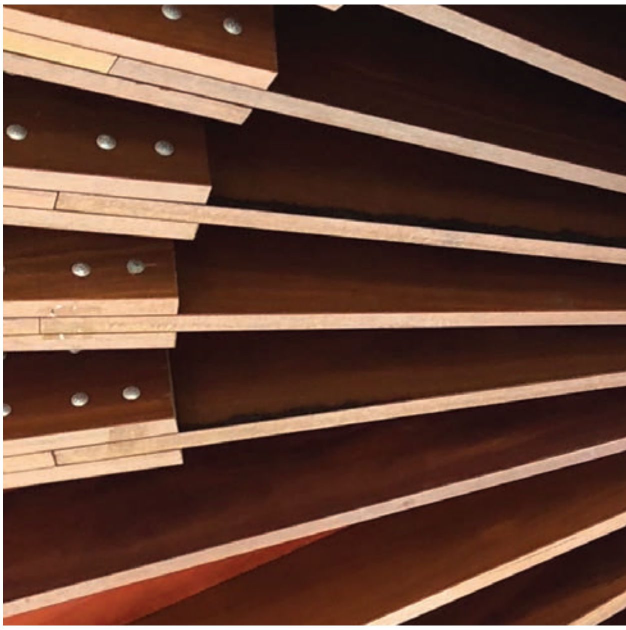
Big River

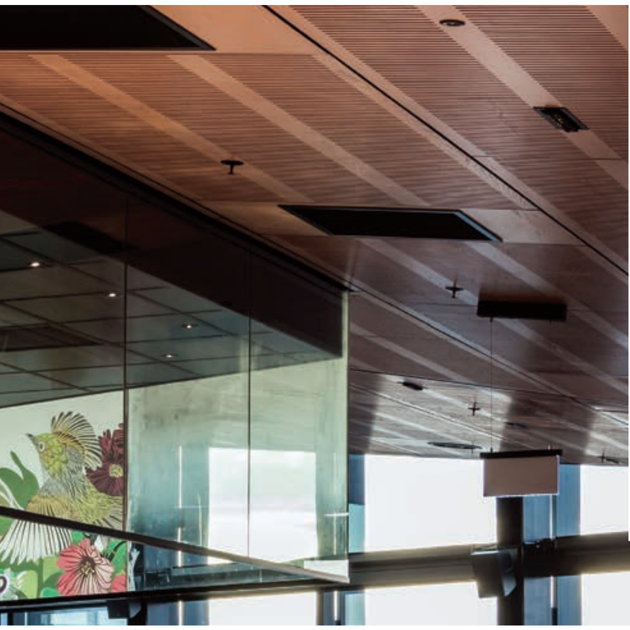
Building Australia for over 100 years

ANNUAL REPORT 2020

Big River Industries Limited
ABN 72 609 901 377

With an operating history of approximately 100 years, Big River has established itself as a diverse manufacturer and distributor of timber and building products.





Chairman and Managing Director's Report

Operating Highlights

Despite the considerable challenges experienced during FY2020, Big River continued to expand.

Despite the considerable challenges experienced during FY2020, Big River continued to expand, with revenue of $249m, up 14%. This included the addition of sites in Townsville and Adelaide continuing the diversity across geographies, construction types and market segments that helped insulate the Group against market volatility.

Statutory EBITDA of $17.7m reflects the new AASB16 accounting standard, or $12.3m on a pre AASB16 basis, up 25% on the prior period. This translated to 21% growth at the NPAT level or around 5% growth at comparable earnings per share level. Given the challenging environment for the Construction sector, this was a solid result for the year.

Whilst Covid-19 and the Bushfires (experienced in NSW and Victoria in particular) presented headwinds for the business, it was the continued decline in residential construction starts that most significantly impacted the operating performance, given the Group is over 50% exposed to the various residential building segments. Strong performances from New Zealand, Queensland and Western Australian divisions however, helped offset weaknesses in the other States.

The business continues to transform from a manufacturing legacy, to a broad building materials supply business, with strong supply chains from company owned manufacturing assets, toll manufacturing agreements and international importation, as well as a strong supply position with leading Australian building products manufacturers.

Strong cost control continues to be an important discipline in the business, never more important than during the Covid-19 pandemic, where the Group has received very strong support from a range of stakeholders. Manufacturing costs continued to decline, as scale is reduced and focused on value added products and activities.

Distribution also continues to improve gross margin as the product mix is refined, and procurement scale continues to improve. This helped drive positive improvements to the EBITDA margins of 50 basis points during FY2020.

Operating cash flow was a highlight of the year, with a 112% cash conversion rate reflecting both working capital improvements as well as the benefit of deferred tax payments initiated by the Australian Government as part of their Covid-19 response.

Revenue

$249m ↑ 14%

EBITDA (pre AASB16)

$12.3m ↑ 25%

Despite the completion payment for the New Zealand acquisitions in July 2019, as well as the acquisitions made in Townsville and Adelaide during FY2020, net debt only increased to $22m at 30 June 2020, with gearing of 23% still well within the Boards target range.

Dividends

Whilst the Board cancelled the interim dividend in March 2020 given the very uncertain outlook due to Covid-19, strong cash management in the final quarter allowed the Board to determine a fully franked dividend of 2.4 cents per share, payable on 6 October 2020.

Corporate Governance

Malcolm Jackman took over the Chairmanship of the Board in July 2019, after Greg Laurie's retirement. Greg served on the Board for over 10 years, during periods in which the Company was both listed and unlisted. The Board would also like to particularly pass on our condolences to Greg's family and friends, after his passing earlier this year.

Brendan York joined the Board in late 2019 and has assumed the role of Chair of the Audit & Risk Committee. His strong financial background at a critical time in the economic cycle will be particularly valuable and adds to the diverse skill base of the Board.

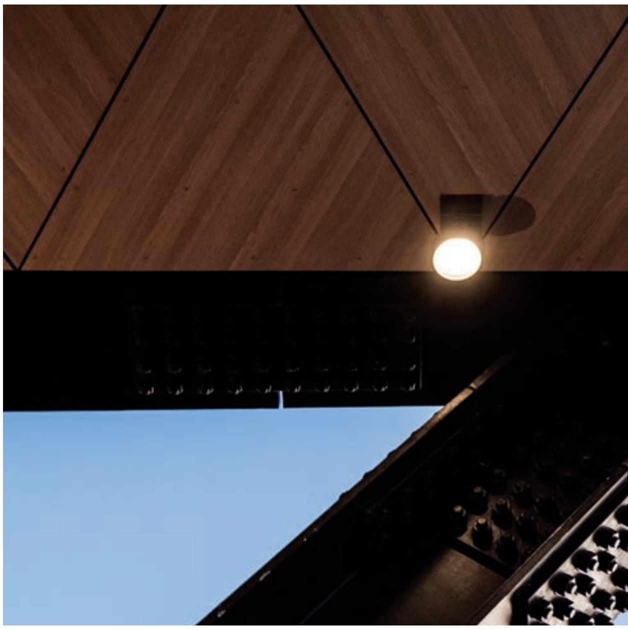
People

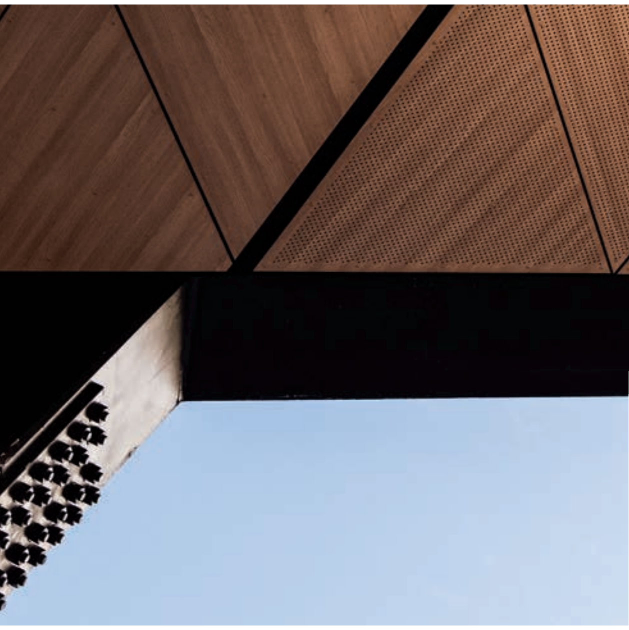
With recent acquisitions, staff numbers now exceed 400 and the support of our staff cannot be overstated during the challenges of market decline and the significant disruptions from Covid-19 and the bushfires. The personal commitment of the many staff who took remuneration reductions, modified hours and working conditions during the pandemic, highlight the strength of the employees and the positive culture across the Group. On behalf of the Board, we take this opportunity to sincerely thank them for their commitment to the business.

Malcolm Jackman
Chairman

Jim Bindon
Managing Director

Financial Report 2020





Directors' Report

For the year ended 30 June 2020

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 2020.

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:

James Bernard Bindon
Malcolm Geoffrey Jackman
Martin Kaplan
Vicky Papachristos
Brendan York (appointed 24 October 2019)
Gregory Ray Laurie (resigned 31 July 2019)

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	
	2020 $	2019 $
Final dividend of 2.2 cents per fully paid ordinary share paid on 4 October 2019 (2019: 3.5 cents paid on 2 October 2018)	1,374,316	1,856,538
Interim dividend of 2.2 cents per fully paid ordinary share paid on 4 April 2019	-	1,166,967
	1,374,316	3,023,505

On 25 August 2020, the directors determined a fully franked dividend of 2.4 cents per fully paid ordinary share to be paid on 6 October 2020.

Review of operations

Revenue for the financial year ended 30 June 2020 was $248.9 million, up 14.3% from $217.8 million the previous financial year, but down 3.2% on a same-store basis.

Net profit after tax for the half-year was $4.4 million, up from $3.9 million in the previous financial year.

The impact of the introduction of AASB 16 'Leases' is summarised in the table below and provides a comparison of the Group's operating results on a pre-AASB 16 basis. The adoption of AASB 16 has boosted earnings before interest, tax, depreciation and amortisation ('EBITDA') (prior to acquisition costs) by $5.3 million, increased depreciation by $5.0 million and reduced NPAT by $0.3 million.

	Statutory FY2020 $'000	Impact of AASB 16 $'000	Pre-AASB 16 FY2020 $'000	Statutory FY2019 $'000
EBITDA (before acquisition costs)	17,669	(5,321)	12,348	9,820
Acquisition costs	(740)	-	(740)	(641)
EBITDA	16,929	(5,321)	(11,608)	9,179
Depreciation and amortisation	(8,343)	(5,006)	(3,337)	(2,667)
Earnings before interest and tax ('EBIT')	8,586	(315)	(8,271)	6,512
Interest	(2,292)	698	(1,594)	(1,013)
Net profit before tax ('NPBT')	6,294	383	6,677	5,499
Tax	(1,850)	(109)	(1,959)	1,642
Net profit after tax ('NPAT')	4,444	274	4,718	3,857

Directors' Report

For the year ended 30 June 2020

Excluding the positive impact of the adoption of AASB 16 'Leases', EBITDA of $12.3 million (prior to acquisition costs) was up 25.7% on the previous financial year mostly due to the inclusion of a full twelve months of the New Zealand acquisition.

EBITDA contribution (prior to AASB 16) from manufacturing facilities was $1.8 million, steady with the $1.8 million contribution in the previous financial year.

EBITDA from distribution activities (prior to AASB 16) was $13.8 million, up 22.8% from $11.3 million in the previous financial year.

Net costs from corporate activities were $3.3 million steady with the previous financial year.

Novel Coronavirus (COVID-19)
The outbreak of Novel Coronavirus ('COVID-19') had no material impact on operations located in Australia for the financial year and the Group was not entitled to any government support in Australia, other than the deferral of some tax related payments amounting to $2.0 million as at 30 June 2020. The four week closure of the Group's New Zealand facilities during the forced lock down in New Zealand reduced EBITDA, despite New Zealand Government wage support and rental relief of $0.35 million.

Significant changes in the state of affairs
On 5 July 2019, the Group executed a business purchase deed to acquire the business and assets of Big Hammer Building Supplies, a business located in Aitkenvale, Queensland. The purchase price was $1,974,445 which includes the acquisition of inventory and plant and equipment and was settled through the payment of $1,774,445 in cash. An amount of $200,000 is payable as cash or through the issue of ordinary shares in Big River Industries Limited, at the Company's discretion, upon achieving agreed EBITDA targets over a two year period. The values are final as at 30 June 2020.

On 11 July 2019, the Company issued 5,806,429 ordinary shares at an issue price of $1.05 per share following approval at the Company's EGM on 9 July 2019.

On 12 July 2019, the Company issued 1,803,264 shares as part consideration to the vendors of the New Zealand businesses of Plytech International Limited and Decortech Limited as referred to in the Company's announcement of 1 May 2019. These shares are subject to voluntary escrow, of which 37.5% were released from escrow on 11 July 2020, being 12 months from the date of issue; and the remaining 62.5% will be released from escrow on 11 July 2021.

On 17 February 2020, the Group executed a business purchase deed to acquire the trading business and assets of Pine Design Truss and Timber located in Adelaide, South Australia. The purchase price is $3,498,331 which includes the acquisition of inventory and plant and equipment. $3,098,331 is payable at completion with the balance of $400,000 payable upon achieving agreed EBITDA targets over a two year period.

Novel Coronavirus (COVID-19)
The outbreak of Novel Coronavirus ('COVID-19') and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed in early 2020 have caused disruption to businesses and economic activity.

As at the date these financial statements are authorised for issue, the directors do not consider the impact to likely compromise the ability of the Group to continue operating for the foreseeable future and are of the belief that there is sufficient cash to ride out the effects of COVID-19 even if the related restrictions remain in force for an extended period of time.

Dividend cancellation
As announced to the ASX on 25 March 2020, the Company cancelled payment of the interim dividend of 2.4 cents per ordinary share previously announced on 25 February 2020 due to the uncertainty of COVID-19.

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
The impact of the COVID-19 pandemic is ongoing, and it is not practicable to estimate the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Directors' Report

For the year ended 30 June 2020

Apart from the dividend determined as discussed above, no other matter or circumstance has arisen since 30 June 2020 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 sensitive to a broad range of economic and other factors, including any potential impact from COVID-19.

As the COVID-19 situation remains fluid due to continuing changes in government policy and evolving business and customer reactions thereto, as at the date these financial statements are authorised for issue, the directors of the Group consider that the future financial effects of COVID-19 on the Group's operations and operating results cannot be reasonably estimated.

The Group has a strong balance sheet and a healthy undrawn banking facility which will continue to support the Group.

Environmental regulation

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

Information on directors

Name:	James Bernard Bindon
Title:	Managing Director and Chief Executive Officer
Qualifications:	James ('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 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. 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:	533,333 ordinary shares (indirectly)
Interests in options:	200,000 options (indirectly)

Name:	Malcolm Geoffrey Jackman
Title:	Independent Non-Executive Chairman
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 and became Chairman on 31 July 2019. Malcolm has also been a director of Big River Group Pty Limited since February 2016. Malcolm is a member of the Anacacia Capital Business Advisory Council.
Other current directorships:	Non-Executive Director of Force Fire Pty Limited (non-listed)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Board
Interests in shares:	116,112
Interests in options:	None

Directors' Report

For the year ended 30 June 2020

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 since February 2016. Martin is currently an Investment Director of Anacacia Capital Pty Ltd, the management company of the major shareholder Anacacia Partnership II, L.P.
Other current directorships:	Non-Executive Director of Direct Couriers Group Pty Ltd (non-listed)
Former directorships (last 3 years):	None
Special responsibilities:	None
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:	Vicky Papachristos
Title:	Independent Non-Executive Director
Qualifications:	Vicky holds an Engineering degree from Monash University, an MBA from the Australian Graduate School of Management and is a member of the Australian Institute of Company Directors.
Experience and expertise:	Vicky is an experienced Non-Executive Director and has been involved across various operational, strategic and creative roles with organisations including Shell, Westpac, Coventry and Myer.
Other current directorships:	Non-Executive Director of Aussie Broadband Pty Limited, Non-Executive Director of GMHBA Limited and Non-Executive Director of MO Health Pty Ltd
Former directorships (last 3 years):	Former Non-Executive Director of Coventry Group Limited and former Chairman of Mount Baw Baw Alpine Resort (non-listed).
Special responsibilities:	Chair of the Nomination and Remuneration Committee
Interests in shares:	30,000 ordinary shares (indirectly)
Interests in options:	None

Name:	Brendan York
Title:	Independent Non-Executive Director (appointed 24 October 2019)
Experience and expertise:	Brendan is an experienced financial executive and currently holds the role Chief Financial Officer of Enero Group Ltd. Brendan is a Chartered Accountant and has a Bachelor of Business Administration and a Bachelor of Commerce from Macquarie University.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares:	None
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.

Interests in shares and options are as at the date of this report.

Directors' Report

For the year ended 30 June 2020

Company Secretary

Stephen Thomas Parks (BCom, FIPA)
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 2020, 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
J Bindon *	13	13	2	2	4	4
M Kaplan	12	13	3	3	4	4
M Jackman	13	13	3	3	4	4
V Papachristos	13	13	3	3	4	4
B York	9	9	1	1	3	3
G Laurie	1	1	-	-	-	-

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

* J Bindon is not a member of the sub-committees but was invited to attend these meetings and his attendance was minuted.

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, and explains how the Group's performance has driven remuneration outcomes.

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:
- Stephen Parks - Chief Financial Officer and Company Secretary
- John Lorente - General Manager - Sales and Marketing

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

Directors' Report

For the year ended 30 June 2020

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 operation of incentive plans, including equity-based remuneration plans for senior executives;
- reviewing Board and senior executive succession plans; and
- recommending the appointment of any new directors.

The quality of the directors and executives is a major factor in the overall performance of the Group. 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 achievement of 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 currently has three components:
- fixed base salary, including superannuation and non-monetary benefits;
- short-term performance incentives; and
- long-term performance incentives.

Directors' Report

For the year ended 30 June 2020

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.

The short-term incentive ('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 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 STI's are paid in cash following the end of the financial year and approval from the Nomination and Remuneration Committee. The Nomination and Remuneration Committee retains the discretion to withdraw or amend the STI at any time.

The long-term incentive program ('LTI') is designed to create an alignment between shareholder benefit and the remuneration of selected executives through the issue of Performance Rights. The number of Performance Rights vesting will be determined by reference to the compound annual growth rate ('CAGR') in Earnings Per Share ('EPS') over the vesting period and ranges from nil for less than 3% CAGR in EPS to 100% for greater than 10% CAGR in EPS, subject to an overriding discretion held by the Board. The Board considers CAGR in EPS to be an appropriate performance measure as it aligns with the Group's remuneration policy of creating value and is within the scope of influence of the selected executives.

Group 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 five years.

Use of remuneration consultants
During the financial year ended 30 June 2020, the Group did not engage remuneration consultants.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')
At the 23 October 2019 AGM, 99.97% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

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

Directors' Report

For the year ended 30 June 2020

	Short-term benefits			Post-employment benefits	Accrued long-term benefits	Share-based payments	
2020	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Leave benefits $	Perform-ance rights $	Total $
Non-Executive Directors:							
G Laurie**	8,781	-	-	834	-	-	9,615
M Kaplan*	-	-	-	-	-	-	-
M Jackman	84,738	-	-	8,050	-	-	92,788
V Papachristos	61,468	-	-	5,839	-	-	67,307
B York***	38,093	-	-	3,619	-	-	41,712
Executive Directors:							
J Bindon	422,981	-	-	24,038	16,564	-	463,583
Other Key Management Personnel:							
S Parks	318,108	-	-	24,139	19,484	-	361,731
J Lorente	321,711	-	-	24,393	16,659	-	362,763
	1,255,880	-	-	90,912	52,707	-	1,399,499

* M Kaplan waived his director's fees (including any committee fee to which he is entitled) until 30 June 2020.
** G Laurie retired on 31 July 2019.
*** Remuneration is for the period from date of appointment, 24 October 2019, to 30 June 2020.

'Accrued long-term benefits' represent movements in employee leave entitlements.

Total remuneration paid to non-executive directors for the year ending 30 June 2020 amounted to $211,422 (30 June 2019: $235,000) which is 42.3% of the aggregate.

The above directors and key management personnel all took a 20% reduction in remuneration for a period of 11 weeks during the initial uncertainty arising from the outbreak of COVID-19.

Directors' Report

For the year ended 30 June 2020

2019	Short-term benefits Cash salary and fees $	Cash bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Accrued long-term benefits Leave benefits $	Share-based payments Perform-ance rights $	Total $
Non-Executive Directors:							
G Laurie	91,324	-	-	8,676	-	-	100,000
M Kaplan*	-	-	-	-	-	-	-
M Jackman	59,361	-	-	5,639	-	-	65,000
V Papachristos	63,927	-	-	6,073	-	-	70,000
Executive Directors:							
J Bindon	390,000	-	-	25,000	6,151	-	421,151
Other Key Management Personnel:							
D Henderson**	179,399	-	-	6,604	-	-	186,003
S Parks	284,927	-	-	25,073	4,401	-	314,401
J Lorente	319,167	-	-	27,755	-	-	346,922
	1,388,105	-	-	104,820	10,552	-	1,503,477

* M Kaplan waived his director's fees (including any committee fee to which he is entitled) until 30 June 2020.
** D Henderson retired on 12 October 2018. His remuneration included the payment of $67,704 in accrued leave entitlements.

'Accrued long-term benefits' represent movements in employee leave entitlements.

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

Name	Fixed remuneration 2020	Fixed remuneration 2019	At risk - STI 2020	At risk - STI 2019	At risk - LTI 2020	At risk - LTI 2019
Executive Directors:						
J Bindon	100%	100%	-	-	-	-
Other Key Management Personnel:						
D Henderson	-	100%	-	-	-	-
S Parks	100%	100%	-	-	-	-
J Lorente	100%	100%	-	-	-	-

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

Name	Cash bonus paid/payable 2020	Cash bonus paid/payable 2019	Cash bonus forfeited 2020	Cash bonus forfeited 2019
Executive Directors:				
J Bindon	-	-	100%	100%
Other Key Management Personnel:				
D Henderson	-	-	-	100%
S Parks	-	-	100%	100%
J Lorente	-	-	100%	100%

Cash bonus forfeited includes missed EBITDA performance targets along with voluntary forfeiture for any KPI objectives met.

Directors' Report

For the year ended 30 June 2020

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:	Total fixed employment cost ('TFEC') of $470,000 per annum including statutory superannuation contributions. Short Term Incentive ('STI') of 35% of TFEC, subject to achievement of financial hurdles, principally relating to EBITDA performance (70% of STI) and the achievement of other business objectives (30% of STI). Either Jim or the Company may terminate the employment contract by giving 6 months' written notice to the other party.

Name:	S Parks
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	July 2008
Term of agreement:	No fixed term
Details:	Total fixed employment cost ('TFEC') of $360,000 per annum including statutory superannuation contributions. Short Term Incentive ('STI') of 20% of TFEC, subject to achievement of financial hurdles, principally relating to EBITDA performance (70% of STI) and the achievement of other business objectives (30% of STI). 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.

Name:	J Lorente
Title:	General Manager - Sales and Marketing
Agreement commenced:	February 2018
Term of agreement:	No fixed term
Details:	Total fixed employment cost ('TFEC') of $360,000 per annum including statutory superannuation contributions. Short Term Incentive ('STI') of 20% of TFEC, subject to achievement of financial hurdles, principally relating to EBITDA performance (70% of STI) and the achievement of other business objectives (30% of STI). Either John or the Company may terminate the employment contract by giving 3 months' written notice to the other party.

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 2020.

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 2020.

There were no options over ordinary shares granted to or vested in directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Directors' Report

For the year ended 30 June 2020

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Measurement period/ Vesting date	Expiry date	Fair value per right at grant date
J Bindon	154,024	23 November 2018	30 June 2021	23 November 2023	$1.611
	307,147	28 November 2019	30 June 2022	28 November 2024	$1.076
S Parks	65,745	23 November 2018	30 June 2021	23 November 2023	$1.611
	134,435	28 November 2019	30 June 2022	28 November 2024	$1.076
J Lorente	72,107	23 November 2018	30 June 2021	23 November 2023	$1.611
	134,435	28 November 2019	30 June 2022	28 November 2024	$1.076

Vesting hurdle:
The number of Performance Rights vesting will be determined by reference to the CAGR in EPS over the vesting period of years and ranges from nil for less than 3% CAGR in EPS to 100% for greater than 10% CAGR in EPS, subject to an overriding discretion held by the Board. The Board considers CAGR in EPS to be an appropriate performance measure as it aligns with the Group's remuneration policy of creating value and is within the scope of influence of the selected executives.

Performance rights granted carry no dividend or voting rights. On exercise of rights, the Board will determine at its discretion whether to settle the exercised rights in shares, cash, or a combination thereof. Performance rights that are not forfeited on cessation of employment will be retained for testing for vesting at the end of the relevant measurement period.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Number of rights granted during the year 2020	Number of rights granted during the year 2019	Number of rights vested during the year 2020	Number of rights vested during the year 2019
J Bindon	307,147	154,024	-	-
S Parks	134,435	65,745	-	-
J Lorente	134,435	72,107	-	-

Additional information
The earnings of the Group for the five years to 30 June 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $	2016 $
Sales revenue	248,827,815	217,689,464	210,756,310	176,891,981	71,536,530
EBITDA	16,929,873	9,178,218	10,676,690	8,144,377	(1,085,537)
EBIT	8,586,786	6,511,527	8,180,084	6,175,247	(1,854,145)
Profit/(loss) after income tax	4,444,257	3,856,713	5,176,270	3,927,681	(1,949,368)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017	2016
Basic earnings per share (cents per share)	7.14	7.24	9.79	9.55	-

Directors' Report

For the year ended 30 June 2020

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
Ordinary shares					
G Laurie*	30,000	-	-	(30,000)	-
M Kaplan	-	-	-	-	-
M Jackman	68,493	-	47,619	-	116,112
V Papachristos	30,000	-	-	-	30,000
B York	-	-	-	-	-
J Bindon	414,285	-	119,048	-	533,333
S Parks	320,000	-	-	-	320,000
J Lorente	36,588	-	-	-	36,588
	899,366	-	166,667	(30,000)	1,036,033

* Disposals/other represents no longer a director or key management personnel during the year, not necessarily a disposal of holding.

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
Options over ordinary shares					
J Bindon	200,000	-	-	-	200,000
S Parks	100,000	-	-	-	100,000
	300,000	-	-	-	300,000

Performance rights holding

The number of performance rights 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	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
J Bindon	154,024	307,147	-	-	461,171
S Parks	65,745	134,435	-	-	200,180
J Lorente	72,107	134,435	-	-	206,542
	291,876	576,017	-	-	867,893

This concludes the remuneration report, which has been audited.

Directors' Report

For the year ended 30 June 2020

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	1,185,000
13 February 2017	13 February 2022	$2.20	45,455
			1,230,455

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 under performance rights

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

Grant date	Expiry date	Number under rights
23 November 2018	23 November 2023	341,355
28 November 2019	28 November 2024	677,590
		1,018,945

No person entitled to exercise the performance rights had or has any right by virtue of the performance right 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 2020 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Big River Industries Limited issued on the exercise of performance rights during the year ended 30 June 2020 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 32 to the financial statements.

Directors' Report

For the year ended 30 June 2020

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 32 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 (including Independence Standards) 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

Malcolm Jackman Chairman	James Bindon Managing Director

25 August 2020
Sydney

Auditor's Independence Declaration

For the year ended 30 June 2020

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

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

25 August 2020

Dear Board Members

Auditor's Independence Declaration to
Big River Industries Limited

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

As lead audit partner for the audit of the financial statements of Big River Industries for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Revenue	5	248,924,142	217,794,157
Other income	6	396,501	26,249
Expenses			
Raw materials and consumables used		(177,340,696)	(158,077,609)
Selling and distribution expense		(6,135,202)	(6,044,720)
Employee benefits expense		(35,741,227)	(28,787,185)
Occupancy expense		(4,789,320)	(8,243,970)
General and administration expense		(7,114,814)	(6,217,996)
Acquisition costs	7	(739,501)	(641,571)
Depreciation and amortisation expense	7	(8,343,087)	(2,666,691)
Impairment of receivables	10	(530,010)	(629,137)
Finance costs	7	(2,292,120)	(1,013,074)
Profit before income tax expense		6,294,666	5,498,453
Income tax expense	8	(1,850,409)	(1,641,740)
Profit after income tax expense for the year attributable to the owners of Big River Industries Limited	28	4,444,257	3,856,713
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(352,016)	1,764
Other comprehensive income for the year, net of tax		(352,016)	1,764
Total comprehensive income for the year attributable to the owners of Big River Industries Limited		4,092,241	3,858,477
		Cents	**Cents**
Basic earnings per share	41	7.14	7.24
Diluted earnings per share	41	7.14	7.24

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

Statement of Financial Position

As at 30 June 2020

	Note	Consolidated 2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	9	8,712,184	1,202,098
Trade and other receivables	10	43,563,921	43,117,725
Inventories	11	38,209,452	37,209,150
Other	12	1,130,402	841,558
Total current assets		91,615,959	82,370,531
Non-current assets			
Property, plant and equipment	13	27,838,947	27,971,850
Right-of-use assets	14	18,460,358	-
Intangibles	15	29,578,070	26,296,429
Deferred tax	8	2,808,505	2,445,584
Total non-current assets		78,685,880	56,713,863
Total assets		170,301,839	139,084,394
Liabilities			
Current liabilities			
Trade and other payables	16	38,439,060	36,323,029
Deferred consideration	17	-	16,609,092
Borrowings	18	2,816,267	506,115
Lease liabilities	19	5,272,759	901,175
Income tax	8	863,342	66,830
Provisions	20	4,491,826	4,034,133
Contingent consideration	21	1,424,042	250,000
Total current liabilities		53,307,296	58,690,374
Non-current liabilities			
Borrowings	22	25,850,000	13,520,000
Lease liabilities	23	16,251,410	1,368,048
Deferred tax	8	284,059	105,600
Provisions	24	646,714	500,606
Contingent consideration	25	2,230,120	3,365,756
Total non-current liabilities		45,262,303	18,860,010
Total liabilities		98,569,599	77,550,384
Net assets		71,732,240	61,534,010
Equity			
Issued capital	26	69,286,174	61,325,301
Foreign currency translation reserve	27	(350,252)	1,764
Retained profits	28	2,796,318	206,945
Total equity		71,732,240	61,534,010

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

Statement of Changes in Equity

For the year ended 30 June 2020

Consolidated	**Issued capital $**	**Foreign currency translation reserve $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2018	59,522,743	-	(626,263)	58,896,480
Profit after income tax expense for the year	-	-	3,856,713	3,856,713
Other comprehensive income for the year, net of tax	-	1,764	-	1,764
Total comprehensive income for the year	-	1,764	3,856,713	3,858,477
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 26)	1,802,558	-	-	1,802,558
Dividends paid (note 29)	-	-	(3,023,505)	(3,023,505)
Balance at 30 June 2019	61,325,301	1,764	206,945	61,534,010

Consolidated	**Issued capital $**	**Foreign currency translation reserve $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2019	61,325,301	1,764	206,945	61,534,010
Adjustment for change in accounting policy (note 2)	-	-	(480,568)	(480,568)
Balance at 1 July 2019 - restated	61,325,301	1,764	(273,623)	61,053,442
Profit after income tax expense for the year	-	-	4,444,257	4,444,257
Other comprehensive income for the year, net of tax	-	(352,016)	-	(352,016)
Total comprehensive income for the year	-	(352,016)	4,444,257	4,092,241
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 26)	7,960,873	-	-	7,960,873
Dividends paid (note 29)	-	-	(1,374,316)	(1,374,316)
Balance at 30 June 2020	69,286,174	(350,252)	2,796,318	71,732,240

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

Statement of Cash Flows

For the year ended 30 June 2020

	Note	Consolidated 2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		274,592,437	235,230,075
Payments to suppliers and employees (inclusive of GST)		(256,712,686)	(228,341,613)
		17,879,751	6,888,462
Other revenue		477,135	104,693
Interest and other finance costs paid		(2,150,669)	(1,012,040)
Income taxes paid		(1,278,702)	(2,233,467)
Net cash from operating activities	40	14,927,515	3,747,648
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	37	(4,872,276)	(6,605,453)
Final payments for prior period's business acquisition		(14,697,412)	-
Payments for contingent consideration		(250,000)	-
Payments for property, plant and equipment	13	(1,122,021)	(1,524,234)
Payments for intangibles	15	(973,262)	(751,088)
Proceeds from disposal of property, plant and equipment		44,489	84,546
Net cash used in investing activities		(21,870,482)	(8,796,229)
Cash flows from financing activities			
Proceeds from issue of shares	26	6,096,750	1,649,096
Share issue transaction costs		(41,860)	(209,340)
Proceeds from borrowings		12,330,000	6,600,000
Repayment of borrowings		-	(1,000,000)
Net lease repayments		(4,891,520)	(238,968)
Dividends paid	29	(1,374,316)	(3,023,505)
Net cash from financing activities		12,119,054	3,777,283
Net increase/(decrease) in cash and cash equivalents		5,176,087	(1,271,298)
Cash and cash equivalents at the beginning of the financial year		695,983	1,971,251
Effects of exchange rate changes on cash and cash equivalents		23,847	(3,970)
Cash and cash equivalents at the end of the financial year	9	5,895,917	695,983

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

Notes to the Financial Statements

For the year ended 30 June 2020

Note 1. General information

The financial statements cover Big River Industries Limited as a Group consisting of Big River Industries Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ('Group'). 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 25 August 2020. The directors have the power to amend and reissue the financial statements.

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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2020-4 Amendment to Australian Accounting Standards - Covid-19-Related Rent Concessions

The Group has early adopted the amendment to AASB 16 from 1 July 2019. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions that: result in lease payments that are substantially the same as, or less than, the consideration for the lease immediately prior to the change; where any reduction in the lease payments affects only payments originally due on or before 30 June 2021; and where there is no substantive change to other terms and conditions of the lease. The practical expedient allows an entity not to assess rent concessions meeting the criteria as a lease modification. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are treated as variable lease payments recognised in profit or loss with a corresponding adjustment to the lease liability. To the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished. Interest continues to accrue for that period.

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset is 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 is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

Straight-line operating lease expense recognition is 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 are 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.

Practical expedients applied
In adopting AASB 16, the Group has used the following practical expedients permitted by the standard:
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounted for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of the adoption on opening retained earnings as at the transition date 1 July 2019 is as follows:

	1 July 2019 $
Operating lease commitments as at 1 July 2019 (AASB 117)	(20,384,046)
Short-term leases not recognised as a right-of-use asset (AASB 16)	47,500
Net impact of discounting* and lease extension options not accounted for under AASB 117	(1,072,903)
Lease liabilities (AASB 16)	(21,409,449)
Right-of-use assets (AASB 16)	20,723,973
Tax effect on the above adjustments	204,908
Reduction in opening retained profits as at 1 July 2019	(480,568)

* The lease payments have been discounted based on the weighted average incremental borrowing rate of 3.385%.

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 financial assets and liabilities at fair value through profit or loss.

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 36.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Big River Industries Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended.

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.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Big River Industries Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into the functional currency using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Sale of goods revenue is recognised at the point in time when the performance obligation has been satisfied, which is when the customer obtains control of the goods, which is generally at the time of delivery.

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 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.

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.

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.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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, 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.

Leases (to 30 June 2019)

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.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

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.

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.

Right-of-use assets (from 1 July 2019)

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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. 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.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of up to 7 years.

Product development

Product development has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the useful life of up to 10 years.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill is not subject to amortisation and is 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.

Lease liabilities (from 1 July 2019)

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of the COVID-19 pandemic and which relate to payments originally due on or before 30 June 2021.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs are expensed in the period in which they are incurred.

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.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

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. 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 high-quality corporate 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.

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.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

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.

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.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

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 2020. 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.

New Conceptual Framework for Financial Reporting

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 4. Operating segments

Identification of reportable operating segments
The Group is organised into one operating segment as the Group operated mainly 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.

	Revenue from external customers		Geographical non-current assets	
	2020 $	2019 $	2020 $	2019 $
Australia	223,841,605	215,802,871	53,975,703	40,149,680
New Zealand	24,986,210	1,886,593	21,901,672	14,118,599
	248,827,815	217,689,464	75,877,375	54,268,279

The Group's revenue is generated from sales of building products in Australia and New Zealand. The geographic split of this revenue across all companies is: a) Australia (90%) and b) New Zealand (10%).

The geographical non-current assets above are exclusive of deferred tax assets.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 5. Revenue

	Consolidated 2020 $	Consolidated 2019 $
Revenue from contracts with customers		
Sale of goods	248,827,815	217,689,464
Other revenue		
Other revenue	96,327	104,693
Revenue	248,924,142	217,794,157

Disaggregation of revenue
Disaggregation of revenue is already disclosed in note 4. All of the Group's revenue is recognised at a point in time.

Note 6. Other income

	Consolidated 2020 $	Consolidated 2019 $
Net gain on disposal of property, plant and equipment	15,693	26,249
Unwind of contingent consideration (note 25)	380,808	-
Other income	396,501	26,249

Notes to the Financial Statements

For the year ended 30 June 2020

Note 7. Expenses

	Consolidated 2020 $	Consolidated 2019 $
Profit before income tax includes the following specific expenses:		
Cost of sales		
Cost of sales	177,340,696	158,077,609
Depreciation		
Buildings	166,355	165,737
Plant and equipment	2,487,330	1,972,954
Buildings right-of-use assets	5,005,597	-
Total depreciation	7,659,282	2,138,691
Amortisation		
Customer relationships	579,960	528,000
Software	68,000	-
Product development	35,845	-
Total amortisation	683,805	528,000
Total depreciation and amortisation	8,343,087	2,666,691
Finance costs		
Interest and finance charges paid/payable on borrowings	1,593,985	1,013,074
Interest and finance charges paid/payable on lease liabilities	698,135	-
Finance costs expensed	2,292,120	1,013,074
Leases		
Minimum lease payments	-	3,705,511
Short-term lease payments	108,253	-
Total leases	108,253	3,705,511
Superannuation expense		
Defined contribution superannuation expense	2,253,667	1,864,289
Expenses associated with business combinations		
Transaction costs	739,501	641,571

Notes to the Financial Statements

For the year ended 30 June 2020

Note 8. Income tax

	Consolidated 2020 $	Consolidated 2019 $
Income tax expense		
Current tax	2,067,040	1,598,373
Deferred tax - origination and reversal of temporary differences	(224,805)	68,125
Adjustment recognised for prior periods	8,174	(24,758)
Aggregate income tax expense	1,850,409	1,641,740
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(24,461)	226,525
Decrease in deferred tax liabilities	(200,344)	(158,400)
Deferred tax - origination and reversal of temporary differences	(224,805)	68,125
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	6,294,666	5,498,453
Tax at the statutory tax rate of 30%	1,888,400	1,649,536
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-allowable items	(8,719)	22,273
	1,879,681	1,671,809
Difference in overseas tax rates	(37,446)	(5,311)
Underprovision/(overprovision) from prior period	8,174	(24,758)
Income tax expense	1,850,409	1,641,740

	Consolidated 2020 $	Consolidated 2019 $
Amounts credited directly to equity		
Deferred tax assets	(12,559)	(62,802)

Notes to the Financial Statements

For the year ended 30 June 2020

Note 8. Income tax (continued)

	Consolidated 2020 $	Consolidated 2019 $
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Allowance for expected credit losses	505,047	429,236
Property, plant and equipment	(127,522)	3,961
Right-of-use assets	(5,377,961)	-
Employee benefits	1,656,647	1,356,344
Leases	5,690,251	-
Capital raise and IPO expenses	193,520	341,825
Lease provisions	-	62,922
Other provisions and accruals	268,523	251,296
Deferred tax asset	2,808,505	2,445,584
Amount expected to be recovered within 12 months	2,808,505	2,445,584
Movements:		
Opening balance	2,445,584	2,307,869
Credited/(charged) to profit or loss	24,461	(226,525)
Credited to equity	12,559	62,802
Additions through business combinations (note 37)	120,994	301,438
Introduction of AASB 16 'Leases'	204,907	-
Closing balance	2,808,505	2,445,584

	Consolidated 2020 $	Consolidated 2019 $
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Customer relationships	251,593	105,600
Present value on contingent consideration	32,466	-
Deferred tax liability	284,059	105,600
Amount expected to be settled within 12 months	62,898	105,600
Amount expected to be settled after more than 12 months	221,161	-
	284,059	105,600
Movements:		
Opening balance	105,600	264,000
Credited to profit or loss	(200,344)	(158,400)
Finalisation of prior period business combination	378,803	-
Closing balance	284,059	105,600

Notes to the Financial Statements

For the year ended 30 June 2020

Note 8. Income tax (continued)

	Consolidated 2020 $	Consolidated 2019 $
Provision for income tax		
Provision for income tax	863,342	66,830

The provision for income tax includes $200,189 of allowed payment deferrals.

Note 9. Current assets - cash and cash equivalents

	Consolidated 2020 $	Consolidated 2019 $
Cash on hand	1,557,850	140,916
Cash at bank	7,154,334	1,061,182
	8,712,184	1,202,098

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:

	Consolidated 2020 $	Consolidated 2019 $
Balances as above	8,712,184	1,202,098
Bank overdraft and trade finance (note 18)	(2,816,267)	(506,115)
Balance as per statement of cash flows	5,895,917	695,983

Note 10. Current assets - trade and other receivables

	Consolidated 2020 $	Consolidated 2019 $
Trade receivables	43,453,313	43,219,203
Less: Allowance for expected credit losses	(1,683,490)	(1,430,786)
	41,769,823	41,788,417
Other receivables	1,794,098	1,329,308
	43,563,921	43,117,725

Allowance for expected credit losses
The Group has recognised a loss of $530,010 in profit or loss in respect of the expected credit losses for the year ended 30 June 2020 (30 June 2019: loss of $629,137).

The impact of expected credit losses on other receivables is immaterial.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 10. Current assets - trade and other receivables (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020	2019	2020	2019	2020	2019
Consolidated	%	%	$	$	$	$
Not overdue	-	-	25,777,435	21,868,224	-	-
0 to 3 months overdue	1.00%	0.73%	15,312,077	18,429,176	153,121	135,450
3 to 6 months overdue	15.00%	15.00%	944,689	1,620,430	141,703	243,064
Over 6 months overdue	43.20%	40.00%	3,213,210	2,630,681	1,388,666	1,052,272
			45,247,411	44,548,511	1,683,490	1,430,786

Debtors are written off when the cash is no longer considered collectable. The Group has insurance policies over a portion of long standing debt which limits its credit risk.

Note 11. Current assets - inventories

	Consolidated	
	2020	2019
	$	$
Raw materials and work in progress - at cost	3,202,586	3,210,126
Finished goods - at cost	35,006,866	33,999,024
	38,209,452	37,209,150

Note 12. Current assets - other

	Consolidated	
	2020	2019
	$	$
Prepayments	677,158	402,889
Deferred expenses	317,100	302,525
Other deposits	136,144	136,144
	1,130,402	841,558

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	2020	2019
	$	$
Freehold land - at cost	855,701	855,701
Buildings - at cost	6,052,389	6,043,487
Less: Accumulated depreciation	(766,682)	(600,328)
	5,285,707	5,443,159
Plant and equipment - at cost	28,291,312	26,352,099
Less: Accumulated depreciation	(6,593,773)	(4,679,109)
	21,697,539	21,672,990
	27,838,947	27,971,850

Notes to the Financial Statements

For the year ended 30 June 2020

Note 13. Non-current assets - property, plant and equipment (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	Freehold land $	Buildings $	Plant and equipment $	Plant and equipment under lease $	Total $
Balance at 1 July 2018	855,701	5,590,540	18,824,014	-	25,270,255
Additions	-	18,356	1,505,878	-	1,524,234
Additions through business combinations (note 37)	-	-	3,374,439	-	3,374,439
Disposals	-	-	(58,297)	-	(58,297)
Exchange differences	-	-	(90)	-	(90)
Depreciation expense	-	(165,737)	(1,972,954)	-	(2,138,691)
Balance at 30 June 2019	855,701	5,443,159	21,672,990	-	27,971,850
Additions	-	8,903	637,305	475,813	1,122,021
Additions through business combinations (note 37)	-	-	1,455,000	-	1,455,000
Disposals	-	-	(28,796)	-	(28,796)
Exchange differences	-	-	(27,443)	-	(27,443)
Transfers in/(out)	-	-	(2,831,719)	2,831,719	-
Depreciation expense	-	(166,355)	(1,596,841)	(890,489)	(2,653,685)
Balance at 30 June 2020	855,701	5,285,707	19,280,496	2,417,043	27,838,947

Note 14. Non-current assets - right-of-use assets

	Consolidated 2020 $	Consolidated 2019 $
Buildings - right-of-use	23,465,955	-
Less: Accumulated depreciation	(5,005,597)	-
	18,460,358	-

The Group leases land and buildings for its offices, warehouses and retail outlets under agreements of between 2 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.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 14. Non-current assets - right-of-use assets (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	Buildings - right-of-use $
Balance at 1 July 2018	-
Balance at 30 June 2019	-
Recognised on transition to AASB 16 (note 2)	20,723,973
Additions	2,958,718
Exchange differences	(216,736)
Depreciation expense	(5,005,597)
Balance at 30 June 2020	18,460,358

Note 15. Non-current assets - intangibles

	Consolidated 2020 $	2019 $
Goodwill - at cost	27,059,018	25,193,341
Customer relationships - at cost	2,707,184	1,584,000
Less: Accumulated amortisation	(1,808,637)	(1,232,000)
	898,547	352,000
Software - at cost	1,539,129	601,379
Less: Accumulated amortisation	(68,000)	-
	1,471,129	601,379
Product development - at cost	185,221	149,709
Less: Accumulated amortisation	(35,845)	-
	149,376	149,709
	29,578,070	26,296,429

Notes to the Financial Statements

For the year ended 30 June 2020

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 $	Software $	Product development $	Total $
Balance at 1 July 2018	8,303,189	880,000	-	-	9,183,189
Additions	-	-	601,379	149,709	751,088
Additions through business combinations (note 37)	16,890,152	-	-	-	16,890,152
Amortisation expense	-	(528,000)	-	-	(528,000)
Balance at 30 June 2019	25,193,341	352,000	601,379	149,709	26,296,429
Additions	-	-	937,750	35,512	973,262
Additions through business combinations (note 37)	2,901,014	-	-	-	2,901,014
Finalisation of prior period business combination accounting	(744,381)	1,123,184	-	-	378,803
Exchange differences	(290,956)	3,323	-	-	(287,633)
Amortisation expense	-	(579,960)	(68,000)	(35,845)	(683,805)
Balance at 30 June 2020	27,059,018	898,547	1,471,129	149,376	29,578,070

Impairment testing

For the purpose of impairment testing, goodwill is allocated to a group of cash generating units ('CGUs'), which are expected to benefit from the synergies of the business combinations.

The recoverable amount of the group of CGUs has been determined based on value in use calculations which use cash flow projections from the financial budgets for the FY2021 financial year as reviewed by the Board.

In preparing the FY2021 budget, due consideration was given to the economic uncertainty associated with COVID-19. The cash flows beyond the budget period have been extrapolated over a further 4 years. The value-in-use calculations have been prepared using a compound revenue growth rate of 2% (2019: 3.4%) and terminal growth rate of 2% (2019: 2%). The post-tax discount rate applied to cash flow projections was 11.0% (2019: 10.5%) which is derived from the Group's weighted average cost of capital, adjusted for varying risk profiles, where appropriate.

The key assumptions used in the value in use calculation are based on past experience and the Group's forecast operating and financial performance for the CGUs taking into account the current market and economic conditions, risks, uncertainties and opportunities for improvements.

Management has considered possible changes in the key assumptions used in the value-in-use calculations, and the following changes, with all other variables held constant, would lead to an impairment loss:

- Increase in the discount rate to 11.4%;
- Decrease in forecast EBTIDA by 5.0%; and
- Decline in terminal growth rate to 1.4%

The Group believes that the assumptions adopted in the value in use calculation reflect an appropriate balance between the Group's experience to date and the uncertainty associated with the COVID-19 pandemic. Accordingly, the Group has concluded that no impairment is required as at 30 June 2020.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2020 $	2019 $
Trade payables	32,738,564	30,558,269
Goods and services tax payable	2,626,394	538,888
Other payables and accrued expenses	3,074,102	5,225,872
	38,439,060	36,323,029

Refer to note 30 for further information on financial instruments.

The goods and services tax payable includes $1,775,800 of allowed payment deferrals.

Note 17. Current liabilities - deferred consideration

	Consolidated	
	2020 $	2019 $
Deferred consideration	-	16,609,092

Refer to note 37 for further information on deferred consideration.

This balance represented the deferred consideration payable on the New Zealand acquisition and was settled via the issue of shares (note 26) and payment of the cash amount in July 2019.

Note 18. Current liabilities - borrowings

	Consolidated	
	2020 $	2019 $
Bank overdraft and trade finance	2,816,267	506,115

Refer to note 22 for further information on assets pledged as security and financing arrangements.

Refer to note 30 for further information on financial instruments.

Note 19. Current liabilities - lease liabilities

	Consolidated	
	2020 $	2019 $
Lease liability - existing	492,420	901,175
Lease liability - new liability on adoption of AASB 16	4,780,339	-
	5,272,759	901,175

Refer to note 23 for further information on lease liability financial instruments.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 20. Current liabilities - provisions

	Consolidated 2020 $	Consolidated 2019 $
Annual leave	2,304,775	1,925,938
Long service leave	2,187,051	1,898,454
Onerous lease	-	209,741
	4,491,826	4,034,133

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 - 2020	Onerous lease $
Carrying amount at the start of the year	209,741
Amounts used	(209,741)
Carrying amount at the end of the year	-

Note 21. Current liabilities - contingent consideration

	Consolidated 2020 $	Consolidated 2019 $
Contingent consideration	1,424,042	250,000

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Refer to note 25 for further information on contingent consideration.

Note 22. Non-current liabilities - borrowings

	Consolidated 2020 $	Consolidated 2019 $
Bank bills	25,850,000	13,520,000

Refer to note 30 for further information on financial instruments.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 22. Non-current liabilities - borrowings (continued)

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

	Consolidated 2020 $	Consolidated 2019 $
Bank overdraft and trade finance	2,816,267	506,115
Bank bills	25,850,000	13,520,000
	28,666,267	14,026,115

Assets pledged as security
The bank bills are secured by first mortgages over the Group's assets.

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

	Consolidated 2020 $	Consolidated 2019 $
Total facilities		
Bank overdraft and trade finance	19,170,849	13,306,481
Bank bills	26,000,000	30,000,000
Asset finance	3,900,000	4,000,000
	49,070,849	47,306,481
Used at the reporting date		
Bank overdraft and trade finance	2,816,267	506,115
Bank bills	25,850,000	13,520,000
Asset finance	2,000,173	2,269,223
	30,666,440	16,295,338
Unused at the reporting date		
Bank overdraft and trade finance	16,354,582	12,800,366
Bank bills	150,000	16,480,000
Asset finance	1,899,827	1,730,777
	18,404,409	31,011,143

Note 23. Non-current liabilities - lease liabilities

	Consolidated 2020 $	Consolidated 2019 $
Lease liability - existing	1,507,753	1,368,048
Lease liability - new liability on adoption of AASB 16	14,743,657	-
	16,251,410	1,368,048

Notes to the Financial Statements

For the year ended 30 June 2020

Note 23. Non-current liabilities - lease liabilities (continued)

The following table details the Group's remaining contractual maturity, both current and non-current, for its lease liabilities:

	1 year or less $	Between 1 and 2 years $	Between 2 and 3 years $	Between 3 and 4 years $	Between 4 and 5 years $	Over 5 years $	Remaining contractual maturities $
Lease liability - existing	579,327	593,344	573,730	421,562	28,754	-	2,196,717
Lease liability - new liability on adoption of AASB 16	5,372,792	4,862,667	4,080,477	2,486,701	1,534,191	3,037,189	21,374,017
	5,952,119	5,456,011	4,654,207	2,908,263	1,562,945	3,037,189	23,570,734

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

Note 24. Non-current liabilities - provisions

	Consolidated 2020 $	2019 $
Long service leave	646,714	500,606

Note 25. Non-current liabilities - contingent consideration

	Consolidated 2020 $	2019 $
Contingent consideration	2,230,120	3,365,756

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year, both current and non-current, are set out below:

	2020 $	2019 $
Opening balance	3,615,756	-
Additions through business combinations (note 37)	600,000	3,615,756
Unwind due to condition not being met	(380,808)	-
Unwind of discount	141,451	-
Payments made during the year	(250,000)	-
Exchange differences	(72,237)	-
Closing balance	3,654,162	3,615,756
Contingent consideration - current	1,424,042	250,000
Contingent consideration - non-current	2,230,120	3,365,756
	3,654,162	3,615,756

Notes to the Financial Statements

For the year ended 30 June 2020

Note 25. Non-current liabilities - contingent consideration (continued)

Fair value measurement
The below table gives information about how the level 3 fair values measurement of the contingent considerations that are disclosed above and in note 37 are determined (in particular, the valuation technique and inputs used).

Type	Valuation technique	Significant observable inputs	Relationship and sensitivity of unobservable inputs to value
Contingent consideration through business combinations	The valuation model considers the present value of the expected payments which are determined considering the possible scenarios of forecast EBITDA.	Forecast EBITDA Risk adjusted discount rate	The higher the discount rate, the lower the fair value The higher the amount of EBITDA, the higher the fair value

Note 26. Equity - issued capital

	Consolidated			
	2020 Shares	**2019 Shares**	**2020 $**	**2019 $**
Ordinary shares - fully paid	62,468,912	54,859,219	69,286,174	61,325,301

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2018	53,043,949		59,522,743
Issue of shares as purchase consideration for The Midland Timber Co	2 May 2019	244,702	$1.23	300,000
Issue of shares under a placement to investors and senior management	8 May 2019	1,336,428	$1.05	1,403,249
Issue of shares under share purchase plan	31 May 2019	234,140	$1.05	245,847
Transaction costs arising on share issue, net of tax				(146,538)
Balance	30 June 2019	54,859,219		61,325,301
Issue of shares	11 July 2019	5,806,429	$1.05	6,096,750
Issue of shares as part consideration to the vendors of Plytech International Limited and Decortech Limited	12 July 2019	1,803,264	$1.05	1,893,427
Transaction costs arising on share issue, net of tax				(29,304)
Balance	30 June 2020	62,468,912		69,286,174

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.

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.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 26. Equity - issued capital (continued)

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 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.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

Note 27. Equity - foreign currency translation reserve

	Consolidated	
	2020 $	2019 $
Foreign currency translation reserve	(350,252)	1,764

Foreign currency translation reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Note 28. Equity - retained profits

	Consolidated	
	2020 $	2019 $
Retained profits/(accumulated losses) at the beginning of the financial year	206,945	(626,263)
Adjustment for change in accounting policy (note 2)	(480,568)	-
Accumulated losses at the beginning of the financial year - restated	(273,623)	(626,263)
Profit after income tax expense for the year	4,444,257	3,856,713
Dividends paid (note 29)	(1,374,316)	(3,023,505)
Retained profits at the end of the financial year	2,796,318	206,945

Note 29. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2020 $	2019 $
Final dividend of 2.2 cents per fully paid ordinary share paid on 4 October 2019 (2019: 3.5 cents paid on 2 October 2018)	1,374,316	1,856,538
Interim dividend of 2.2 cents per fully paid ordinary share paid on 4 April 2019	-	1,166,967
	1,374,316	3,023,505

On 25 August 2020, the directors determined a fully franked dividend of 2.4 cents per fully paid ordinary share to be paid on 6 October 2020.

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For the year ended 30 June 2020

Note 29. Equity - dividends (continued)

Franking credits

	Consolidated 2020 $	Consolidated 2019 $
Franking credits available at the reporting date based on a tax rate of 30%	20,743,642	20,622,310
Franking credits that will arise from the payment/(refund) of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	582,231	(15,736)
Franking credits available for subsequent financial years based on a tax rate of 30%	21,325,873	20,606,574

Note 30. 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 risk and ageing analysis for credit 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.

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 bank bills outstanding:

Consolidated	2020 Weighted average interest rate %	2020 Balance $	2019 Weighted average interest rate %	2019 Balance $
Bank bills	3.25%	25,850,000	4.45%	13,520,000
Net exposure to cash flow interest rate risk		25,850,000		13,520,000

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

Notes to the Financial Statements

For the year ended 30 June 2020

Note 30. Financial instruments (continued)

For the Group the bank bills outstanding, totalling $25,850,000 (2019: $13,520,000), are interest only loans. Monthly cash outlays of approximately $70,010 (2019: $50,137) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2019: 100) basis points would have an adverse/favourable effect on profit before tax of the following:

	Basis points increase			Basis points decrease		
Consolidated - 2020	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)	(258,500)	(180,950)	100	258,500	180,950

	Basis points increase			Basis points decrease		
Consolidated - 2019	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)	(135,200)	(94,640)	100	135,200	94,640

The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts. No principal repayments are due during the year ending 30 June 2020 or 30 June 2019.

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 adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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

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.

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For the year ended 30 June 2020

Note 30. Financial instruments (continued)

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2020 $	Consolidated 2019 $
Bank overdraft and trade finance	16,354,582	12,800,366
Bank bills	150,000	16,480,000
Asset finance	1,899,827	1,730,777
	18,404,409	31,011,143

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 - 2020	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						
Non-interest bearing						
Trade payables	-	32,738,564	-	-	-	32,738,564
Other payables	-	3,074,102	-	-	-	3,074,102
Interest-bearing - variable						
Bank overdraft	-	2,816,267	-	-	-	2,816,267
Bank bills	3.25%	840,125	26,480,094	-	-	27,320,219
Total non-derivatives		39,469,058	26,480,094	-	-	65,949,152

Consolidated - 2019	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						
Non-interest bearing						
Trade payables	-	30,558,269	-	-	-	30,558,269
Other payables	-	3,456,339	-	-	-	3,456,339
Interest-bearing - variable						
Bank overdraft	-	506,115	-	-	-	506,115
Bank bills	4.45%	601,640	601,640	13,971,642	-	15,174,922
Interest-bearing - fixed rate						
Lease liability	5.31%	991,051	553,572	933,906	-	2,478,529
Total non-derivatives		36,113,414	1,155,212	14,905,548	-	52,174,174

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

Notes to the Financial Statements

For the year ended 30 June 2020

Note 30. Financial instruments (continued)

AASB 16 was adopted using the modified retrospective approach and comparatives have not been restated. As a result, remaining contractual maturities for leases in the current year are now disclosed in non-current liabilities - lease liabilities (refer to note 23).

Note 31. 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	
	2020 $	2019 $
Short-term employee benefits	1,255,880	1,388,105
Post-employment benefits	90,912	104,820
Long-term benefits	52,707	10,552
	1,399,499	1,503,477

Note 32. 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	
	2020 $	2019 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	198,600	187,026
Other services - Deloitte Touche Tohmatsu		
Taxation	29,550	18,000
	228,150	205,026

Note 33. Contingent liabilities

The Group has given bank guarantees as at 30 June 2020 of $2,353,231 (2019: $742,975) to various landlords.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 34. Commitments

	Consolidated 2019 $
Lease commitments - operating	
Committed at the reporting date but not recognised as liabilities, payable:	
Within one year	4,814,762
One to five years	12,096,995
More than five years	3,472,289
	20,384,046
Lease commitments - finance	
Committed at the reporting date and recognised as liabilities, payable:	
Within one year	991,051
One to five years	1,487,478
Total commitment	2,478,529
Less: Future finance charges	(209,306)
Net commitment recognised as liabilities	2,269,223

AASB 16 was adopted using the modified retrospective method meaning comparatives have not been restated. Current year leases are disclosed on the face of the statement of financial position. Comparative leases are disclosed above and not on the statement of financial position.

Note 35. Related party transactions

Parent entity
Big River Industries Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 38.

Key management personnel
Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the directors' report.

Transactions with related parties
During the financial year, the Company paid $50,000 (2019: $nil) to Anacacia Capital Pty Ltd, a director related entity and substantial shareholder, as an advisory fee.

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.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 36. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2020 $	Parent 2019 $
Profit after income tax	1,872,041	3,023,505
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	1,872,041	3,023,505

Statement of financial position

	Parent 2020 $	Parent 2019 $
Total current assets	44,417,962	30,710,926
Total non-current assets	48,398,648	41,317,086
Total assets	92,816,610	72,028,012
Total current liabilities	-	-
Total non-current liabilities	25,850,000	13,520,000
Total liabilities	25,850,000	13,520,000
Net assets	66,966,610	58,508,012
Equity		
Issued capital	69,286,174	61,325,301
Accumulated losses	(2,319,564)	(2,817,289)
Total equity	66,966,610	58,508,012

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 39) under which it guarantees the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 37. Business combinations

2020

Big Hammer Building Supplies, Townsville QLD
On 5 July 2019, the Group executed a business purchase deed to acquire the business and assets of Big Hammer Building Supplies, a business located in Townsville, Queensland. The purchase price was $1,974,445 which includes the acquisition of inventory and plant and equipment and was settled through the payment of $1,774,445 in cash. An amount of $200,000 is payable as cash or through the issue of ordinary shares in Big River Industries Limited, at the Group's discretion, upon achieving agreed EBITDA targets over a two year period. As this acquisition combined the operations of an existing business with that of Big Hammer Building Supplies it is not practical to separate the revenue or net profit after tax of the individual businesses after the acquisition. The values identified in relation to the acquisition are final as at 30 June 2020.

Pine Design Truss and Timber, Adelaide SA
On 17 February 2020, the Group executed a business purchase deed to acquire the trading business and assets of Pine Design Truss and Timber located in Adelaide, South Australia. The purchase price is $3,498,331 which includes the acquisition of inventory and plant and equipment. $3,098,331 is payable at completion with the balance of $400,000 payable upon achieving agreed EBITDA targets over a two year period. The acquisition contributed $4,830,000 to revenue and $84,000 to net profit after tax of the Group for the year ended 30 June 2020. Revenue and net profit after tax for the Group for the year ended 30 June 2020 would have been $258,224,142 and $4,577,432 respectively, had the Group acquired Pine Design Truss and Timber at the beginning of the financial year. The values identified in relation to the acquisition are provisional as at 30 June 2020.

Details of the acquisitions are as follows:

	Big Hammer Building Supplies Fair value $	Pine Design Truss and Timber Fair value $	Total $
Cash and cash equivalents	500	-	500
Inventories	435,787	962,794	1,398,581
Plant and equipment	220,000	1,235,000	1,455,000
Deferred tax asset	12,343	108,651	120,994
Employee benefits	(41,143)	(362,170)	(403,313)
Net assets acquired	627,487	1,944,275	2,571,762
Goodwill	1,346,958	1,554,056	2,901,014
Acquisition-date fair value of the total consideration transferred	1,974,445	3,498,331	5,472,776
Representing:			
Cash paid or payable to vendor	1,774,445	3,098,331	4,872,776
Contingent consideration	200,000	400,000	600,000
	1,974,445	3,498,331	5,472,776
Acquisition costs expensed to profit or loss	328,886	260,596	589,482
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	1,974,445	3,498,331	5,472,776
Less: cash and cash equivalents	(500)	-	(500)
Less: contingent consideration	(200,000)	(400,000)	(600,000)
Net cash used	1,773,945	3,098,331	4,872,276

Notes to the Financial Statements

For the year ended 30 June 2020

Note 37. Business combinations (continued)

2019

M.B. Prefab
On 15 November 2018, the Group executed a business purchase deed to acquire the business and assets of M.B. Prefab, a business located in Breakwater, Victoria. The purchase price was $4,915,112 which includes the acquisition of inventory and plant and equipment and was settled through the payment of $4,415,112 in cash. An amount of $500,000 is payable upon achieving an agreed EBITDA target.

The Midland Timber Co ('Midland Timber')
On 26 April 2019, the Group executed a business purchase deed to acquire the business and assets of The Midland Timber Co, a business located in Bellevue, Western Australia. The purchase price was $2,491,405 which includes the acquisition of inventory and plant and equipment and was settled through the payment of $2,191,405 in cash and $300,000 in ordinary shares of Big River Industries Limited.

Plytech International Ltd and Decortech Ltd ('New Zealand')
On 1 May 2019, the Group executed a business purchase deed to acquire the business and assets of Plytech International Ltd and Decortech Ltd, both businesses located in Auckland, New Zealand. The purchase price was NZD$20,636,136 (AUD$19,724,848) which includes the acquisition of inventory and plant and equipment and was settled in July 2019 through the payment of NZD$15,376,432 (AUD$14,697,412) in cash and NZD$2,000,000 (AUD$1,911,680) in ordinary shares of Big River Industries Limited. An amount of NZD$3,259,704 (AUD$3,115,756) is payable upon achieving agreed EBITDA targets.

The values identified in relation to the acquisitions are final as at 30 June 2020.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 37. Business combinations (continued)

Details of the acquisitions are as follows:

	M.B. Prefab Fair value $	Midland Timber Fair value $	New Zealand Fair value $	Total $
Cash and cash equivalents	-	1,064	-	1,064
Inventories	1,042,406	819,599	6,497,617	8,359,622
Prepayments	30,924	-	97,972	128,896
Plant and equipment	1,750,384	378,758	1,245,297	3,374,439
Deferred tax asset	216,337	30,624	54,477	301,438
Trade payables	(73,284)	-	(833,194)	(906,478)
Employee benefits	(721,125)	(102,081)	(194,562)	(1,017,768)
Net assets acquired	2,245,642	1,127,964	6,867,607	10,241,213
Goodwill	2,669,470	1,363,441	12,857,241	16,890,152
Acquisition-date fair value of the total consideration transferred	4,915,112	2,491,405	19,724,848	27,131,365
Representing:				
Cash paid or payable to vendor	4,415,112	2,191,405	14,697,412	21,303,929
Big River Industries Limited shares issued to vendor	-	300,000	-	300,000
Big River Industries Limited shares issued to vendor on 12 July 2019	-	-	1,911,680	1,911,680
Contingent consideration	500,000	-	3,115,756	3,615,756
	4,915,112	2,491,405	19,724,848	27,131,365
Acquisition costs expensed to profit or loss	213,208	131,113	228,426	572,747
Cash used to acquire business, net of cash acquired:				
Acquisition-date fair value of the total consideration transferred	4,915,112	2,491,405	19,724,848	27,131,365
Less: cash and cash equivalents	-	(1,064)	-	(1,064)
Less: contingent consideration	(500,000)	-	(3,115,756)	(3,615,756)
Less: shares issued by Company as part of consideration	-	(300,000)	-	(300,000)
Less: shares issued by Company as part of consideration on 12 July 2019*	-	-	(1,911,680)	(1,911,680)
Less: cash paid on 12 July 2019*	-	-	(14,697,412)	(14,697,412)
Net cash used	4,415,112	2,190,341	-	6,605,453

* Included in deferred consideration (refer note 17).

Notes to the Financial Statements

For the year ended 30 June 2020

Note 38. 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 2020 %	Ownership interest 2019 %
Big River Group Pty Ltd	Australia	100.00%	100.00%
Big River Group (NZ) Limited	New Zealand	100.00%	100.00%
Plytech International Limited	New Zealand	100.00%	-
Decortech Limited	New Zealand	100.00%	-

Note 39. 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 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.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 40. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2020 $	Consolidated 2019 $
Profit after income tax expense for the year	4,444,257	3,856,713
Adjustments for:		
Depreciation and amortisation	8,343,087	2,666,691
Net gain on disposal of property, plant and equipment	(15,693)	(26,249)
Foreign exchange differences	(219,167)	5,825
Unwinding on contingent consideration	(380,808)	-
Interest on contingent consideration	141,451	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(735,040)	(3,952,930)
Decrease in inventories	398,279	525,071
Increase in income tax refund due	-	(15,736)
Decrease/(increase) in deferred tax	(161,883)	68,125
Decrease in other operating assets	-	134,146
Increase in trade and other payables	2,116,031	1,228,002
Increase/(decrease) in provision for income tax	796,512	(643,622)
Increase/(decrease) in other provisions	200,489	(98,388)
Net cash from operating activities	14,927,515	3,747,648

Non-cash investing and financing activities

	Consolidated 2020 $	Consolidated 2019 $
Additions to the right-of-use assets	2,958,718	-
Shares issued in relation to business combinations	1,893,427	-
	4,852,145	-

Changes in liabilities arising from financing activities

Consolidated	Bank bills $	Lease liability $	Total $
Balance at 1 July 2018	7,920,000	2,508,191	10,428,191
Net cash from/(used in) financing activities	5,600,000	(238,968)	5,361,032
Balance at 30 June 2019	13,520,000	2,269,223	15,789,223
Net cash from/(used in) financing activities	12,330,000	(4,891,520)	7,438,480
Leases recognised on the adoption of AASB 16	-	21,409,449	21,409,449
Acquisition of leases	-	2,958,718	2,958,718
Exchange differences	-	(221,701)	(221,701)
Balance at 30 June 2020	25,850,000	21,524,169	47,374,169

Notes to the Financial Statements

For the year ended 30 June 2020

Note 41. Earnings per share

	Consolidated 2020 $	2019 $
Profit after income tax attributable to the owners of Big River Industries Limited	4,444,257	3,856,713
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	62,256,070	53,296,805
Weighted average number of ordinary shares used in calculating diluted earnings per share	62,256,070	53,296,805
	Cents	**Cents**
Basic earnings per share	7.14	7.24
Diluted earnings per share	7.14	7.24

Options over ordinary shares were excluded from the above calculations as they are not dilutive. As at 30 June 2020, the performance conditions in relation to the performance rights issued during the year were not met and, accordingly, the performance rights under employee share plans have not been included as dilutive.

Note 42. 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.

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 their options without the prior written approval of the Board.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 42. Share-based payments (continued)

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

2020

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	1,185,000	-	-	-	1,185,000
13/02/2017	13/02/2022	$2.20	45,455	-	-	-	45,455
			1,230,455	-	-	-	1,230,455

2019

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	-	-	(185,000)	1,185,000
13/02/2017	13/02/2022	$2.20	45,455	-	-	-	45,455
			1,415,455	-	-	(185,000)	1,230,455

The weighted average share price during the financial year was $1.2155 (2019: $1.3117).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.68 years (2019: 1.68 years).

Performance rights

At the 2018 Annual General Meeting, shareholders approved the Big River Industries Limited Rights Plan ('BRIRP') to be able to grant performance rights to certain key executive management personnel.

Set out below are summaries of performance rights granted under the plan:

2020

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
23/11/2018	23/11/2023	341,355	-	-	-	341,355
28/11/2019	28/11/2024	-	677,590	-	-	677,590
		341,355	677,590	-	-	1,018,945

2019

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
23/11/2018	23/11/2023	-	341,355	-	-	341,355
		-	341,355	-	-	341,355

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 4.07 years (2019: 4.40 years).

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
28/11/2019	28/11/2024	$1.30	35.00%	6.26%	1.26%	$0.000

Notes to the Financial Statements

For the year ended 30 June 2020

Note 43. Events after the reporting period

The impact of the COVID-19 pandemic is ongoing, and it is not practicable to estimate the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from the dividend determined as disclosed in note 29, no other matter or circumstance has arisen since 30 June 2020 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.

Directors' Declaration

For the year ended 30 June 2020

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 2020 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 39 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

Malcolm Jackman
Chairman

James Bindon
Managing Director

25 August 2020
Sydney

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

For the year ended 30 June 2020

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Big River Industries Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2020 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards*) (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 Company, 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 for 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.

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

For the year ended 30 June 2020

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Carrying value of Goodwill
 	
As at 30 June 2020, the Group's intangible assets included $27m of goodwill, of which $2.9m arose as a result of acquisitions during the current year as disclosed in Note 37.
 	
Management conducts an annual impairment test to assess the recoverability of the carrying value of the intangible assets.
 	
The recoverable amount has been determined based on a value-in-use model, which incorporates significant judgment related to the estimation of future cash flows, short and long term growth rates and appropriate discount rate.
 	
The estimation uncertainty increased at the end of the year as a result of the impact of COVID-19 on macroeconomic factors underlying the assumptions used in the value in use model.
	Our procedures included, but were not limited to:
	• Understand the Group's processes and relevant controls related to the preparation of the Value in Use model.
	• Assessing the historical accuracy of the Group's cash flow by comparing prior year budgets to actual performance.
	• Assessing how the Group allowed for the possible impact of COVID-19 in setting the budget and selecting assumptions including short and long term growth rate and appropriate discount rate.
	• Engaging our valuation specialists to assist with:
	    ○ 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
	    ○ Assessing management's sensitivity analysis and performing independent sensitivity analysis to challenge the key assumptions.
	
	We also assessed the appropriateness of the disclosures in Note 15 to the financial statements.

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 and Managing Director's Report and Corporate Details, 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 and Managing Director's Report and Corporate Details, 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 of the Company 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.

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

For the year ended 30 June 2020

Deloitte.

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, actions taken to eliminate threats or safeguards applied.

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.

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

For the year ended 30 June 2020

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Big River Industries Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Entity 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

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 25 August 2020

Shareholder Information

For the year ended 30 June 2020

The shareholder information set out below was applicable as at 14 August 2020.

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	35
1,001 to 5,000	69
5,001 to 10,000	30
10,001 to 100,000	48
100,001 and over	24
	206
Holding less than a marketable parcel	-

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
NATIONAL NOMINEES LIMITED	19,037,476	30.48
ANACACIA PARTNERSHIP II LP	15,850,001	25.37
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES FUND I I LP	7,062,056	11.30
PANTHEON INTERNATIONAL PLC	3,892,055	6.23
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES FUND III LP	3,539,834	5.67
SAID BUILDING PRODUCTS GROUP PTY LTD	2,370,693	3.79
ANACACIA PTY LIMITED (WATTLE FUND)	1,958,295	3.13
DENIS WILLIAM JAGGAR & CHRISTINE PAULA JAGGAR (NIKAU POINT)	901,632	1.44
PAUL HARVEY WEBBER & SUSAN MARGARET WEBBER (CADENZA)	901,632	1.44
PANTHEON MULTI STRATEGY CO-INVESTMENT PROGRAM 2014	854,139	1.37
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	719,052	1.15
PANTHEON ASIA FUND VI LP	501,916	0.80
MEGAN ANNE BINDON (THE BINDON FAMILY A/C)	319,048	0.51
SANDHURST TRUSTEES LTD (CYAN C3G FUND A/C)	285,714	0.46
VESKAY PTY LTD (VESKAY SUPER FUND A/C)	253,333	0.41
AURELIO JOSEPH SCHORER & SALLIE LOUISE SCHORER (THE JOSALEE FAMILY)	220,232	0.35
BINDON SUPER PTY LTD (BINDON SUPER A/C)	214,285	0.34
MR CRAIG ANDREW DORWARD & MRS KATRINA LOUISE DORWARD (DORWARD FAMILY S/F A/C)	178,571	0.29
JAMES HIATT & BREE HIATT (THE J & B HIATT SUPER FUND A/C)	160,000	0.26
MICHELLE MARGARET GLANCY (GLANCY FAMILY)	153,059	0.25
	59,373,023	95.04

Shareholder Information

For the year ended 30 June 2020

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	1,230,455	13
Performance rights	1,018,945	4

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
ANACACIA PARTNERSHIP II LP	31,700,001	50.75
NAOS ASSET MANAGEMENT LIMITED	18,573,376	29.73

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	11 July 2021	1,127,040

Corporate Directory

For the year ended 30 June 2020

Directors	James Bernard Bindon Martin Kaplan Malcolm Geoffrey Jackman Vicky Papachristos Brendan York
Company secretary	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	The directors and management are committed to conducting the business of Big River Industries Limited in an ethical manner and in accordance with the highest standards of corporate governance. Big River Industries Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at: bigriverindustries.com.au/Investors/?page=Corporate-Governance

Branch Network

QLD:

Townsville	Big Hammer Cnr Anne and Rendle Streets, Aitkenvale QLD 4814 Phone: (07) 4725 5260 Fax: (07) 4775 4023 Postal: PO Box 7296 Garbutt QLD 4814
Sunshine Coast	10 Main Drive, Warana QLD 4575 Phone: (07) 5439 1000 Fax: (07) 5493 8018 Postal: PO Box 260 Buddina QLD 4575
Brisbane (Meadowbrook)	45 Ellerslie Road, Meadowbrook QLD 4131 Phone: (07) 3451 8300 Fax: (07) 3200 8339 Postal: PO Box 1858 Springwood QLD 4127
Brisbane (Hillcrest)	Sabdia 22-24 Johnson Road, Hillcrest QLD 4118 Phone: (07) 3800 2255 Fax: (07) 3800 6936 Postal: 22-24 Johnson Road, Hillcrest QLD 4118
Gold Coast	Midcoast Timbers 11 Central Drive, Burleigh Heads QLD 4220 Phone: (07) 5522 0624 Fax: (07) 5522 0614 Postal: PO Box 3189 Burleigh Town QLD 4220

NSW:

Sydney	89 Kurrajong Avenue, Mt Druitt NSW 2770 Phone: (02) 8822 5555 Fax: (02) 8822 5500 Postal: PO Box 1049 St Marys NSW 2760
Kiama	113 Shoalhaven Street, Kiama NSW 2533 Phone: (02) 4232 6600 Fax: (02) 4232 6605 Postal: PO Box 430 Kiama NSW 2533
Grafton (Factory)	61 Trenayr Road, Junction Hill NSW 2460 Phone: (02) 6644 0900 Fax: (02) 6643 3328 Postal: PO Box 281 Grafton 2460
Wagga Wagga (Factory)	128 Elizabeth Avenue, Forest Hill NSW 2651 Phone: (02) 6926 7300 Fax: (02) 6922 7824 Postal: PO Box 205 Forest Hill NSW 2651
Head Office	61 Trenayr Road, Junction Hill NSW 2460 Phone: (02) 6644 0900 Fax: (02) 6643 3328 Postal: PO Box 281 Grafton 2460

ACT:

Canberra	Ern Smith Building Supplies 13 Sheppard Street, Hume ACT 2620 Phone: (02) 6260 1366 Fax: (02) 6260 1399 Postal: PO BOX 305 Jerrabomberra NSW 2619

VIC:

Melbourne	24-32 Discovery Road, Dandenong South VIC 3175 Phone: (03) 9586 6900 Fax: (03) 9587 4501 Postal: PO Box 4388 Dandenong South VIC 3164
Geelong (Breakwater)	MB Prefab 15-17 Leather Street, Breakwater VIC 3219 Phone: (03) 9586 6900 Fax: (03) 9587 4501 Postal: PO Box 4388 Dandenong South VIC 3164

Branch Network

SA:

Adelaide (Edinburgh North)

Adelaide Timber & Building Supplies
10 Kingstag Crescent, Edinburgh North SA 5113
Phone: (08) 8255 5577 Fax: (08) 8252 2552
Postal: PO Box 18 Edinburgh North SA 5113

Adelaide (Dry Creek)

Pine Design
142 Cavan Road, Dry Creek SA 5094
Phone: (08) 8203 2933 Fax: (08) 8447 7403
Postal: 142 Cavan Road, Dry Creek SA 5094

WA:

Perth (Welshpool)

255 Treasure Road, Welshpool WA 6106
Phone: (08) 9256 7400 Fax: (08) 9256 7477
Postal: PO Box 183 Welshpool DC WA 6986

Perth (Bellevue)

Midland Timber
30 Clayton Street, Bellevue WA 6056
Phone: (08) 9274 8077 Fax: (08) 9274 8177
Postal: 30 Clayton Street, Bellevue WA 6056

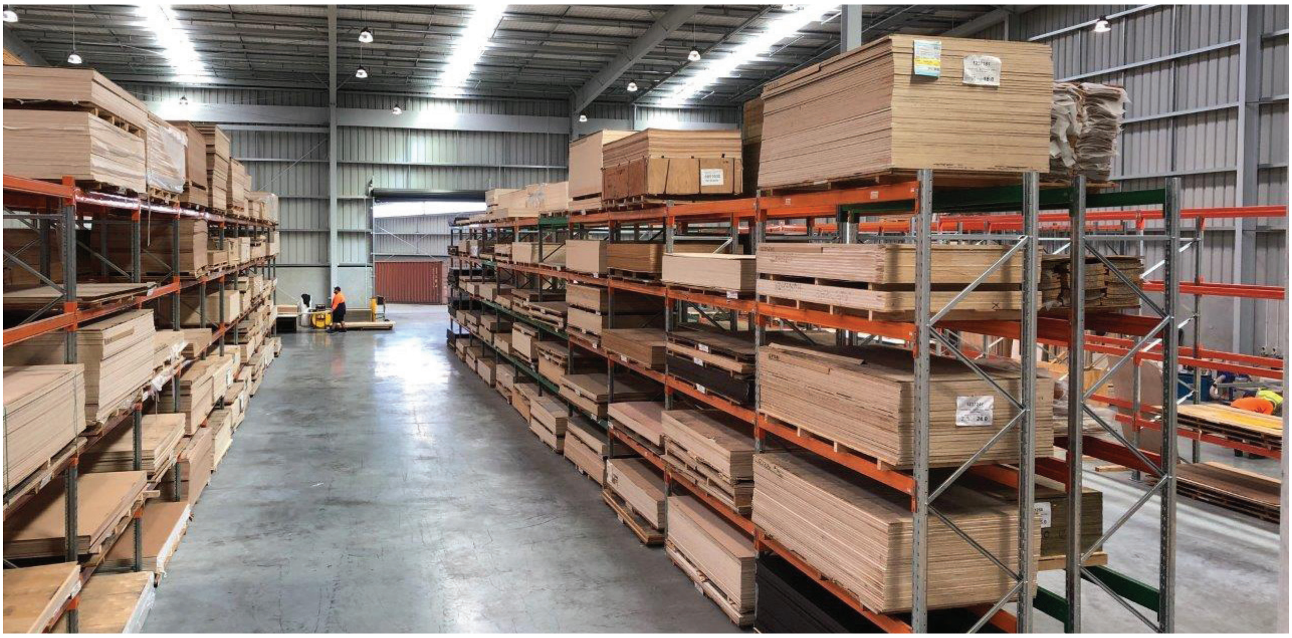
New Zealand:

Auckland

Plytech
26 Business Parade North, Highbrook Auckland
Phone: +64 9 573 5016 Fax: +64 9 573 5035
Postal: PO Box 204-070 Highbrook Auckland

Decortech
117 Hugo Johnston Drive, Penrose Auckland
Phone: +64 9 579 5726 Fax: +64 9 579 0462
Postal: PO Box 17-091 Greenlane Auckland

Our suppliers



Building Australia for over 100 years