | - |
| Additions through business combinations (note 31) | 475,200 | - |
| | <u>422,400</u> | <u>-</u> |
| Closing balance | | |
| | <u>422,400</u> | <u>-</u> |

Note 8. Income tax (continued)

Provision for income tax

| | Consolidated | |
|---------------------------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| <i>Provision for income tax</i> | | |
| Provision for income tax | 1,186,213 | 429,214 |
| | <u>1,186,213</u> | <u>429,214</u> |

Note 9. Discontinued operations

Description

2016

In April 2016, Big River Group Pty Ltd closed the truss plant operation of its Townsville branch and recorded an onerous lease provision for the remaining rental relating to the discontinued operations totalling \$648,706.

Financial performance information

| | Consolidated | |
|--|---------------------|--------------------|
| | Year to | Period from |
| | 30 Jun | 18 Dec 2015 |
| | 2017 | to 30 Jun |
| | \$ | 2016 |
| | \$ | \$ |
| Sale of goods | - | 158,743 |
| Raw materials and consumables used | - | (137,550) |
| Employee benefits expense | - | (80,645) |
| Depreciation and amortisation | - | (82,080) |
| Onerous lease provision | - | (648,706) |
| Other expenses | - | (108,378) |
| Total expenses | <u>-</u> | <u>(1,057,359)</u> |
| Loss before income tax benefit | - | (898,616) |
| Income tax benefit | - | 269,585 |
| Loss after income tax benefit from discontinued operations | <u>-</u> | <u>(629,031)</u> |

Note 10. Current assets - cash and cash equivalents

| | Consolidated | |
|--------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Cash on hand | 11,226 | 8,505 |
| Cash at bank | 3,540,482 | - |
| | <u>3,551,708</u> | <u>8,505</u> |

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

| | | |
|--|------------------|--------------------|
| Balances as above | 3,551,708 | 8,505 |
| Bank overdraft (note 17) | - | (1,570,789) |
| Balance as per statement of cash flows | <u>3,551,708</u> | <u>(1,562,284)</u> |

Note 11. Current assets - trade and other receivables

| | Consolidated | |
|---|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Trade receivables | 36,077,732 | 31,341,985 |
| Less: Provision for impairment of receivables | (1,166,338) | (608,728) |
| | <u>34,911,394</u> | <u>30,733,257</u> |
| Other receivables | 1,934,052 | 1,306,486 |
| | <u>36,845,446</u> | <u>32,039,743</u> |

Impairment of receivables

The ageing of the impaired receivables provided for above are as follows:

| | Consolidated | |
|-----------------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| 0 to 3 months overdue | 277,225 | 109,321 |
| 3 to 6 months overdue | 368,748 | 137,169 |
| Over 6 months overdue | 520,365 | 362,238 |
| | <u>1,166,338</u> | <u>608,728</u> |

Note 11. Current assets - trade and other receivables (continued)

Movements in the provision for impairment of receivables are as follows:

| | Consolidated | |
|--|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Opening balance | 608,728 | - |
| Additional provisions recognised | 732,132 | 410,794 |
| Additions through business combinations | - | 943,602 |
| Receivables written off during the year as uncollectable | (174,522) | (745,668) |
| | <u>1,166,338</u> | <u>608,728</u> |

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$15,092,726 as at 30 June 2017 (\$15,136,348 as at 30 June 2016).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

| | Consolidated | |
|-----------------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| 0 to 3 months overdue | 12,012,160 | 12,840,470 |
| 3 to 6 months overdue | 1,323,958 | 904,085 |
| Over 6 months overdue | 1,756,608 | 1,391,793 |
| | <u>15,092,726</u> | <u>15,136,348</u> |

Note 12. Current assets - inventories

| | Consolidated | |
|--|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Raw materials and work in progress - at cost | 2,744,897 | 2,471,532 |
| Finished goods - at cost | 21,696,862 | 16,304,312 |
| | <u>24,441,759</u> | <u>18,775,844</u> |

Note 13. Current assets - other

| | Consolidated | |
|-------------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Prepayments | 518,115 | 666,933 |
| Deferred expenses | 250,965 | 171,736 |
| Other deposits | 136,144 | 3,750 |
| | <u>905,224</u> | <u>842,419</u> |

Note 14. Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------|--------------------------|--------------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Freehold land - at cost | 855,701 | 855,701 |
| Buildings - at cost | 5,832,741 | 5,631,703 |
| Less: Accumulated depreciation | (263,047) | (84,004) |
| | <u>5,569,694</u> | <u>5,547,699</u> |
| Plant and equipment - at cost | 19,458,023 | 19,141,711 |
| Less: Accumulated depreciation | (1,320,091) | (684,604) |
| | <u>18,137,932</u> | <u>18,457,107</u> |
| | <u><u>24,563,327</u></u> | <u><u>24,860,507</u></u> |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Freehold land \$ | Buildings \$ | Plant and equipment \$ | Total \$ |
|---|------------------------|------------------|------------------------------|-------------------|
| Balance at 18 December 2015 | - | - | - | - |
| Additions | - | 26,145 | 722,129 | 748,274 |
| Additions through business combinations (note 31) | 855,701 | 5,605,558 | 18,419,582 | 24,880,841 |
| Depreciation expense | - | (84,004) | (684,604) | (768,608) |
| | <u>855,701</u> | <u>5,547,699</u> | <u>18,457,107</u> | <u>24,860,507</u> |
| Balance at 30 June 2016 | 855,701 | 5,547,699 | 18,457,107 | 24,860,507 |
| Additions | - | 201,039 | 1,138,679 | 1,339,718 |
| Additions through business combinations (note 31) | - | - | 231,508 | 231,508 |
| Disposals | - | - | (75,276) | (75,276) |
| Depreciation expense | - | (179,044) | (1,614,086) | (1,793,130) |
| | <u>855,701</u> | <u>5,569,694</u> | <u>18,137,932</u> | <u>24,563,327</u> |

Property, plant and equipment secured under finance leases

Refer to note 28 for further information on property, plant and equipment secured under finance leases.

Note 15. Non-current assets - intangibles

| | Consolidated | |
|----------------------------------|-------------------------|-----------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Goodwill - at cost | 6,012,632 | 942,699 |
| Customer relationships - at cost | 1,584,000 | - |
| Less: Accumulated amortisation | (176,000) | - |
| | <u>1,408,000</u> | <u>-</u> |
| | <u><u>7,420,632</u></u> | <u><u>942,699</u></u> |

Note 15. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Goodwill \$ | Customer relationships \$ | Total \$ |
|---|------------------|---------------------------------|------------------|
| Balance at 18 December 2015 | - | - | - |
| Additions through business combinations (note 31) | 942,699 | - | 942,699 |
| Balance at 30 June 2016 | 942,699 | - | 942,699 |
| Additions through business combinations (note 31) | 5,069,933 | 1,584,000 | 6,653,933 |
| Amortisation expense | - | (176,000) | (176,000) |
| Balance at 30 June 2017 | <u>6,012,632</u> | <u>1,408,000</u> | <u>7,420,632</u> |

Impairment testing

Goodwill is allocated to the Group's one operating segment (refer Note 4).

The recoverable amount is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for value-in-use calculations:

| | 2017 % | 2016 % |
|---------------|-----------|-----------|
| Growth rate | 3.0% | 3.0% |
| Discount rate | 11.0% | 11.5% |

The weighted average growth rates used are consistent with forecasts included in industry reports. In addition, management have used gross margins based on past performance and its expectations for the future. Management has considered possible changes in the key assumptions used in the value-in-use calculations and has not identified any reasonably possible change that would cause a material impact in the carrying amount of the Group's cash generating unit.

Note 16. Current liabilities - trade and other payables

| | Consolidated | |
|-------------------------------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Trade payables | 27,133,222 | 20,846,561 |
| Goods and services tax payable | 584,786 | 307,017 |
| Other payables and accrued expenses | 3,208,334 | 2,650,293 |
| | <u>30,926,342</u> | <u>23,803,871</u> |

Refer to note 24 for further information on financial instruments.

Note 17. Current liabilities - borrowings

| | Consolidated | |
|-----------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Bank overdraft | - | 1,570,789 |
| Bank bills | 500,000 | 500,000 |
| Lease liability | 830,804 | 2,480,353 |
| | <u>1,330,804</u> | <u>4,551,142</u> |

Refer to note 19 for further information on assets pledged as security and financing arrangements.

Refer to note 24 for further information on financial instruments.

Note 18. Current liabilities - provisions

| | Consolidated | |
|--------------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Annual leave | 1,233,933 | 995,647 |
| Long service leave | 1,442,976 | 1,333,064 |
| Onerous lease | 256,688 | 235,225 |
| | <u>2,933,597</u> | <u>2,563,936</u> |

Onerous lease

The provision represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

| Consolidated - 30 Jun 2017 | Onerous lease |
|--|----------------------|
| | \$ |
| Carrying amount at the start of the year | 235,225 |
| Amounts transferred from non-current | 174,173 |
| Amounts used | <u>(152,710)</u> |
| Carrying amount at the end of the year | <u>256,688</u> |

Note 19. Non-current liabilities - borrowings

| | Consolidated | |
|-----------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Bank bills | 4,520,000 | 11,500,000 |
| Lease liability | 1,719,245 | 488,183 |
| | <u>6,239,245</u> | <u>11,988,183</u> |

Refer to note 24 for further information on financial instruments.

Note 19. Non-current liabilities - borrowings (continued)

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

| | Consolidated | |
|-----------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Bank overdraft | - | 1,570,789 |
| Bank bills | 5,020,000 | 12,000,000 |
| Lease liability | 2,550,049 | 2,968,536 |
| | <u>7,570,049</u> | <u>16,539,325</u> |

Assets pledged as security

The bank overdraft and loans are secured by first mortgages over the Group's assets.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

| | Consolidated | |
|-------------------------------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Total facilities | | |
| Bank overdraft and trade finance | 6,200,000 | 6,200,000 |
| Bank bills | 23,000,000 | 23,000,000 |
| Asset finance | 4,000,000 | 4,000,000 |
| | <u>33,200,000</u> | <u>33,200,000</u> |
| Used at the reporting date | | |
| Bank overdraft and trade finance | - | 1,570,789 |
| Bank bills | 5,020,000 | 12,000,000 |
| Asset finance | 2,550,049 | 2,968,536 |
| | <u>7,570,049</u> | <u>16,539,325</u> |
| Unused at the reporting date | | |
| Bank overdraft and trade finance | 6,200,000 | 4,629,211 |
| Bank bills | 17,980,000 | 11,000,000 |
| Asset finance | 1,449,951 | 1,031,464 |
| | <u>25,629,951</u> | <u>16,660,675</u> |

Note 20. Non-current liabilities - provisions

| | Consolidated | |
|--------------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Long service leave | 259,049 | 255,837 |
| Onerous lease | 239,308 | 413,481 |
| | <u>498,357</u> | <u>669,318</u> |

Note 20. Non-current liabilities - provisions (continued)

Onerous lease

The provision represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

| | Onerous lease \$ |
|--|------------------------|
| Consolidated - 30 Jun 2017 | |
| Carrying amount at the start of the year | 413,481 |
| Amounts transferred to current | (174,173) |
| Carrying amount at the end of the year | <u>239,308</u> |

Note 21. Equity - issued capital

| | 30 Jun 2017 Shares | Consolidated 30 Jun 2016 Shares | 30 Jun 2017 \$ | 30 Jun 2016 \$ |
|--|-----------------------|---------------------------------------|-------------------|-------------------|
| Ordinary shares - fully paid | 52,592,007 | 1,370,001 | 58,629,873 | 1,370,001 |
| A class preference shares - fully paid | - | 37,090,000 | - | 37,090,000 |
| | <u>52,592,007</u> | <u>38,460,001</u> | <u>58,629,873</u> | <u>38,460,001</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|------------------|-------------------|-------------|-------------------|
| Issue of shares on incorporation | 18 December 2015 | 1 | \$1.00 | 1 |
| Issue of shares | 19 February 2016 | <u>1,370,000</u> | \$1.00 | <u>1,370,000</u> |
| Balance | 30 June 2016 | 1,370,001 | | 1,370,001 |
| Issue of shares | 13 February 2017 | 45,455 | \$1.10 | 50,000 |
| Conversion of preference shares to ordinary shares on Initial Public Offering 1:1 | 24 April 2017 | 37,135,455 | | 37,140,000 |
| Issue of shares as purchase consideration for Adelaide Timber and Building Supplies | 24 April 2017 | 2,397,260 | \$1.46 | 3,500,000 |
| Share capital raised | 24 April 2017 | 11,643,836 | \$1.46 | 17,000,001 |
| Transaction costs arising on share issue, net of tax | | - | | (430,129) |
| Balance | 30 June 2017 | <u>52,592,007</u> | | <u>58,629,873</u> |

Movements in A class preference shares

| Details | Date | Shares | Issue price | \$ |
|---|------------------|---------------------|-------------|---------------------|
| Balance | 18 December 2015 | - | | - |
| Issue of preference shares | 19 February 2016 | <u>37,090,000</u> | \$1.00 | <u>37,090,000</u> |
| Balance | 30 June 2016 | 37,090,000 | | 37,090,000 |
| Issue of shares | 13 February 2017 | 45,455 | \$1.10 | 50,000 |
| Conversion of shares on Initial Public Offering | 24 April 2017 | <u>(37,135,455)</u> | | <u>(37,140,000)</u> |
| Balance | 30 June 2017 | <u>-</u> | | <u>-</u> |

Note 21. Equity - issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

A class preference shares

The holders of the A class preference shares are entitled to receive notices, reports and accounts of the Company on the same basis as ordinary shares and have a right to one vote per share. The preference shares are not redeemable, but were converted to ordinary share capital on a one-for-one basis on 24 April 2017, prior to the initial public offering, at the discretion of the shareholders.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 22. Equity - accumulated losses

| | Consolidated | |
|---|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Accumulated losses at the beginning of the financial year | (3,609,653) | - |
| Profit/(loss) after income tax (expense)/benefit for the year | 3,927,681 | (1,949,368) |
| Dividends paid (note 23) | <u>(2,423,302)</u> | <u>(1,660,285)</u> |
| Accumulated losses at the end of the financial year | <u>(2,105,274)</u> | <u>(3,609,653)</u> |

Note 23. Equity - dividends

Dividends

Dividends paid during the financial year were as follows:

| | Consolidated Year to 30 Jun 2017 \$ | Consolidated Period from 18 Dec 2015 to 30 Jun 2016 \$ |
|--|---|---|
| Preference dividend for the period ended 30 June 2016 | - | 1,660,285 |
| A class preference dividend for the period ended 30 June 2017, paid prior to the Group listing | 2,423,302 | - |
| | <u>2,423,302</u> | <u>1,660,285</u> |

Since the end of the financial year the directors have declared a fully franked final dividend of 3.5 cents per fully paid ordinary share to be paid on 29 September 2017.

Franking credits

| | Consolidated 30 Jun 2017 \$ | Consolidated 30 Jun 2016 \$ |
|--|-----------------------------------|-----------------------------------|
| Franking credits available at the reporting date based on a tax rate of 30% | 18,286,966 | 17,973,823 |
| Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30% | 1,186,213 | 429,214 |
| Franking credits available for subsequent financial years based on a tax rate of 30% | <u>19,473,179</u> | <u>18,403,037</u> |

Note 24. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures which are not significant. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group is not exposed to any significant foreign currency risk.

Price risk

The Group is not exposed to any significant price risk.

Note 24. Financial instruments (continued)

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The policy is to regularly monitor interest rates and utilise fixed rates for a portion of long-term borrowings when deemed appropriate by the Board.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

| Consolidated | 30 Jun 2017 | | 30 Jun 2016 | |
|--|---|-------------------|---|-------------------|
| | Weighted average interest rate % | Balance \$ | Weighted average interest rate % | Balance \$ |
| Bank overdraft | - | - | 6.25% | 1,570,789 |
| Bank bills | 4.67% | 5,020,000 | 5.05% | 12,000,000 |
| Net exposure to cash flow interest rate risk | | <u>5,020,000</u> | | <u>13,570,789</u> |

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

For the Group the bank bills outstanding, totalling \$5,020,000 (2016: \$12,000,000), are principal and interest payment loans. Monthly cash outlays of approximately \$19,536 (2016: \$50,500) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2016: 100) basis points would have an adverse/favourable effect on profit before tax of the following:

| Consolidated - 30 Jun 2017 | Basis points increase | | | Basis points decrease | | |
|-----------------------------------|------------------------------|------------------------------------|-------------------------|------------------------------|------------------------------------|-------------------------|
| | Basis points change | Effect on profit before tax | Effect on equity | Basis points change | Effect on profit before tax | Effect on equity |
| Bank bills | (100) | <u>(50,200)</u> | <u>(35,140)</u> | 100 | <u>50,200</u> | <u>35,140</u> |

| Consolidated - 30 Jun 2016 | Basis points increase | | | Basis points decrease | | |
|-----------------------------------|------------------------------|------------------------------------|-------------------------|------------------------------|------------------------------------|-------------------------|
| | Basis points change | Effect on profit before tax | Effect on equity | Basis points change | Effect on profit before tax | Effect on equity |
| Bank overdraft | (100) | (15,707) | (10,995) | 100 | 15,707 | 10,995 |
| Bank bills | (100) | <u>(120,000)</u> | <u>(84,000)</u> | 100 | <u>120,000</u> | <u>84,000</u> |
| | | <u>(135,707)</u> | <u>(94,995)</u> | | <u>135,707</u> | <u>94,995</u> |

The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, minimum principal repayments of \$500,000 (2016: \$500,000) are due during the year ending 30 June 2018 (2016: 30 June 2017).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has no significant credit risk to any individual customer.

Note 24. Financial instruments (continued)

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

| | Consolidated | |
|----------------------------------|---------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Bank overdraft and trade finance | 6,200,000 | 4,629,211 |
| Bank bills | 17,980,000 | 11,000,000 |
| Asset finance | 1,449,951 | 1,031,464 |
| | <u>25,629,951</u> | <u>16,660,675</u> |

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 30 Jun 2017 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|--------------------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 27,133,322 | - | - | - | 27,133,322 |
| Other payables | - | 1,762,072 | - | - | - | 1,762,072 |
| <i>Interest-bearing - variable</i> | | | | | | |
| Bank bills | 4.67% | 500,000 | 4,731,084 | - | - | 5,231,084 |
| <i>Interest-bearing - fixed rate</i> | | | | | | |
| Lease liability | 5.02% | 941,808 | 1,813,697 | - | - | 2,755,505 |
| Total non-derivatives | | <u>30,337,202</u> | <u>6,544,781</u> | <u>-</u> | <u>-</u> | <u>36,881,983</u> |

Note 24. Financial instruments (continued)

| Consolidated - 30 Jun 2016 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|--------------------------------------|----------------------------------|-------------------|--------------------------|--------------------------|-----------------|-------------------------------------|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 20,846,561 | - | - | - | 20,846,561 |
| Other payables | - | 1,568,094 | - | - | - | 1,568,094 |
| <i>Interest-bearing - variable</i> | | | | | | |
| Bank overdraft | 6.25% | 1,570,789 | - | - | - | 1,570,789 |
| Bank bills | 5.05% | 500,000 | 12,080,750 | - | - | 12,580,750 |
| <i>Interest-bearing - fixed rate</i> | | | | | | |
| Lease liability | 6.78% | 2,603,217 | 538,574 | - | - | 3,141,791 |
| Total non-derivatives | | 27,088,661 | 12,619,324 | - | - | 39,707,985 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 25. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

| | Consolidated | Consolidated |
|------------------------------|----------------------------|---|
| | Year to 30 Jun 2017 | Period from 18 Dec 2015 to 30 Jun 2016 |
| | \$ | \$ |
| Short-term employee benefits | 998,652 | 940,361 |
| Post-employment benefits | 85,140 | 79,771 |
| Long-term benefits | 22,592 | 41,789 |
| | 1,106,384 | 1,061,921 |

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

| | Consolidated Year to 30 Jun 2017 \$ | Consolidated Period from 18 Dec 2015 to 30 Jun 2016 \$ |
|---|--|---|
| <i>Audit services - Deloitte Touche Tohmatsu</i> Audit or review of the financial statements | 183,253 | 100,000 |
| <i>Other services - Deloitte Touche Tohmatsu</i> Due diligence | 392,294 | 127,625 |
| Taxation | 40,585 | 19,409 |
| | <u>432,879</u> | <u>147,034</u> |
| | <u>616,132</u> | <u>247,034</u> |

Note 27. Contingent liabilities

The Group has given bank guarantees as at 30 June 2017 of \$629,262 (2016: \$629,262) to various landlords.

Note 28. Commitments

| | Consolidated 30 Jun 2017 \$ | Consolidated 30 Jun 2016 \$ |
|---|--|--|
| <i>Lease commitments - operating</i> Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 2,230,739 | 1,979,822 |
| One to five years | 4,300,494 | 3,623,451 |
| More than five years | 383,333 | 783,333 |
| | <u>6,914,566</u> | <u>6,386,606</u> |
| <i>Lease commitments - finance</i> Committed at the reporting date and recognised as liabilities, payable: | | |
| Within one year | 941,808 | 2,603,217 |
| One to five years | 1,813,697 | 538,574 |
| Total commitment | 2,755,505 | 3,141,791 |
| Less: Future finance charges | <u>(205,456)</u> | <u>(173,255)</u> |
| Net commitment recognised as liabilities | <u>2,550,049</u> | <u>2,968,536</u> |
| Representing: | | |
| Lease liability - current (note 17) | 830,804 | 2,480,353 |
| Lease liability - non-current (note 19) | 1,719,245 | 488,183 |
| | <u>2,550,049</u> | <u>2,968,536</u> |

Note 28. Commitments (continued)

Operating lease commitments includes contracted amounts for various distribution outlets under non-cancellable operating leases expiring within 1 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment under finance leases expiring within 5 years. Under the terms of the leases, the Group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 29. Related party transactions

Parent entity

Big River Industries Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties

During the year the Company paid a management fee to Anacacia Capital Pty Ltd of \$480,000 (2016: \$120,000) for providing ongoing services and assistance. There are no further amounts payable under this arrangement.

Anacacia Capital Pty Ltd was paid a fee of \$960,000 (2016: \$nil) for the provision of support services to Big River Industries Limited to assist the Company with its Initial Public Offering and listing on the ASX.

M Jackman, a director, was paid a fee of \$25,000 for management consultancy services provided in conjunction with the acquisition of Adelaide Timber and Building Supplies.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent |
|---|--|
| | Year to 30 Jun 2017 \$ |
| | Period from 18 Dec 2015 to 30 Jun 2016 \$ |
| Profit/(loss) after income tax | 1,090,021 (414,865) |
| Other comprehensive income for the year, net of tax | - - |
| Total comprehensive income | 1,090,021 (414,865) |

Note 30. Parent entity information (continued)

Statement of financial position

| | Parent | |
|-------------------------------|--------------------|--------------------|
| | 30 Jun 2017 | 30 Jun 2016 |
| | \$ | \$ |
| Total current assets | 19,274,252 | 8,000,827 |
| Total non-current assets | 41,558,332 | 40,975,166 |
| Total assets | 60,832,584 | 48,975,993 |
| Total current liabilities | 500,000 | 500,000 |
| Total non-current liabilities | 4,520,000 | 11,500,000 |
| Total liabilities | 5,020,000 | 12,000,000 |
| Net assets | <u>55,812,584</u> | <u>36,975,993</u> |
| Equity | | |
| Issued capital | 58,629,873 | 38,460,001 |
| Accumulated losses | (2,817,289) | (1,484,008) |
| Total equity | <u>55,812,584</u> | <u>36,975,993</u> |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity is a party to a deed of cross guarantee (refer Note 33) under which it guarantees the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 31. Business combinations

2016

Big River Group Pty Limited

On 31 January 2016, the Group acquired 100% of the ordinary shares of Big River Group Pty Limited for the total consideration transferred of \$40,975,166 after non-controlling interest consideration of \$3,625,066. The values identified in relation to the acquisition of Big River Group Pty Limited are final as at 30 June 2017.

Note 31. Business combinations (continued)

Details of the acquisition are as follows:

| | Fair value \$ |
|--|--------------------------------|
| Cash and cash equivalents | 8,504 |
| Trade receivables | 27,359,048 |
| Inventories | 20,637,425 |
| Other assets | 932,004 |
| Property, plant and equipment | 24,880,841 |
| Deferred tax asset | 958,100 |
| Trade payables | (17,887,898) |
| Provision for income tax | (703,928) |
| Provisions | (2,007,503) |
| Bank overdraft | (7,925,830) |
| Lease liability | (2,593,230) |
| | <hr/> |
| Net assets acquired | 43,657,533 |
| Goodwill | 942,699 |
| Non-controlling interest (preference shares) | (3,625,066) |
| | <hr/> |
| Acquisition-date fair value of the total consideration transferred | <u>40,975,166</u> |
| | <hr/> |
| Representing: | |
| Cash paid or payable to vendor | <u>40,975,166</u> |
| | <hr/> |
| Acquisition costs expensed to profit or loss | <u>3,909,045</u> |
| | <hr/> |
| Cash used to acquire business, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 40,975,166 |
| Add: bank overdraft | 7,925,830 |
| Less: cash and cash equivalents | (8,504) |
| | <hr/> |
| Net cash used | <u>48,892,492</u> |

2017

Adelaide Timber and Building Supplies

On 1 March 2017, the subsidiary Big River Group Pty Limited, executed a business purchase deed to acquire the business assets of Adelaide Timber and Building Supplies, a business located in Adelaide, South Australia. The purchase price was \$7,534,192 which includes inventory and plant and equipment and was settled through the payment of \$3,834,192 in cash and the issue of ordinary shares to a value of \$3,500,000. An amount of \$200,000 is payable upon achieving an agreed EBITDA target.

Sabdia Mitre 10

On 8 March 2017, the subsidiary Big River Group Pty Limited, executed a business purchase deed to acquire the business assets of Sabdia Mitre 10, a business located in Brisbane, Queensland. The purchase price was \$1,250,000 which includes inventory and plant and equipment and is settled through the payment of \$1,250,000 in cash.

The values identified in relation to the acquisitions are final as at 30 June 2017.

Note 31. Business combinations (continued)

Details of the acquisitions are as follows:

| | Adelaide Timber and Building Supplies Fair value \$ | Sabdia Mitre 10 Fair value \$ | Total Fair value \$ |
|--|--|--|---------------------------|
| Inventories | 1,787,143 | 1,139,759 | 2,926,902 |
| Prepayments | 161,447 | - | 161,447 |
| Plant and equipment | 121,267 | 110,241 | 231,508 |
| Customer relationships | 1,584,000 | - | 1,584,000 |
| Deferred tax asset | 30,946 | - | 30,946 |
| Trade payables | (587,142) | - | (587,142) |
| Deferred tax liability | (475,200) | - | (475,200) |
| Employee benefits | (103,154) | - | (103,154) |
| Accrued expenses | (55,048) | - | (55,048) |
| Net assets acquired | 2,464,259 | 1,250,000 | 3,714,259 |
| Goodwill | 5,069,933 | - | 5,069,933 |
| Acquisition-date fair value of the total consideration transferred | <u>7,534,192</u> | <u>1,250,000</u> | <u>8,784,192</u> |
| Representing: | | | |
| Cash paid or payable to vendor | 3,834,192 | 1,250,000 | 5,084,192 |
| Big River Industries Limited shares issued to vendor | 3,500,000 | - | 3,500,000 |
| Contingent consideration | 200,000 | - | 200,000 |
| | <u>7,534,192</u> | <u>1,250,000</u> | <u>8,784,192</u> |
| Acquisition costs expensed to profit or loss | <u>150,279</u> | <u>42,160</u> | <u>192,439</u> |
| Cash used to acquire business, net of cash acquired: | | | |
| Acquisition-date fair value of the total consideration transferred | 7,534,192 | 1,250,000 | 8,784,192 |
| Less: contingent consideration | (200,000) | - | (200,000) |
| Less: shares issued by Company as part of consideration | (3,500,000) | - | (3,500,000) |
| Net cash used | <u>3,834,192</u> | <u>1,250,000</u> | <u>5,084,192</u> |

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|--------------------------------------|---|--------------------|------------------|
| | | 30 Jun 2017 % | 30 Jun 2016 % |
| Big River Group Holdings Pty Limited | Australia | 100.00% | 100.00% |
| Big River Group Pty Limited | Australia | 100.00% | 100.00% |

Note 33. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Big River Industries Limited
Big River Group Holdings Pty Ltd
Big River Group Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Big River Industries Limited, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the Group and therefore have not been separately disclosed.

Note 34. Reconciliation of profit/(loss) after income tax to net cash from operating activities

| | Consolidated Year to 30 Jun 2017 \$ | Period from 18 Dec 2015 to 30 Jun 2016 \$ |
|---|---|---|
| Profit/(loss) after income tax (expense)/benefit for the year | 3,927,681 | (1,949,368) |
| Adjustments for: | | |
| Depreciation and amortisation | 1,969,130 | 768,608 |
| Net gain on disposal of property, plant and equipment | (57,451) | - |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (4,805,703) | (4,680,695) |
| Decrease/(increase) in inventories | (2,739,013) | 1,861,581 |
| Increase in deferred tax assets | (731,878) | (428,195) |
| Decrease in other operating assets | 98,642 | 89,585 |
| Increase in trade and other payables | 6,080,281 | 5,915,973 |
| Increase/(decrease) in provision for income tax | 756,998 | (274,714) |
| Decrease in deferred tax liabilities | (52,800) | - |
| Increase in other provisions | 95,546 | 1,225,751 |
| Increase in other operating liabilities | 200,000 | - |
| Net cash from operating activities | <u>4,741,433</u> | <u>2,528,526</u> |

Note 35. Earnings per share

| | Consolidated | Period from |
|--|---------------------|--------------------|
| | Year to | 18 Dec 2015 |
| | 30 Jun | to 30 Jun |
| | 2017 | 2016 |
| | \$ | \$ |
| <i>Earnings per share for profit/(loss) from continuing operations</i> | | |
| Profit/(loss) after income tax attributable to the owners of Big River Industries Limited | 3,927,681 | (1,320,337) |
| Preference dividends | <u>(2,423,302)</u> | <u>(1,660,285)</u> |
| Profit/(loss) after income tax attributable to the owners of Big River Industries Limited used in calculating earnings per share | <u>1,504,379</u> | <u>(2,980,622)</u> |
| | Cents | Cents |
| Basic earnings per share | 13.77 | (217.56) |
| Diluted earnings per share | 13.77 | (217.56) |
| <i>Earnings per share for loss from discontinued operations</i> | | |
| Loss after income tax attributable to the owners of Big River Industries Limited | <u>-</u> | <u>(629,031)</u> |
| | Cents | Cents |
| Basic earnings per share | - | (45.91) |
| Diluted earnings per share | - | (45.91) |
| <i>Earnings per share for profit/(loss)</i> | | |
| Profit/(loss) after income tax attributable to the owners of Big River Industries Limited | 3,927,681 | (1,949,368) |
| Preference dividends | <u>(2,423,302)</u> | <u>(1,660,285)</u> |
| Profit/(loss) after income tax attributable to the owners of Big River Industries Limited used in calculating earnings per share | <u>1,504,379</u> | <u>(3,609,653)</u> |
| | Cents | Cents |
| Basic earnings per share | 13.77 | (263.48) |
| Diluted earnings per share | 13.77 | (263.48) |

Note 35. Earnings per share (continued)

| | Number | Number |
|---|-------------------|------------------|
| <i>Weighted average number of ordinary shares</i> | | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 10,921,448 | 1,370,001 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>10,921,448</u> | <u>1,370,001</u> |

Options over ordinary shares were excluded in the calculations as they are not dilutive.

Adjusted earnings per share

The Company's preference shares were converted on the Initial Public Offer into ordinary shares on a 1 for 1 basis. To provide a more meaningful comparison, the Company has also presented Adjusted EPS which shows the impact as though the preference shares were ordinary shares from the date they were issued.

| | Consolidated Year to 30 Jun 2017 \$ | Consolidated Period from 18 Dec 2015 to 30 Jun 2016 \$ |
|---|---|---|
| <i>Adjusted earnings per share for profit/(loss)</i> | | |
| Profit/(loss) after income tax attributable to the owners of Big River Industries Limited used in calculating adjusted earnings per share | 3,927,681 | <u>(1,949,368)</u> |
| | Cents | Cents |
| Adjusted basic earnings per share | 9.55 | (5.07) |
| Adjusted diluted earnings per share | 9.55 | (5.07) |
| | Number | Number |

| | | |
|---|-------------------|-------------------|
| <i>Weighted average number of ordinary shares</i> | | |
| Weighted average number of ordinary shares | 10,921,448 | 1,370,001 |
| Weighted average number of preference shares | 30,188,800 | <u>37,090,000</u> |
| Weighted average number of shares used in calculating adjusted earnings per share | <u>40,110,248</u> | <u>38,460,001</u> |

Options over ordinary shares were excluded in the calculations as they are not dilutive.

Note 36. Share-based payments

Unlisted options

The Company has granted Options to senior managers of the Company, through persons or entities nominated by them. The Options will not be listed.

The Options are governed by the terms of option deeds (as amended pursuant to deeds of amendment to comply with the ASX Listing Rules) that are on the same or substantially similar terms. The terms of issue of the Options are summarised below.

Exercise

Under the option deeds, the Options may be exercised for the exercise price specified on grant of the Option (as set out in the table below). The Options may only be exercised before the expiry date (as set out in the table below). The Options may be exercised by delivering a signed exercise notice and an amount equal to the exercise price multiplied by the number of Options being exercised to the address of the Company's solicitors. On exercise, the holder will be issued one ordinary share for each Option exercised.

Note 36. Share-based payments (continued)

Lapse

The Options lapse automatically:

- if the senior management executive who nominated the optionholder ceases to be employed by the Company; or
- at the end of the designated exercise period for the Options, unless extended in accordance with the option deeds; or
- if the optionholder ceases to be a holder of ordinary shares in the Company; or
- in the event that a drag along notice or a tag along notice is issued, each Option will terminate and lapse with immediate effect upon issue of the drag along notice or the tag along notice and the Company must upon completion of the transaction contemplated, pay an amount to the optionholder equal to the price per share specified in the drag along notice less the exercise price multiplied by the number of Options.

Transfer/Dealing

The optionholder cannot dispose, encumber or otherwise deal with its Options without the prior written approval of the Board.

Set out below are summaries of options granted under the plan:

30 Jun 2017

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/forfeited/other | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|---------|-----------|-------------------------|--------------------------------|
| 19/02/2016 | 19/02/2021 | \$2.00 | 1,370,000 | - | - | - | 1,370,000 |
| 13/02/2017 | 13/02/2022 | \$2.20 | - | 45,455 | - | - | 45,455 |
| | | | 1,370,000 | 45,455 | - | - | 1,415,455 |

30 Jun 2016

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/forfeited/other | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|-----------|-----------|-------------------------|--------------------------------|
| 19/02/2016 | 19/02/2021 | \$2.00 | - | 1,370,000 | - | - | 1,370,000 |
| | | | - | 1,370,000 | - | - | 1,370,000 |

The weighted average share price during the financial year was \$1.649.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.64 years (2016: 4.62 years).

Note 37. Events after the reporting period

On 29 August 2017, the directors have declared a fully franked final dividend of 3.5 cents per fully paid ordinary share to be paid on 29 September 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



Gregory Laurie
Chairman

29 August 2017
Sydney



James Bindon
Managing Director

Independent Auditor's Report to the Members of Big River Industries Limited

Opinion

We have audited the financial report of Big River Industries Limited (the "Entity") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|--|
| <p>Provisions for impairment of receivables</p> <p>As at 30 June 2017, the Group had trade receivables of \$36,077,732 and a provision for impairment against receivables of \$1,166,338 as disclosed in note 11.</p> <p>Given the nature and volume of customers and debtors, there is a considerable level of judgement and degree of estimate involved in determining impairment of receivables.</p> <p>Management determines an impairment provision based on the ageing of receivables, historical collection rates, specific knowledge of the individual debtor's financial position, security provided and applicable debtor insurance cover.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the key controls around management's policies and procedures relating to trade receivables approval processes; • Agreeing the receivables ageing report used by Management to the general ledger; • Assessing all material receivables balances in arrears at year end for impairment by reference to each debtors' historical collection rate, proposed payment plans, security provided and applicable debtor insurance cover; and • Assessing the appropriateness of the trade receivable provisions recorded against the trade receivable balances, for compliance with the Group's provisioning policy. <p>We have also assessed the appropriateness of the disclosures in Note 11 to the financial statements.</p> |
| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
| <p>Impairment assessment of Goodwill</p> <p>As at 30 June 2017 the Group has recognised goodwill of \$6,012,632, of which \$5,069,933 arose as a result of acquisitions during the current year as disclosed in Note 31.</p> <p>Management's assessment of the recoverability of goodwill requires them to exercise significant judgement in respect of key assumptions supporting the expected future cash flows, the discount rate and the long term growth rate.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Challenging management's ability to accurately forecast cash flows by assessing the precision of the prior year forecasts against actual outcomes; and • Engaging our valuation specialists to assist with: <ul style="list-style-type: none"> ○ Comparing the discount rate utilised by management to an independently calculated discount rate; ○ Comparing the Group's forecast cash flows to the board approved budget, and challenging the growth rates used; and ○ Performing sensitivity analysis on the growth and discount rates. <p>We also assessed the appropriateness of the disclosures in Note 15 to the financial statements.</p> |

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Directory and Shareholder Information, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Chairman's Report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for 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.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the Director's Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Big River Industries Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Big River Industries Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.


DELOITTE TOUCHE TOHMATSU



Alfred Nehama
Partner
Chartered Accountants
Sydney, 29 August 2017

The shareholder information set out below was applicable as at 23 August 2017.

In accordance with ASX listing rule 4.10.19 the Company confirms that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission to the ASX in a way consistent with its business objectives.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares |
|---------------------------------------|---|
| 1 to 1,000 | 14 |
| 1,001 to 5,000 | 97 |
| 5,001 to 10,000 | 40 |
| 10,001 to 100,000 | 70 |
| 100,001 and over | 25 |
| | <hr/> |
| | 246 |
| | <hr/> <hr/> |
| Holding less than a marketable parcel | - |
| | <hr/> <hr/> |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Number held | Ordinary shares % of total shares issued |
|---|--------------------|---|
| ANACACIA PARTNERSHIP II LP | 18,000,001 | 34.23 |
| PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES FUND I I LP | 8,020,000 | 15.25 |
| AET SFS PTY LTD (NEOC AC) | 4,910,436 | 9.34 |
| PANTHEON INTERNATIONAL PLC | 4,420,000 | 8.40 |
| PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES FUND III LP | 4,020,000 | 7.64 |
| SAID BUILDING PRODUCTS GROUP PTY LTD | 2,397,260 | 4.56 |
| ANACACIA PTY LIMITED WATTLE FUND | 1,978,166 | 3.76 |
| PANTHEON MULTI STRATEGY CO-INVESTMENT PROGRAM 2014 | 970,000 | 1.84 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 685,907 | 1.30 |
| MELIC PTY LTD (MELIC A/C) | 684,932 | 1.30 |
| PANTHEON ASIA FUND VI LP | 570,000 | 1.08 |
| AUST EXECUTOR TRUSTEES LTD (NAOS EMERGING OPP FUND) | 265,328 | 0.50 |
| DEAN JOSEPH HENDERSON & TERESA YOLANDA HENDERSON (THE HENDERSON SUPER FUND) | 250,000 | 0.48 |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 214,682 | 0.41 |
| MEGAN ANNE BINDON (THE BINDON FAMILY A/C) | 200,000 | 0.38 |
| VESKAY PTY LTD (VESKAY SUPER FUND A/C) | 200,000 | 0.38 |
| MIJON INVESTMENTS PTY LTD (THE MIJON S/F A/C) | 200,000 | 0.38 |
| BINDON SUPER PTY LTD (BINDON SUPER FUND A/C) | 200,000 | 0.38 |
| CITICORP NOMINEES PTY LIMITED | 176,713 | 0.34 |
| JAMES HIATT & BREE HIATT (THE J & B HIATT SUPER FUND A/C) | 160,000 | 0.30 |
| | <hr/> | |
| | 48,523,425 | 92.25 |
| | <hr/> <hr/> | |

Unquoted equity securities

| | Number on issue | Number of holders |
|-------------------------------------|--------------------|----------------------|
| Options over ordinary shares issued | 1,415,455 | 15 |

Substantial holders

Substantial holders in the Company are set out below:

| | Number held | Ordinary shares % of total shares issued |
|-------------------------------|-------------|---|
| Anacacia Partnership II, LP | 36,000,001 | 68.45 |
| NAOS Asset Management Limited | 5,175,764 | 9.84 |

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

On-market buy-backs

There is no current on-market buy-back in relation to the Company's securities.

Securities subject to voluntary escrow

| Class | Expiry date | Number of shares |
|-----------------|--|---------------------|
| Ordinary shares | 31 December 2018 | 4,948,170 |
| Ordinary shares | Close of business on the date the audited financial results for the year ended 30 June 2018 are released to the market * | 36,000,001 |
| | | <u>40,948,171</u> |

* A portion of the 36,000,001 shares may be released prior to the expiry of the escrowed period if the following conditions are met:

- (A) If:
- (i) the Company's audited financial results for the year ended 30 June 2017 are released to the market; and
 - (ii) the volume-weighted average price in any 15 trading days from, and including, the day of the release of those financial results exceeds \$1.46 by more than 10%.

Then 25% of these 36,000,001 shares may be released from escrow on the first business day after the date on which the conditions in (A)(i) and (A)(ii) have both been satisfied.

- (B) If:
- (i) the Company's reviewed financial results for the half-year ended 31 December 2017 are released to the market; and
 - (ii) the volume-weighted average price in any 15 trading days from, and including, the day of the release of those financial results exceeds \$1.46 by more than 20%.

Then 25% of these 36,000,001 shares may be released from escrow on the first business day after the date on which the conditions in (B)(i) and (B)(ii) have both been satisfied.

(C) After the close of business on the day the Company's audited financial results for the year ended 30 June 2018 are released to the market, the remaining shares will cease to be subject to escrow restrictions.