



# Big River

Building Australia for over 100 years

Annual Report - 30 June 2019

Big River Industries Limited

ABN 72 609 901 377





|                                                                             |    |
|-----------------------------------------------------------------------------|----|
| Chairman & Managing Director's Report                                       | 00 |
| Corporate directory                                                         | 02 |
| Directors' report                                                           | 03 |
| Auditor's independence declaration                                          | 15 |
| Statement of profit or loss and other comprehensive income                  | 16 |
| Statement of financial position                                             | 17 |
| Statement of changes in equity                                              | 18 |
| Statement of cash flows                                                     | 19 |
| Notes to the financial statements                                           | 20 |
| Directors' declaration                                                      | 56 |
| Independent auditor's report to the members of Big River Industries Limited | 57 |
| Shareholder information                                                     | 61 |
| Corporate details                                                           | 63 |

# Chairman and Managing Director's Report

## Operating Highlights

Big River continued the successful expansion of the business in FY2019, with revenue growing 3.3% to \$218m. This came from the growth of the company's network of stores, which increased by four during the year to reach seventeen sites including our expansion into New Zealand.

Whilst EBITDA (before acquisition costs) contracted by 10.6% to \$9.8m, this was a sound result during a period of significant declines in parts of the construction sector, and in particular the residential building market.

The diversified business model continues to help reduce volatility, and acquisitions completed during FY2019 in Geelong, Perth and two sites in Auckland further diversified the business base.

The operating strategy was refined during FY2019, and the sales and marketing structure was modified accordingly to create four key geographic regions and three core market segments upon which to base the business growth. Whilst this involved considerable up-front investment to resource, it creates a much stronger platform to improve sales execution and focus across key identifiable markets.

Whilst there was considerable variability across geographic regions during FY2019, Queensland showed promising results in a contracting market, growing sales by 2.7% versus FY2018. Melbourne increased sales revenue by 10%, and in addition to this the Geelong acquisition has traded strongly in the early months of ownership and increases the company's exposure to this large construction market.

The formwork market segment showed pleasing results in FY2019, despite weakening multi-residential construction. Market share gains in formply, LVL structural beams and steel decking helped deliver revenue growth of 1% in this market, retaining Big River's national market leadership position in this specialised segment.

Building products continued to grow, with 9% revenue growth aided by acquisitions. Investments in two frame and truss manufacturing sites during FY2019 was a pleasing addition to the product mix and positions the company well as parts of the construction market move further into prefabrication of components.

The international supply chain continues to be developed, and the acquisition of the two businesses in New Zealand provides the company access to some excellent new products, particularly from Europe. This will provide solid growth opportunities in Australia in the future, with specialised plywood and architectural panels enhancing the product offering Big River already markets in Australia.

Operating cash flow was again very stable in FY2019, with an 86% cash conversion achieved (excluding the impact of the NZ acquisitions completed in June 2019) versus 80% in FY2018. Trade working capital continues to be tightly managed and came in at 17.0% of sales (or 17.8% including New Zealand), with the only increases in FY2019 coming from the initial working capital requirements of the newly acquired businesses. Net debt increased to \$15.1m at 30 June 2019 reflecting the acquisitions completed during the year, although this further increased when the cash settlement of the New Zealand acquisitions occurred in July 2019.

Gearing (measured as net debt to net debt plus equity) increased to 19% at the end of 2019, although further increased to 27% following the placement and subsequent settlement of the New Zealand businesses and the purchase of Big Hammer in Townsville that was completed in August 2019.



## **Dividends**

Despite a year of considerable investment to grow the scale and diversity of the business, the Board declared a final dividend of 2.2 cents per share, fully franked, payable on 4 October 2019. This dividend followed the interim dividend declared in February 2019, which was also 2.2 cents per share. The full year dividend of 4.4 cents per share fully franked represents a payout ratio of 66%.

## **Corporate Governance**

During the year the Chairman, Greg Laurie, announced his retirement, after more than 10 years on the Big River Board. We would like to acknowledge the significant contribution Greg has made to Big River both as a private company and as a listed entity. Malcolm Jackman, who has been a Director since early 2016, was elected Chairman effective 31 July 2019. We are currently looking to appoint another Non-Executive Director to the Board.

## **People**

With the acquisition of several businesses during the financial year, we were pleased to welcome an additional 100 staff into Big River during this period, which continues to strengthen the important human resources that form the foundation of our market offering. On behalf of the Board, we take this opportunity to welcome them, and also thank Big River's management group and all team members around the country, for their efforts during the year. We also thank our shareholders, customers and suppliers, whose continuing support underpins the ongoing success of the Company.



**Malcolm Jackman**  
Chairman



**Jim Bindon**  
Managing Director

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



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 2019.

### 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  
Martin Kaplan  
Malcolm Geoffrey Jackman  
Vicky Papachristos  
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:

|                                                                                                                              | <b>Consolidated</b> |                  |
|------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------|
|                                                                                                                              | <b>2019</b>         | <b>2018</b>      |
|                                                                                                                              | <b>\$</b>           | <b>\$</b>        |
| Final dividend of 3.5 cents per fully paid ordinary share paid on 2 October 2018 (2018: 3.5 cents paid on 29 September 2017) | 1,856,538           | 1,840,721        |
| Interim dividend of 2.2 cents per fully paid ordinary share paid on 4 April 2019 (2018: 3.5 cents paid on 4 April 2018)      | 1,166,967           | 1,856,538        |
|                                                                                                                              | <u>3,023,505</u>    | <u>3,697,259</u> |

On 27 August 2019, the directors declared a fully franked dividend of 2.2 cents per ordinary share to be paid on 4 October 2019.

### Review of operations

Revenue for the year ended 30 June 2019 was \$217.8 million, up 3.3% from \$210.9 million the previous financial year. On a same-store basis revenue was down 2.5% from distribution activity, but down 3.7% overall including manufacturing activity.

Net profit after tax for the year was \$3.9 million, down 25.5% from \$5.2 million in the previous financial year.

EBITDA of \$9.8 million (prior to acquisition costs) was down 10.6% on the previous financial year.

EBITDA contribution from manufacturing facilities was \$1.8 million, down \$0.3 million from the \$2.1 million contribution in the previous financial year.

The Group completed three acquisitions during the financial year (MB Prefab in Victoria, Midland Timber in Western Australia and the New Zealand businesses of Decortech and Plytech International), all of which made a positive contribution to EBITDA before acquisition costs during the financial year.

EBITDA from distribution activities was \$11.3 million, down 6.4% from \$12.0 million in the previous financial year.

### Significant changes in the state of affairs

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.

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.

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 M.B. Prefab and The Midland Timber Co acquisitions are final as 30 June 2019. The values identified in relation to the New Zealand acquisitions are provisional as at 30 June 2019.

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

#### **Matters subsequent to the end of the financial year**

On 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 \$2,000,000 which includes the acquisition of inventory and plant and equipment and was settled through the payment of \$1,800,000 in cash. An amount of \$200,000 is payable through the issue of ordinary shares in Big River Industries Limited upon achieving an agreed EBITDA target.

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% will be released from escrow after 12 months of the date of issue and the remaining 62.5% will be released from escrow after 24 months of the date of issue.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2019 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.

The Group has a strong balance sheet and a healthy undrawn banking facility which will continue to support the Group with organic and acquisition growth opportunities.

#### **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. Since working for Big River, Jim has developed and led the Group's strategy to transform Big River from a manufacturing focused business to a diversified provider of timber and building products. Prior to working at Big River, Jim held the position of Business Manager of Sugar and Horticulture at Incitec, where he was responsible for segment profitability, strategy and marketing. |
| Other current directorships:         | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Former directorships (last 3 years): | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Special responsibilities:            | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Interests in shares:                 | 533,333 ordinary shares (indirectly)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Interests in options:                | 200,000 options (indirectly)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Name:                                | Martin Kaplan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Title:                               | Non-Executive Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Qualifications:                      | Martin holds a Bachelor of Commerce degree from the University of Cape Town and is a Chartered Accountant (South Africa & Canada).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Experience and expertise:            | Martin has been a Non-Executive Director of the Company since November 2015 and a director of Big River Group Pty Limited 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:         | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 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:                                | 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 Nomination and Remuneration Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Interests in shares:                 | 116,112                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Interests in options:                | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |



|                                      |                                                                                                                                                                                               |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name:                                | Vicky Papachristos                                                                                                                                                                            |
| Title:                               | 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 and Chairman of the Risk Committee of GMHBA Limited and non-executive director of myOwn Health (GMHBA JV with AIA)                                                     |
| 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 Audit and Risk Committee                                                                                                                                                         |
| Interests in shares:                 | 30,000 ordinary shares (indirectly)                                                                                                                                                           |
| Interests in options:                | None                                                                                                                                                                                          |

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

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

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

### Company Secretaries

Stephen Thomas Parks and Julian Rockett are co-Company Secretaries.

#### *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.

#### *Julian Rockett (BA, LLB, GDLP)*

Julian is a qualified corporate lawyer and listed company secretary. His background in law has included corporate compliance, advising on initial public offerings, mergers and acquisitions, reverse take-overs and capital raising for ASX listed entities. His diverse ASX listed company experience includes supporting fintech, artificial intelligence, medical technology, logistics, equity, mining, energy, technology and commercial property companies.

### 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 2019, 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 *     | 12         | 12   | 1                                     | 1    | 4                        | 4    |
| M Kaplan       | 12         | 12   | 1                                     | 1    | 4                        | 4    |
| M Jackman      | 11         | 12   | 1                                     | 1    | 3                        | 4    |
| V Papachristos | 12         | 12   | 1                                     | 1    | 4                        | 4    |
| G Laurie       | 12         | 12   | 1                                     | 1    | 4                        | 4    |

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.

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

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

- Dean Henderson - General Manager - Marketing (resigned 12 October 2018)
- Stephen Parks - Chief Financial Officer (and co-Company Secretary)
- John Lorente - General Manager - Sales and Distribution

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

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

### Principles used to determine the nature and amount of remuneration

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

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

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The 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 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.

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 certain financial hurdles, principally relating to earnings before interest, tax, depreciation and amortisation ('EBITDA') performance, and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, cash management, customer satisfaction, safety performance, leadership contribution and product management.

The 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.

#### *Consolidated entity performance and link to remuneration*

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

#### *Use of remuneration consultants*

During the financial year ended 30 June 2019, the Group did not engage remuneration consultants.

#### *Voting and comments made at the Company's 2018 Annual General Meeting ('AGM')*

At the 24 October 2018 AGM, 99.74% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. 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.

|                                        | Short-term benefits        |                  |                    | Post-employment benefits | Accrued long-term benefits | Share-based payments | Total            |
|----------------------------------------|----------------------------|------------------|--------------------|--------------------------|----------------------------|----------------------|------------------|
|                                        | Cash salary and fees<br>\$ | Cash bonus<br>\$ | Non-monetary<br>\$ | Super-annuation<br>\$    | Leave benefits<br>\$       | Equity-settled<br>\$ |                  |
| <b>2019</b>                            |                            |                  |                    |                          |                            |                      |                  |
| <i>Non-Executive Directors:</i>        |                            |                  |                    |                          |                            |                      |                  |
| 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           |
| <i>Executive Directors:</i>            |                            |                  |                    |                          |                            |                      |                  |
| J Bindon                               | 390,000                    | -                | -                  | 25,000                   | 6,151                      | -                    | 421,151          |
| <i>Other Key Management Personnel:</i> |                            |                  |                    |                          |                            |                      |                  |
| 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          |
|                                        | <u>1,388,105</u>           | <u>-</u>         | <u>-</u>           | <u>104,820</u>           | <u>10,552</u>              | <u>-</u>             | <u>1,503,477</u> |

\* 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.

|                                        | Short-term benefits        |                  |                    | Post-employment benefits | Accrued long-term benefits | Share-based payments | Total            |
|----------------------------------------|----------------------------|------------------|--------------------|--------------------------|----------------------------|----------------------|------------------|
|                                        | Cash salary and fees<br>\$ | Cash bonus<br>\$ | Non-monetary<br>\$ | Super-annuation<br>\$    | Leave benefits<br>\$       | Equity-settled<br>\$ |                  |
| <b>2018</b>                            |                            |                  |                    |                          |                            |                      |                  |
| <i>Non-Executive Directors:</i>        |                            |                  |                    |                          |                            |                      |                  |
| G Laurie                               | 91,324                     | -                | -                  | 8,676                    | -                          | -                    | 100,000          |
| M Kaplan*                              | -                          | -                | -                  | -                        | -                          | -                    | -                |
| M Jackman                              | 59,361                     | -                | -                  | 5,639                    | -                          | -                    | 65,000           |
| V Papachristos**                       | 47,804                     | -                | -                  | 4,541                    | -                          | -                    | 52,345           |
| <i>Executive Directors:</i>            |                            |                  |                    |                          |                            |                      |                  |
| J Bindon                               | 339,266                    | -                | -                  | 32,230                   | 18,178                     | -                    | 389,674          |
| <i>Other Key Management Personnel:</i> |                            |                  |                    |                          |                            |                      |                  |
| D Henderson                            | 257,383                    | -                | -                  | 24,451                   | 5,101                      | -                    | 286,935          |
| S Parks                                | 251,388                    | -                | -                  | 23,882                   | 10,730                     | -                    | 286,000          |
| J Lorente***                           | 117,918                    | 47,000           | -                  | 11,202                   | -                          | -                    | 176,120          |
|                                        | <u>1,164,444</u>           | <u>47,000</u>    | <u>-</u>           | <u>110,621</u>           | <u>34,009</u>              | <u>-</u>             | <u>1,356,074</u> |

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

\*\* Remuneration is for the period from date of appointment, 4 October 2017, to 30 June 2018.

\*\*\* Remuneration is for the period from date of appointment, 12 February 2018, to 30 June 2018. The cash bonus included a sign-on bonus of \$32,000 paid on commencement of employment.



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

| Name                                   | Fixed remuneration |      | At risk - STI |      | At risk - LTI |      |
|----------------------------------------|--------------------|------|---------------|------|---------------|------|
|                                        | 2019               | 2018 | 2019          | 2018 | 2019          | 2018 |
| <i>Executive Directors:</i>            |                    |      |               |      |               |      |
| J Bindon                               | 100%               | 100% | -             | -    | -             | -    |
| <i>Other Key Management Personnel:</i> |                    |      |               |      |               |      |
| D Henderson                            | 100%               | 100% | -             | -    | -             | -    |
| S Parks                                | 100%               | 100% | -             | -    | -             | -    |
| J Lorente                              | 100%               | 91%  | -             | 9%   | -             | -    |

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

| Name                                   | Cash bonus paid/payable |      | Cash bonus forfeited |      |
|----------------------------------------|-------------------------|------|----------------------|------|
|                                        | 2019                    | 2018 | 2019                 | 2018 |
| <i>Executive Directors:</i>            |                         |      |                      |      |
| J Bindon                               | -                       | -    | 100%                 | 100% |
| <i>Other Key Management Personnel:</i> |                         |      |                      |      |
| D Henderson                            | -                       | -    | 100%                 | 100% |
| S Parks                                | -                       | -    | 100%                 | 100% |
| J Lorente                              | -                       | 30%  | 100%                 | 70%  |

### Service agreements

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

|                      |                                                                                                                                                                                                  |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name:                | J Bindon                                                                                                                                                                                         |
| Title:               | Managing Director and Chief Executive Officer                                                                                                                                                    |
| Agreement commenced: | January 2001                                                                                                                                                                                     |
| Term of agreement:   | No fixed term                                                                                                                                                                                    |
| Details:             | Either Jim or the Company may terminate the employment contract by giving 6 months' written notice to the other party.                                                                           |
| Name:                | S Parks                                                                                                                                                                                          |
| Title:               | Chief Financial Officer and co-Company Secretary                                                                                                                                                 |
| Agreement commenced: | July 2008                                                                                                                                                                                        |
| Term of agreement:   | No fixed term                                                                                                                                                                                    |
| Details:             | Steve may terminate his employment contract by giving 1 months' written notice to the Company and the Company may terminate the employment contract by giving 4 months' written notice to Steve. |
| Name:                | J Lorente                                                                                                                                                                                        |
| Title:               | General Manager - Sales and Distribution                                                                                                                                                         |
| Agreement commenced: | February 2018                                                                                                                                                                                    |
| Term of agreement:   | No fixed term                                                                                                                                                                                    |
| Details:             | 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 2019.

#### 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 2019.

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 2019.

#### 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       | Expiry date      | Fair value per right at grant date |
|-----------|--------------------------|------------------|------------------|------------------------------------|
| J Bindon  | 154,024                  | 23 November 2018 | 23 November 2023 | \$0.000                            |
| S Parks   | 65,745                   | 23 November 2018 | 23 November 2023 | \$0.000                            |
| J Lorente | 72,107                   | 23 November 2018 | 23 November 2023 | \$0.000                            |

#### Vesting hurdle:

The number of Performance Rights vesting will be determined by reference to the CAGR in 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.

Performance rights granted carry no dividend or voting rights.

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 2019 are set out below:

| Name      | Number of rights granted during the year 2019 | Number of rights granted during the year 2018 | Number of rights vested during the year 2019 | Number of rights vested during the year 2018 |
|-----------|-----------------------------------------------|-----------------------------------------------|----------------------------------------------|----------------------------------------------|
| J Bindon  | 154,024                                       | -                                             | -                                            | -                                            |
| S Parks   | 65,745                                        | -                                             | -                                            | -                                            |
| J Lorente | 72,107                                        | -                                             | -                                            | -                                            |

#### Additional information

The earnings of the Group for the four years to 30 June 2019 are summarised below:

|                                | 2019<br>\$  | 2018<br>\$  | 2017<br>\$  | 2016<br>\$  |
|--------------------------------|-------------|-------------|-------------|-------------|
| Sales revenue                  | 217,689,464 | 210,756,310 | 176,891,981 | 71,536,530  |
| EBITDA                         | 9,178,218   | 10,676,690  | 8,144,377   | (1,085,537) |
| EBIT                           | 6,511,527   | 8,180,084   | 6,175,247   | (1,854,145) |
| Profit/(loss) after income tax | 3,856,713   | 5,176,270   | 3,927,681   | (1,949,368) |



### Additional disclosures relating to key management personnel

#### Shareholding

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

|                        | Balance at the start of the year | Received as part of remuneration | Additions      | Disposals/ other* | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|----------------|-------------------|--------------------------------|
| <i>Ordinary shares</i> |                                  |                                  |                |                   |                                |
| G Laurie               | 30,000                           | -                                | -              | -                 | 30,000                         |
| M Jackman              | 68,493                           | -                                | -              | -                 | 68,493                         |
| V Papachristos         | 30,000                           | -                                | -              | -                 | 30,000                         |
| J Bindon               | 400,000                          | -                                | 14,285         | -                 | 414,285                        |
| D Henderson*           | 250,000                          | -                                | -              | (250,000)         | -                              |
| S Parks                | 220,000                          | -                                | 100,000        | -                 | 320,000                        |
| J Lorente              | 8,017                            | -                                | 28,571         | -                 | 36,588                         |
|                        | <u>1,006,510</u>                 | <u>-</u>                         | <u>142,856</u> | <u>(250,000)</u>  | <u>899,366</u>                 |

\* 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 |
|-------------------------------------|----------------------------------|----------|-----------|---------------------------|--------------------------------|
| <i>Options over ordinary shares</i> |                                  |          |           |                           |                                |
| J Bindon                            | 200,000                          | -        | -         | -                         | 200,000                        |
| D Henderson*                        | 125,000                          | -        | -         | (125,000)                 | -                              |
| S Parks                             | 100,000                          | -        | -         | -                         | 100,000                        |
|                                     | <u>425,000</u>                   | <u>-</u> | <u>-</u>  | <u>(125,000)</u>          | <u>300,000</u>                 |

\* Expired/forfeited/other represents no longer a key management personnel, not necessarily a disposal of holding.

|                                     | Vested and exercisable | Vested and unexercisable | Balance at the end of the year |
|-------------------------------------|------------------------|--------------------------|--------------------------------|
| <i>Options over ordinary shares</i> |                        |                          |                                |
| J Bindon                            | 200,000                | -                        | 200,000                        |
| S Parks                             | 100,000                | -                        | 100,000                        |
|                                     | <u>300,000</u>         | <u>-</u>                 | <u>300,000</u>                 |

#### 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 |
|------------------------------------------------|----------------------------------|----------------|----------|---------------------------|--------------------------------|
| <i>Performance rights over ordinary shares</i> |                                  |                |          |                           |                                |
| J Bindon                                       | -                                | 154,024        | -        | -                         | 154,024                        |
| S Parks                                        | -                                | 65,745         | -        | -                         | 65,745                         |
| J Lorente                                      | -                                | 72,107         | -        | -                         | 72,107                         |
|                                                | <u>-</u>                         | <u>291,876</u> | <u>-</u> | <u>-</u>                  | <u>291,876</u>                 |

**This concludes the remuneration report, which has been audited.**

### Shares under option

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

| Grant date       | Expiry date      | Exercise price | Number under option |
|------------------|------------------|----------------|---------------------|
| 19 February 2016 | 19 February 2021 | \$2.00         | 1,185,000           |
| 13 February 2017 | 13 February 2022 | \$2.20         | 45,455              |
|                  |                  |                | <u>1,230,455</u>    |

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

### Shares 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      | Exercise price | Number under rights |
|------------------|------------------|----------------|---------------------|
| 23 November 2018 | 23 November 2023 | \$0.00         | 341,355             |

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 2019 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 2019 and up to the date of this report.

### Indemnity and insurance of officers

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

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### Indemnity and insurance of auditor

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

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

### Proceedings on behalf of the Company

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

### Non-audit services

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

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



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

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

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

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

**Auditor's independence declaration**

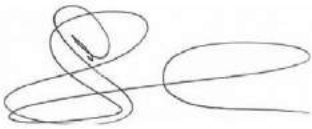
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**

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

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

On behalf of the directors



---

Malcolm Jackman  
Chairman



---

James Bindon  
Managing Director

27 August 2019  
Sydney



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](http://www.deloitte.com.au)

27 August 2019

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

Dear Board Members

**Auditor's Independence Declaration to  
Big River Industries Pty Limited**

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

As lead audit partner for the audit of the financial statements of Big River Industries for the financial year ended 30 June 2019, 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

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that appears to read "Alfred Nehama".

Alfred Nehama  
Partner  
Chartered Accountants



|                                                                                                                | <b>Note</b> | <b>Consolidated<br/>2019<br/>\$</b> | <b>2018<br/>\$</b> |
|----------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------|--------------------|
| <b>Revenue</b>                                                                                                 | 5           | 217,794,157                         | 210,910,160        |
| Other income                                                                                                   | 6           | 26,249                              | 62,075             |
| <b>Expenses</b>                                                                                                |             |                                     |                    |
| Raw materials and consumables used                                                                             |             | (158,077,609)                       | (151,046,253)      |
| Selling and distribution expense                                                                               |             | (6,044,720)                         | (6,255,075)        |
| Employee benefits expense                                                                                      |             | (28,787,185)                        | (28,214,355)       |
| Occupancy expense                                                                                              |             | (8,243,970)                         | (8,226,698)        |
| General and administration expense                                                                             |             | (6,217,996)                         | (5,642,004)        |
| Acquisition costs                                                                                              |             | (641,571)                           | (303,858)          |
| Depreciation and amortisation expense                                                                          | 7           | (2,666,691)                         | (2,496,606)        |
| Impairment of receivables                                                                                      | 10          | (629,137)                           | (607,302)          |
| Finance costs                                                                                                  | 7           | (1,013,074)                         | (791,761)          |
| <b>Profit before income tax expense</b>                                                                        |             | 5,498,453                           | 7,388,323          |
| Income tax expense                                                                                             | 8           | (1,641,740)                         | (2,212,053)        |
| <b>Profit after income tax expense for the year attributable to the owners of Big River Industries Limited</b> | 22          | 3,856,713                           | 5,176,270          |
| <b>Other comprehensive income</b>                                                                              |             |                                     |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                           |             |                                     |                    |
| Foreign currency translation                                                                                   |             | 1,764                               | -                  |
| Other comprehensive income for the year, net of tax                                                            |             | 1,764                               | -                  |
| <b>Total comprehensive income for the year attributable to the owners of Big River Industries Limited</b>      |             | <u>3,858,477</u>                    | <u>5,176,270</u>   |
|                                                                                                                |             | <b>Cents</b>                        | <b>Cents</b>       |
| Basic earnings per share                                                                                       | 36          | 7.24                                | 9.79               |
| Diluted earnings per share                                                                                     | 36          | 7.24                                | 9.79               |

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

|                                       | Note | Consolidated<br>2019<br>\$ | 2018<br>\$         |
|---------------------------------------|------|----------------------------|--------------------|
| <b>Assets</b>                         |      |                            |                    |
| <b>Current assets</b>                 |      |                            |                    |
| Cash and cash equivalents             | 9    | 1,202,098                  | 1,971,251          |
| Trade and other receivables           | 10   | 43,117,725                 | 39,080,600         |
| Inventories                           | 11   | 37,209,150                 | 29,374,599         |
| Other                                 | 12   | 841,558                    | 931,003            |
| Total current assets                  |      | <u>82,370,531</u>          | <u>71,357,453</u>  |
| <b>Non-current assets</b>             |      |                            |                    |
| Property, plant and equipment         | 13   | 27,971,850                 | 25,270,255         |
| Intangibles                           | 14   | 26,296,429                 | 9,183,189          |
| Deferred tax                          | 8    | 2,445,584                  | 2,307,869          |
| Total non-current assets              |      | <u>56,713,863</u>          | <u>36,761,313</u>  |
| <b>Total assets</b>                   |      | <u>139,084,394</u>         | <u>108,118,766</u> |
| <b>Liabilities</b>                    |      |                            |                    |
| <b>Current liabilities</b>            |      |                            |                    |
| Trade and other payables              | 15   | 52,932,121                 | 34,188,549         |
| Borrowings                            | 16   | 1,407,290                  | 2,986,719          |
| Income tax                            | 8    | 66,830                     | 726,187            |
| Provisions                            | 17   | 4,284,133                  | 3,292,534          |
| Total current liabilities             |      | <u>58,690,374</u>          | <u>41,193,989</u>  |
| <b>Non-current liabilities</b>        |      |                            |                    |
| Borrowings                            | 18   | 14,888,048                 | 7,441,472          |
| Deferred tax                          | 8    | 105,600                    | 264,000            |
| Provisions                            | 19   | 3,866,362                  | 322,825            |
| Total non-current liabilities         |      | <u>18,860,010</u>          | <u>8,028,297</u>   |
| <b>Total liabilities</b>              |      | <u>77,550,384</u>          | <u>49,222,286</u>  |
| <b>Net assets</b>                     |      | <u>61,534,010</u>          | <u>58,896,480</u>  |
| <b>Equity</b>                         |      |                            |                    |
| Issued capital                        | 20   | 61,325,301                 | 59,522,743         |
| Foreign currency translation reserve  | 21   | 1,764                      | -                  |
| Retained profits/(accumulated losses) | 22   | 206,945                    | (626,263)          |
| <b>Total equity</b>                   |      | <u>61,534,010</u>          | <u>58,896,480</u>  |

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



| <b>Consolidated</b>                                                                                     | <b>Issued<br/>capital<br/>\$</b> | <b>Foreign<br/>currency<br/>translation<br/>reserve<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total equity<br/>\$</b> |
|---------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------------------|--------------------------------------|----------------------------|
| Balance at 1 July 2017                                                                                  | 58,629,873                       | -                                                              | (2,105,274)                          | 56,524,599                 |
| Profit after income tax expense for the year                                                            | -                                | -                                                              | 5,176,270                            | 5,176,270                  |
| Other comprehensive income for the year, net of tax                                                     | -                                | -                                                              | -                                    | -                          |
| Total comprehensive income for the year                                                                 | -                                | -                                                              | 5,176,270                            | 5,176,270                  |
| <i>Transactions with owners in their capacity as owners:</i>                                            |                                  |                                                                |                                      |                            |
| Issue of ordinary shares as consideration for business combinations, net of transaction costs (note 20) | 892,870                          | -                                                              | -                                    | 892,870                    |
| Dividends paid (note 23)                                                                                | -                                | -                                                              | (3,697,259)                          | (3,697,259)                |
| Balance at 30 June 2018                                                                                 | 59,522,743                       | -                                                              | (626,263)                            | 58,896,480                 |

| <b>Consolidated</b>                                          | <b>Issued<br/>capital<br/>\$</b> | <b>Foreign<br/>currency<br/>translation<br/>reserve<br/>\$</b> | <b>Retained<br/>profits<br/>\$</b> | <b>Total equity<br/>\$</b> |
|--------------------------------------------------------------|----------------------------------|----------------------------------------------------------------|------------------------------------|----------------------------|
| 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                  |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                                                                |                                    |                            |
| Contributions of equity, net of transaction costs (note 20)  | 1,802,558                        | -                                                              | -                                  | 1,802,558                  |
| Dividends paid (note 23)                                     | -                                | -                                                              | (3,023,505)                        | (3,023,505)                |
| Balance at 30 June 2019                                      | 61,325,301                       | 1,764                                                          | 206,945                            | 61,534,010                 |

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

|                                                                  | Note | Consolidated<br>2019<br>\$ | 2018<br>\$    |
|------------------------------------------------------------------|------|----------------------------|---------------|
| <b>Cash flows from operating activities</b>                      |      |                            |               |
| Receipts from customers (inclusive of GST)                       |      | 235,230,075                | 229,596,787   |
| Payments to suppliers and employees (inclusive of GST)           |      | (228,341,613)              | (221,193,291) |
|                                                                  |      | 6,888,462                  | 8,403,496     |
| Other revenue                                                    |      | 104,693                    | 153,850       |
| Interest and other finance costs paid                            |      | (1,012,040)                | (791,761)     |
| Income taxes paid                                                |      | (2,233,467)                | (2,804,887)   |
| Net cash from operating activities                               | 34   | 3,747,648                  | 4,960,698     |
| <b>Cash flows from investing activities</b>                      |      |                            |               |
| Payment for purchase of businesses, net of cash acquired         | 31   | (6,605,453)                | (3,530,732)   |
| Final payments for prior period's business acquisition           |      | -                          | (200,000)     |
| Payments for property, plant and equipment                       | 13   | (1,524,234)                | (2,058,001)   |
| Payments for intangibles                                         | 14   | (751,088)                  | -             |
| Proceeds from disposal of property, plant and equipment          |      | 84,546                     | 93,825        |
| Net cash used in investing activities                            |      | (8,796,229)                | (5,694,908)   |
| <b>Cash flows from financing activities</b>                      |      |                            |               |
| Proceeds from issue of shares                                    | 20   | 1,649,096                  | -             |
| Share issue transaction costs                                    | 20   | (209,340)                  | (7,130)       |
| Proceeds from borrowings                                         |      | 6,600,000                  | 3,400,000     |
| Repayment of borrowings                                          |      | (1,000,000)                | (500,000)     |
| Net lease repayments                                             |      | (238,968)                  | (41,858)      |
| Dividends paid                                                   | 23   | (3,023,505)                | (3,697,259)   |
| Net cash from/(used in) financing activities                     |      | 3,777,283                  | (846,247)     |
| Net decrease in cash and cash equivalents                        |      | (1,271,298)                | (1,580,457)   |
| Cash and cash equivalents at the beginning of the financial year |      | 1,971,251                  | 3,551,708     |
| Effects of exchange rate changes on cash and cash equivalents    |      | (3,970)                    | -             |
| Cash and cash equivalents at the end of the financial year       | 9    | 695,983                    | 1,971,251     |

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

## Note 1. General information

The financial statements cover Big River Industries Limited as a Group consisting of Big River Industries Limited ('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 27 August 2019. 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.

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

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 9 Financial Instruments*

The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.



## Note 2. Significant accounting policies (continued)

### *AASB 15 Revenue from Contracts with Customers*

The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

### *Impact of adoption*

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of the adoption on opening retained earnings as at the transition date 1 July 2018 as the only financial instruments impacted by AASB 9 are trade and other receivables, and Group revenue continues to be recognised on a point in time basis.

As a result of AASB 9, 'impairment of receivables' is presented as a separate line item, however the incurred loss recognised under AASB 139 of \$224,906 was included in 'selling and distribution expenses' in the previous year.

### *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 30.

### *Principles of consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Big River Industries Limited as at 30 June 2019 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.

## Note 2. Significant accounting policies (continued)

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 Australian dollars 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 Australian dollars 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.

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.



## Note 2. Significant accounting policies (continued)

### *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.

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.



## Note 2. Significant accounting policies (continued)

### 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

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

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

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

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.

## Note 2. Significant accounting policies (continued)

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

### **Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. 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.

### **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.

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

### **Finance costs**

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



## Note 2. Significant accounting policies (continued)

### Provisions

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

### Employee benefits

#### *Short-term employee benefits*

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

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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.

## Note 2. Significant accounting policies (continued)

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

### Fair value measurement

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

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

### Issued capital

Ordinary shares are classified as equity.

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

### Dividends

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

### Business combinations

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

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

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

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

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

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



## Note 2. Significant accounting policies (continued)

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

### Earnings per share

#### *Basic earnings per share*

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

#### *Diluted earnings per share*

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

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

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

#### *AASB 16 Leases*

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

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



## Note 2. Significant accounting policies (continued)

The Group will adopt this standard from 1 July 2019. Whilst the directors are yet to finalise the assessment of the impact of AASB 16, the initial assessment has operating leases being capitalised on the balance sheet by recognising a 'right-of-use' asset in the order of \$20.2 million, a lease liability for the present value of the obligation of \$21.0 million, a deferred tax asset of \$0.2 million and a reduction to retained earnings of \$0.6 million.

### *New Conceptual Framework for Financial Reporting*

A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

## 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.

### *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.

### *Goodwill*

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

### *Impairment of non-financial assets other than goodwill*

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

## Note 4. Operating segments

### *Identification of reportable operating segments*

The Group is organised into one operating segment as the Group operated 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.



## Note 5. Revenue

|                      | <b>Consolidated</b> |                    |
|----------------------|---------------------|--------------------|
|                      | <b>2019</b>         | <b>2018</b>        |
|                      | <b>\$</b>           | <b>\$</b>          |
| <i>Sales revenue</i> |                     |                    |
| Sale of goods        | 217,689,464         | 210,756,310        |
| <i>Other revenue</i> |                     |                    |
| Other revenue        | 104,693             | 153,850            |
| Revenue              | <u>217,794,157</u>  | <u>210,910,160</u> |

### *Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

|                             | <b>Consolidated</b> |
|-----------------------------|---------------------|
|                             | <b>2019</b>         |
|                             | <b>\$</b>           |
| <i>Major product lines</i>  |                     |
| Building products           | <u>217,689,464</u>  |
| <i>Geographical regions</i> |                     |
| Australia                   | 215,802,871         |
| New Zealand                 | <u>1,886,593</u>    |
|                             | <u>217,689,464</u>  |

The Group adopted the new accounting standards using the modified retrospective approach and as such comparatives have not been restated so no disaggregation is provided for 30 June 2018.

All of the Group's revenue is recognised at a point in time.

## Note 6. Other income

|                                                       | <b>Consolidated</b> |               |
|-------------------------------------------------------|---------------------|---------------|
|                                                       | <b>2019</b>         | <b>2018</b>   |
|                                                       | <b>\$</b>           | <b>\$</b>     |
| Net gain on disposal of property, plant and equipment | <u>26,249</u>       | <u>62,075</u> |

## Note 7. Expenses

|                                                                    | <b>Consolidated</b> |             |
|--------------------------------------------------------------------|---------------------|-------------|
|                                                                    | <b>2019</b>         | <b>2018</b> |
|                                                                    | <b>\$</b>           | <b>\$</b>   |
| Profit before income tax includes the following specific expenses: |                     |             |
| <i>Cost of sales</i>                                               |                     |             |
| Cost of sales                                                      | 158,077,609         | 151,046,253 |
| <i>Depreciation</i>                                                |                     |             |
| Buildings                                                          | 165,737             | 171,544     |
| Plant and equipment                                                | 1,972,954           | 1,797,062   |
| Total depreciation                                                 | 2,138,691           | 1,968,606   |
| <i>Amortisation</i>                                                |                     |             |
| Customer relationships                                             | 528,000             | 528,000     |
| Total depreciation and amortisation                                | 2,666,691           | 2,496,606   |
| <i>Finance costs</i>                                               |                     |             |
| Interest and finance charges paid/payable                          | 1,013,074           | 791,761     |
| <i>Rental expense relating to operating leases</i>                 |                     |             |
| Minimum lease payments                                             | 3,705,511           | 2,940,619   |
| <i>Superannuation expense</i>                                      |                     |             |
| Defined contribution superannuation expense                        | 1,864,289           | 1,761,026   |
| <i>Expenses associated with business combinations</i>              |                     |             |
| Transaction costs                                                  | 641,571             | 303,858     |



**Note 8. Income tax**

|                                                                                      | <b>Consolidated</b> |                  |
|--------------------------------------------------------------------------------------|---------------------|------------------|
|                                                                                      | <b>2019</b>         | <b>2018</b>      |
|                                                                                      | <b>\$</b>           | <b>\$</b>        |
| <i>Income tax expense</i>                                                            |                     |                  |
| Current tax                                                                          | 1,598,373           | 2,362,222        |
| Deferred tax - origination and reversal of temporary differences                     | 68,125              | (132,808)        |
| Adjustment recognised for prior periods                                              | (24,758)            | (17,361)         |
| Aggregate income tax expense                                                         | <u>1,641,740</u>    | <u>2,212,053</u> |
| Deferred tax included in income tax expense comprises:                               |                     |                  |
| Decrease in deferred tax assets                                                      | 226,525             | 25,592           |
| Decrease in deferred tax liabilities                                                 | (158,400)           | (158,400)        |
| Deferred tax - origination and reversal of temporary differences                     | <u>68,125</u>       | <u>(132,808)</u> |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>  |                     |                  |
| Profit before income tax expense                                                     | <u>5,498,453</u>    | <u>7,388,323</u> |
| Tax at the statutory tax rate of 30%                                                 | 1,649,536           | 2,216,497        |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: |                     |                  |
| Non-allowable items                                                                  | <u>22,273</u>       | <u>12,917</u>    |
|                                                                                      | 1,671,809           | 2,229,414        |
| Difference in overseas tax rates                                                     | (5,311)             | -                |
| Overprovision from prior period                                                      | <u>(24,758)</u>     | <u>(17,361)</u>  |
| Income tax expense                                                                   | <u>1,641,740</u>    | <u>2,212,053</u> |
|                                                                                      |                     |                  |
|                                                                                      | <b>Consolidated</b> |                  |
|                                                                                      | <b>2019</b>         | <b>2018</b>      |
|                                                                                      | <b>\$</b>           | <b>\$</b>        |
| <i>Amounts credited directly to equity</i>                                           |                     |                  |
| Deferred tax assets                                                                  | <u>(62,802)</u>     | <u>-</u>         |

## Note 8. Income tax (continued)

### Deferred tax asset

### Deferred tax asset

Deferred tax asset comprises temporary differences attributable to:

Amounts recognised in profit or loss:

|                                                   | Consolidated<br>2019<br>\$ | 2018<br>\$       |
|---------------------------------------------------|----------------------------|------------------|
| Allowance for expected credit losses              | 429,236                    | 397,666          |
| Property, plant and equipment                     | 3,961                      | 67,331           |
| Employee benefits                                 | 1,356,344                  | 1,039,570        |
| Capital raise and IPO expenses                    | 341,825                    | 437,375          |
| Lease provisions                                  | 62,922                     | 104,265          |
| Other provisions and accruals                     | 251,296                    | 261,662          |
| Deferred tax asset                                | <u>2,445,584</u>           | <u>2,307,869</u> |
| Amount expected to be recovered within 12 months  | <u>2,445,584</u>           | <u>2,307,869</u> |
| Movements:                                        |                            |                  |
| Opening balance                                   | 2,307,869                  | 2,333,461        |
| Charged to profit or loss                         | (226,525)                  | (25,592)         |
| Credited to equity                                | 62,802                     | -                |
| Additions through business combinations (note 31) | 301,438                    | -                |
| Closing balance                                   | <u>2,445,584</u>           | <u>2,307,869</u> |

### Deferred tax liability

### Deferred tax liability

Deferred tax liability comprises temporary differences attributable to:

Amounts recognised in profit or loss:

|                                                         | Consolidated<br>2019<br>\$ | 2018<br>\$     |
|---------------------------------------------------------|----------------------------|----------------|
| Customer relationships                                  | 105,600                    | 264,000        |
| Deferred tax liability                                  | <u>105,600</u>             | <u>264,000</u> |
| Amount expected to be settled within 12 months          | 105,600                    | 158,400        |
| Amount expected to be settled after more than 12 months | -                          | 105,600        |
|                                                         | <u>105,600</u>             | <u>264,000</u> |
| Movements:                                              |                            |                |
| Opening balance                                         | 264,000                    | 422,400        |
| Credited to profit or loss                              | (158,400)                  | (158,400)      |
| Closing balance                                         | <u>105,600</u>             | <u>264,000</u> |



## Note 8. Income tax (continued)

### Provision for income tax

Provision for income tax  
Provision for income tax

| Consolidated |         |
|--------------|---------|
| 2019         | 2018    |
| \$           | \$      |
| 66,830       | 726,187 |

## Note 9. Current assets - cash and cash equivalents

Cash on hand  
Cash at bank

| Consolidated |           |
|--------------|-----------|
| 2019         | 2018      |
| \$           | \$        |
| 140,916      | 133,276   |
| 1,061,182    | 1,837,975 |
| 1,202,098    | 1,971,251 |

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

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

Balances as above  
Bank overdraft (note 16)

|           |           |
|-----------|-----------|
| 1,202,098 | 1,971,251 |
| (506,115) | -         |

Balance as per statement of cash flows

|         |           |
|---------|-----------|
| 695,983 | 1,971,251 |
|---------|-----------|

## Note 10. Current assets - trade and other receivables

Trade receivables  
Less: Provision for impairment of receivables  
Less: Allowance for expected credit losses

| Consolidated |             |
|--------------|-------------|
| 2019         | 2018        |
| \$           | \$          |
| 43,219,203   | 38,627,107  |
| -            | (1,325,554) |
| (1,430,786)  | -           |
| 41,788,417   | 37,301,553  |

Other receivables

|            |            |
|------------|------------|
| 1,329,308  | 1,779,047  |
| 43,117,725 | 39,080,600 |

### Allowance for expected credit losses

The Group has recognised a loss of \$629,137 in profit or loss in respect of the expected credit losses for the year ended 30 June 2019 (30 June 2018: loss of \$607,302).

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

#### 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<br>credit loss<br>rate<br>2019<br>% | Carrying<br>amount<br>2019<br>\$ | Allowance<br>for expected<br>credit losses<br>2019<br>\$ |
|-----------------------|----------------------------------------------|----------------------------------|----------------------------------------------------------|
| <b>Consolidated</b>   |                                              |                                  |                                                          |
| Not overdue           | -                                            | 21,868,224                       | -                                                        |
| 0 to 3 months overdue | 0.73%                                        | 18,429,176                       | 135,450                                                  |
| 3 to 6 months overdue | 15.00%                                       | 1,620,430                        | 243,064                                                  |
| Over 6 months overdue | 40.00%                                       | 2,630,681                        | 1,052,272                                                |
|                       |                                              | <u>44,548,511</u>                | <u>1,430,786</u>                                         |

As the modified retrospective approach is being used for the changes in the Accounting Standards, there is no comparative information disclosed as at 30 June 2018.

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

|                                              | <b>Consolidated</b> |                   |
|----------------------------------------------|---------------------|-------------------|
|                                              | <b>2019</b>         | <b>2018</b>       |
|                                              | <b>\$</b>           | <b>\$</b>         |
| Raw materials and work in progress - at cost | 3,210,126           | 3,080,195         |
| Finished goods - at cost                     | 33,999,024          | 26,294,404        |
|                                              | <u>37,209,150</u>   | <u>29,374,599</u> |

#### Note 12. Current assets - other

|                   | <b>Consolidated</b> |                |
|-------------------|---------------------|----------------|
|                   | <b>2019</b>         | <b>2018</b>    |
|                   | <b>\$</b>           | <b>\$</b>      |
| Prepayments       | 402,889             | 408,471        |
| Deferred expenses | 302,525             | 386,388        |
| Other deposits    | 136,144             | 136,144        |
|                   | <u>841,558</u>      | <u>931,003</u> |



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

|                                | <b>Consolidated</b>      |                          |
|--------------------------------|--------------------------|--------------------------|
|                                | <b>2019</b>              | <b>2018</b>              |
|                                | <b>\$</b>                | <b>\$</b>                |
| Freehold land - at cost        | 855,701                  | 855,701                  |
| Buildings - at cost            | 6,043,487                | 6,025,131                |
| Less: Accumulated depreciation | (600,328)                | (434,591)                |
|                                | <u>5,443,159</u>         | <u>5,590,540</u>         |
| Plant and equipment - at cost  | 26,352,099               | 21,726,030               |
| Less: Accumulated depreciation | (4,679,109)              | (2,902,016)              |
|                                | <u>21,672,990</u>        | <u>18,824,014</u>        |
|                                | <u><u>27,971,850</u></u> | <u><u>25,270,255</u></u> |

**Reconciliations**

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

| <b>Consolidated</b>                               | <b>Freehold<br/>land<br/>\$</b> | <b>Buildings<br/>\$</b> | <b>Plant and<br/>equipment<br/>\$</b> | <b>Total<br/>\$</b>      |
|---------------------------------------------------|---------------------------------|-------------------------|---------------------------------------|--------------------------|
| Balance at 1 July 2017                            | 855,701                         | 5,569,694               | 18,137,932                            | 24,563,327               |
| Additions                                         | -                               | 192,390                 | 1,865,611                             | 2,058,001                |
| Additions through business combinations (note 31) | -                               | -                       | 649,283                               | 649,283                  |
| Disposals                                         | -                               | -                       | (31,750)                              | (31,750)                 |
| Depreciation expense                              | -                               | (171,544)               | (1,797,062)                           | (1,968,606)              |
| Balance at 30 June 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 31) | -                               | -                       | 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                           | <u><u>855,701</u></u>           | <u><u>5,443,159</u></u> | <u><u>21,672,990</u></u>              | <u><u>27,971,850</u></u> |

**Property, plant and equipment secured under finance leases**

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

**Note 14. Non-current assets - intangibles**

|                                  | <b>Consolidated</b>      |                         |
|----------------------------------|--------------------------|-------------------------|
|                                  | <b>2019</b>              | <b>2018</b>             |
|                                  | <b>\$</b>                | <b>\$</b>               |
| Goodwill - at cost               | 25,193,341               | 8,303,189               |
| Customer relationships - at cost | 1,584,000                | 1,584,000               |
| Less: Accumulated amortisation   | (1,232,000)              | (704,000)               |
|                                  | <u>352,000</u>           | <u>880,000</u>          |
| Software - at cost               | 601,379                  | -                       |
| Product development - at cost    | 149,709                  | -                       |
|                                  | <u><u>26,296,429</u></u> | <u><u>9,183,189</u></u> |

**Reconciliations**

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

|                                                   | Goodwill                 | Customer              |                       | Product               |                          |
|---------------------------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|--------------------------|
|                                                   | \$                       | relationships         | Software              | development           | Total                    |
|                                                   |                          | \$                    | \$                    | \$                    | \$                       |
| <b>Consolidated</b>                               |                          |                       |                       |                       |                          |
| Balance at 1 July 2017                            | 6,012,632                | 1,408,000             | -                     | -                     | 7,420,632                |
| Additions through business combinations (note 31) | 2,290,557                | -                     | -                     | -                     | 2,290,557                |
| Amortisation expense                              | -                        | (528,000)             | -                     | -                     | (528,000)                |
| Balance at 30 June 2018                           | 8,303,189                | 880,000               | -                     | -                     | 9,183,189                |
| Additions                                         | -                        | -                     | 601,379               | 149,709               | 751,088                  |
| Additions through business combinations (note 31) | 16,890,152               | -                     | -                     | -                     | 16,890,152               |
| Amortisation expense                              | -                        | (528,000)             | -                     | -                     | (528,000)                |
| Balance at 30 June 2019                           | <u><u>25,193,341</u></u> | <u><u>352,000</u></u> | <u><u>601,379</u></u> | <u><u>149,709</u></u> | <u><u>26,296,429</u></u> |

**Impairment testing**

Goodwill is allocated to the Group's two cash generating units, being Australia and New Zealand.

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

Key assumptions used for value-in-use calculations:

|               | 2019  | 2018  |
|---------------|-------|-------|
|               | %     | %     |
| Growth rate   | 2.0%  | 3.0%  |
| Discount rate | 10.5% | 10.5% |

The weighted average growth rates used are consistent with forecasts included in industry reports. In addition, management have used gross margins based on past performance and its expectations for the future.



#### Note 14. Non-current assets - intangibles (continued)

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

- Decrease in the growth rate to 0.7%;
- Increase in the discount rate to 11.5%; and
- Decrease in the EBITDA forecast by 7.4%.

Management has considered possible changes in the key assumptions used in the value-in-use calculations for the New Zealand cash generating unit and has not identified any reasonably possible change that would cause a material impact in the carrying amount of this cash generating unit.

#### Note 15. Current liabilities - trade and other payables

|                                     | <b>Consolidated</b> |                   |
|-------------------------------------|---------------------|-------------------|
|                                     | <b>2019</b>         | <b>2018</b>       |
|                                     | <b>\$</b>           | <b>\$</b>         |
| Trade payables                      | 30,558,269          | 29,939,728        |
| Deferred consideration              | 16,609,092          | -                 |
| Goods and services tax payable      | 538,888             | 577,006           |
| Other payables and accrued expenses | 5,225,872           | 3,671,815         |
|                                     | <u>52,932,121</u>   | <u>34,188,549</u> |

Refer to note 24 for further information on financial instruments.

#### Note 16. Current liabilities - borrowings

|                 | <b>Consolidated</b> |                  |
|-----------------|---------------------|------------------|
|                 | <b>2019</b>         | <b>2018</b>      |
|                 | <b>\$</b>           | <b>\$</b>        |
| Bank overdraft  | 506,115             | -                |
| Bank bills      | -                   | 2,000,000        |
| Lease liability | 901,175             | 986,719          |
|                 | <u>1,407,290</u>    | <u>2,986,719</u> |

Refer to note 18 for further information on assets pledged as security and financing arrangements.

Refer to note 24 for further information on financial instruments.

#### Note 17. Current liabilities - provisions

|                          | <b>Consolidated</b> |                  |
|--------------------------|---------------------|------------------|
|                          | <b>2019</b>         | <b>2018</b>      |
|                          | <b>\$</b>           | <b>\$</b>        |
| Annual leave             | 1,925,938           | 1,412,297        |
| Long service leave       | 1,898,454           | 1,597,824        |
| Contingent consideration | 250,000             | -                |
| Onerous lease            | 209,741             | 282,413          |
|                          | <u>4,284,133</u>    | <u>3,292,534</u> |

## Note 17. Current liabilities - provisions (continued)

### *Contingent consideration*

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.

### *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:

|                                                   | Contingent<br>consideration<br>\$ | Onerous<br>lease<br>\$ |
|---------------------------------------------------|-----------------------------------|------------------------|
| <b>Consolidated - 2019</b>                        |                                   |                        |
| Carrying amount at the start of the year          | -                                 | 282,413                |
| Additions through business combinations (note 31) | 250,000                           | -                      |
| Amounts used                                      | -                                 | (72,672)               |
|                                                   | <u>250,000</u>                    | <u>209,741</u>         |
| Carrying amount at the end of the year            |                                   |                        |

## Note 18. Non-current liabilities - borrowings

|                 | <b>Consolidated<br/>2019<br/>\$</b> | <b>2018<br/>\$</b> |
|-----------------|-------------------------------------|--------------------|
| Bank bills      | 13,520,000                          | 5,920,000          |
| Lease liability | <u>1,368,048</u>                    | <u>1,521,472</u>   |
|                 | <u>14,888,048</u>                   | <u>7,441,472</u>   |

Refer to note 24 for further information on financial instruments.

### *Total secured liabilities*

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

|                 | <b>Consolidated<br/>2019<br/>\$</b> | <b>2018<br/>\$</b> |
|-----------------|-------------------------------------|--------------------|
| Bank overdraft  | 506,115                             | -                  |
| Bank bills      | 13,520,000                          | 7,920,000          |
| Lease liability | <u>2,269,223</u>                    | <u>2,508,191</u>   |
|                 | <u>16,295,338</u>                   | <u>10,428,191</u>  |

### *Assets pledged as security*

The bank bills are secured by first mortgages over the Group's assets.

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

## Note 18. Non-current liabilities - borrowings (continued)

### Financing arrangements

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

|                                  | Consolidated<br>2019<br>\$ | 2018<br>\$        |
|----------------------------------|----------------------------|-------------------|
| Total facilities                 |                            |                   |
| Bank overdraft and trade finance | 13,306,481                 | 6,200,000         |
| Bank bills                       | 30,000,000                 | 22,500,000        |
| Asset finance                    | 4,000,000                  | 4,000,000         |
|                                  | <u>47,306,481</u>          | <u>32,700,000</u> |
| Used at the reporting date       |                            |                   |
| Bank overdraft and trade finance | 506,115                    | -                 |
| Bank bills                       | 13,520,000                 | 7,920,000         |
| Asset finance                    | 2,269,223                  | 2,508,191         |
|                                  | <u>16,295,338</u>          | <u>10,428,191</u> |
| Unused at the reporting date     |                            |                   |
| Bank overdraft and trade finance | 12,800,366                 | 6,200,000         |
| Bank bills                       | 16,480,000                 | 14,580,000        |
| Asset finance                    | 1,730,777                  | 1,491,809         |
|                                  | <u>31,011,143</u>          | <u>22,271,809</u> |

## Note 19. Non-current liabilities - provisions

|                          | Consolidated<br>2019<br>\$ | 2018<br>\$     |
|--------------------------|----------------------------|----------------|
| Long service leave       | 500,606                    | 257,689        |
| Contingent consideration | 3,365,756                  | -              |
| Onerous lease            | -                          | 65,136         |
|                          | <u>3,866,362</u>           | <u>322,825</u> |

### Contingent consideration

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.

### 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:

|                                                   | Contingent<br>consideration<br>\$ | Onerous<br>lease<br>\$ |
|---------------------------------------------------|-----------------------------------|------------------------|
| <b>Consolidated - 2019</b>                        |                                   |                        |
| Carrying amount at the start of the year          | -                                 | 65,136                 |
| Additions through business combinations (note 31) | 3,365,756                         | -                      |
| Amounts used                                      | -                                 | (65,136)               |
|                                                   | <u>3,365,756</u>                  | <u>-</u>               |
| Carrying amount at the end of the year            |                                   |                        |



**Note 20. Equity - issued capital**

|                                                                           |                  | <b>2019<br/>Shares</b> | <b>Consolidated<br/>2018<br/>Shares</b> | <b>2019<br/>\$</b> | <b>2018<br/>\$</b> |
|---------------------------------------------------------------------------|------------------|------------------------|-----------------------------------------|--------------------|--------------------|
| Ordinary shares - fully paid                                              |                  | <u>54,859,219</u>      | <u>53,043,949</u>                       | <u>61,325,301</u>  | <u>59,522,743</u>  |
| <i>Movements in ordinary share capital</i>                                |                  |                        |                                         |                    |                    |
| <b>Details</b>                                                            | <b>Date</b>      | <b>Shares</b>          | <b>Issue price</b>                      | <b>\$</b>          |                    |
| Balance                                                                   | 1 July 2017      | 52,592,007             |                                         | 58,629,873         |                    |
| Issue of shares as purchase consideration for Midcoast Timbers            | 5 September 2017 | 153,059                | \$1.96                                  | 300,000            |                    |
| Issue of shares as purchase consideration for Ern Smith Timber & Hardware | 4 December 2017  | 298,883                | \$2.01                                  | 600,000            |                    |
| Transaction costs arising on share issue, net of tax                      |                  |                        |                                         | <u>(7,130)</u>     |                    |
| Balance                                                                   | 30 June 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                      |                  |                        |                                         | <u>(146,538)</u>   |                    |
| Balance                                                                   | 30 June 2019     | <u>54,859,219</u>      |                                         | <u>61,325,301</u>  |                    |

**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.

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 2018 Annual Report.

**Note 21. Equity - foreign currency translation reserve**

|                          | Consolidated<br>2019<br>\$ | 2018<br>\$ |
|--------------------------|----------------------------|------------|
| Foreign currency reserve | 1,764                      | -          |

*Foreign currency reserve*

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

**Note 22. Equity - retained profits/(accumulated losses)**

|                                                                        | Consolidated<br>2019<br>\$ | 2018<br>\$  |
|------------------------------------------------------------------------|----------------------------|-------------|
| Accumulated losses at the beginning of the financial year              | (626,263)                  | (2,105,274) |
| Profit after income tax expense for the year                           | 3,856,713                  | 5,176,270   |
| Dividends paid (note 23)                                               | (3,023,505)                | (3,697,259) |
| Retained profits/(accumulated losses) at the end of the financial year | 206,945                    | (626,263)   |

**Note 23. Equity - dividends**

*Dividends*

Dividends paid during the financial year were as follows:

|                                                                                                                              | Consolidated<br>2019<br>\$ | 2018<br>\$ |
|------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------|
| Final dividend of 3.5 cents per fully paid ordinary share paid on 2 October 2018 (2018: 3.5 cents paid on 29 September 2017) | 1,856,538                  | 1,840,721  |
| Interim dividend of 2.2 cents per fully paid ordinary share paid on 4 April 2019 (2018: 3.5 cents paid on 4 April 2018)      | 1,166,967                  | 1,856,538  |
|                                                                                                                              | 3,023,505                  | 3,697,259  |

On 27 August 2019, the directors declared a fully franked dividend of 2.2 cents per ordinary share to be paid on 4 October 2019.

*Franking credits*

|                                                                                                                                                           | Consolidated<br>2019<br>\$ | 2018<br>\$ |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------|
| Franking credits available at the reporting date based on a tax rate of 30%                                                                               | 20,622,310                 | 19,507,313 |
| 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% | (15,736)                   | 726,187    |
| Franking credits available for subsequent financial years based on a tax rate of 30%                                                                      | 20,606,574                 | 20,233,500 |

## Note 24. Financial instruments

### Financial risk management objectives

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

|                                              | 2019                             |                   | 2018                             |                  |
|----------------------------------------------|----------------------------------|-------------------|----------------------------------|------------------|
|                                              | Weighted average interest rate % | Balance \$        | Weighted average interest rate % | Balance \$       |
| <b>Consolidated</b>                          |                                  |                   |                                  |                  |
| Bank bills                                   | 4.45%                            | 13,520,000        | 4.92%                            | 7,920,000        |
| Net exposure to cash flow interest rate risk |                                  | <u>13,520,000</u> |                                  | <u>7,920,000</u> |

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

For the Group the bank bills outstanding, totalling \$13,520,000 (2018: \$7,920,000), are interest only loans. Monthly cash outlays of approximately \$50,137 (2018: \$32,472) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2018: 100) basis points would have an adverse/favourable effect on profit before tax of the following:

|                            | Basis points increase |                             |                  | Basis points decrease |                             |                  |
|----------------------------|-----------------------|-----------------------------|------------------|-----------------------|-----------------------------|------------------|
|                            | Basis points change   | Effect on profit before tax | Effect on equity | Basis points change   | Effect on profit before tax | Effect on equity |
| <b>Consolidated - 2019</b> |                       |                             |                  |                       |                             |                  |
| Bank bills                 | (100)                 | <u>(135,200)</u>            | <u>(94,640)</u>  | 100                   | <u>135,200</u>              | <u>94,640</u>    |



## Note 24. Financial instruments (continued)

| Consolidated - 2018 | Basis points change | Basis points increase       | Effect on equity | Basis points change | Basis points decrease       | Effect on equity |
|---------------------|---------------------|-----------------------------|------------------|---------------------|-----------------------------|------------------|
|                     |                     | Effect on profit before tax |                  |                     | Effect on profit before tax |                  |
| Bank bills          | (100)               | <u>(79,200)</u>             | <u>(55,440)</u>  | 100                 | <u>79,200</u>               | <u>55,440</u>    |

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.

### Financing arrangements

Unused borrowing facilities at the reporting date:

|                                  | Consolidated      |                   |
|----------------------------------|-------------------|-------------------|
|                                  | 2019<br>\$        | 2018<br>\$        |
| Bank overdraft and trade finance | 12,800,366        | 6,200,000         |
| Bank bills                       | 16,480,000        | 14,580,000        |
| Asset finance                    | <u>1,730,777</u>  | <u>1,491,809</u>  |
|                                  | <u>31,011,143</u> | <u>22,271,809</u> |

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

## Note 24. Financial instruments (continued)

### 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.

|                                      | Weighted<br>average<br>interest rate<br>% | 1 year or less<br>\$ | Between 1<br>and 2 years<br>\$ | Between 2<br>and 5 years<br>\$ | Over 5 years<br>\$ | Remaining<br>contractual<br>maturities<br>\$ |
|--------------------------------------|-------------------------------------------|----------------------|--------------------------------|--------------------------------|--------------------|----------------------------------------------|
| <b>Consolidated - 2019</b>           |                                           |                      |                                |                                |                    |                                              |
| <b>Non-derivatives</b>               |                                           |                      |                                |                                |                    |                                              |
| <i>Non-interest bearing</i>          |                                           |                      |                                |                                |                    |                                              |
| Trade payables                       | -                                         | 30,558,269           | -                              | -                              | -                  | 30,558,269                                   |
| Other payables                       | -                                         | 3,456,339            | -                              | -                              | -                  | 3,456,339                                    |
| <i>Interest-bearing - variable</i>   |                                           |                      |                                |                                |                    |                                              |
| Bank bills                           | 4.45%                                     | 601,640              | 601,640                        | 13,971,642                     | -                  | 15,174,922                                   |
| <i>Interest-bearing - fixed rate</i> |                                           |                      |                                |                                |                    |                                              |
| Lease liability                      | 5.31%                                     | 991,051              | 553,572                        | 933,906                        | -                  | 2,478,529                                    |
| Total non-derivatives                |                                           | 35,607,299           | 1,155,212                      | 14,905,548                     | -                  | 51,668,059                                   |
| <b>Consolidated - 2018</b>           |                                           |                      |                                |                                |                    |                                              |
| <b>Non-derivatives</b>               |                                           |                      |                                |                                |                    |                                              |
| <i>Non-interest bearing</i>          |                                           |                      |                                |                                |                    |                                              |
| Trade payables                       | -                                         | 29,939,728           | -                              | -                              | -                  | 29,939,728                                   |
| Other payables                       | -                                         | 2,510,069            | -                              | -                              | -                  | 2,510,069                                    |
| <i>Interest-bearing - variable</i>   |                                           |                      |                                |                                |                    |                                              |
| Bank bills                           | 4.92%                                     | 2,000,000            | 2,000,000                      | 3,920,000                      | -                  | 7,920,000                                    |
| <i>Interest-bearing - fixed rate</i> |                                           |                      |                                |                                |                    |                                              |
| Lease liability                      | 5.25%                                     | 1,107,566            | 822,444                        | 785,749                        | -                  | 2,715,759                                    |
| Total non-derivatives                |                                           | 35,557,363           | 2,822,444                      | 4,705,749                      | -                  | 43,085,556                                   |

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

## Note 25. Key management personnel disclosures

### Compensation

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

|                              | <b>Consolidated</b> |                  |
|------------------------------|---------------------|------------------|
|                              | <b>2019</b>         | <b>2018</b>      |
|                              | <b>\$</b>           | <b>\$</b>        |
| Short-term employee benefits | 1,388,105           | 1,211,444        |
| Post-employment benefits     | 104,820             | 110,621          |
| Long-term benefits           | 10,552              | 34,009           |
|                              | <u>1,503,477</u>    | <u>1,356,074</u> |

## Note 26. Remuneration of auditors

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

|                                                  | <b>Consolidated</b> |                |
|--------------------------------------------------|---------------------|----------------|
|                                                  | <b>2019</b>         | <b>2018</b>    |
|                                                  | <b>\$</b>           | <b>\$</b>      |
| <i>Audit services - Deloitte Touche Tohmatsu</i> |                     |                |
| Audit or review of the financial statements      | 187,026             | 174,027        |
| <i>Other services - Deloitte Touche Tohmatsu</i> |                     |                |
| Taxation                                         | 18,000              | 38,352         |
|                                                  | <u>205,026</u>      | <u>212,379</u> |

## Note 27. Contingent liabilities

The Group has given bank guarantees as at 30 June 2019 of \$742,975 (2018: \$742,975) to various landlords.

## Note 28. Commitments

|                                                                             | <b>Consolidated</b> |                   |
|-----------------------------------------------------------------------------|---------------------|-------------------|
|                                                                             | <b>2019</b>         | <b>2018</b>       |
|                                                                             | <b>\$</b>           | <b>\$</b>         |
| <i>Lease commitments - operating</i>                                        |                     |                   |
| Committed at the reporting date but not recognised as liabilities, payable: |                     |                   |
| Within one year                                                             | 4,814,762           | 3,344,346         |
| One to five years                                                           | 12,096,995          | 6,389,206         |
| More than five years                                                        | 3,472,289           | 276,323           |
|                                                                             | <u>20,384,046</u>   | <u>10,009,875</u> |
| <i>Lease commitments - finance</i>                                          |                     |                   |
| Committed at the reporting date and recognised as liabilities, payable:     |                     |                   |
| Within one year                                                             | 991,051             | 1,107,566         |
| One to five years                                                           | 1,487,478           | 1,608,193         |
| Total commitment                                                            | 2,478,529           | 2,715,759         |
| Less: Future finance charges                                                | (209,306)           | (207,568)         |
| Net commitment recognised as liabilities                                    | <u>2,269,223</u>    | <u>2,508,191</u>  |
| Representing:                                                               |                     |                   |
| Lease liability - current (note 16)                                         | 901,175             | 986,719           |
| Lease liability - non-current (note 18)                                     | 1,368,048           | 1,521,472         |
|                                                                             | <u>2,269,223</u>    | <u>2,508,191</u>  |

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

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



## Note 29. Related party transactions

### *Parent entity*

Big River Industries Limited is the parent entity.

### *Subsidiaries*

Interests in subsidiaries are set out in note 32.

### *Key management personnel*

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

### *Transactions with related parties*

There were no transactions with related parties during the current and previous financial year.

### *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.

## Note 30. Parent entity information

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

### *Statement of profit or loss and other comprehensive income*

|                                                     | <b>Parent</b> |             |
|-----------------------------------------------------|---------------|-------------|
|                                                     | <b>2019</b>   | <b>2018</b> |
|                                                     | <b>\$</b>     | <b>\$</b>   |
| Profit after income tax                             | 3,023,505     | 3,697,259   |
| Other comprehensive income for the year, net of tax | -             | -           |
| Total comprehensive income                          | 3,023,505     | 3,697,259   |

### Note 30. Parent entity information (continued)

#### Statement of financial position

|                               | <b>Parent</b> |             |
|-------------------------------|---------------|-------------|
|                               | <b>2019</b>   | <b>2018</b> |
|                               | <b>\$</b>     | <b>\$</b>   |
| Total current assets          | 30,710,926    | 23,212,913  |
| Total non-current assets      | 41,317,086    | 41,412,541  |
| Total assets                  | 72,028,012    | 64,625,454  |
| Total current liabilities     | -             | 2,000,000   |
| Total non-current liabilities | 13,520,000    | 5,920,000   |
| Total liabilities             | 13,520,000    | 7,920,000   |
| Net assets                    | 58,508,012    | 56,705,454  |
| Equity                        |               |             |
| Issued capital                | 61,325,301    | 59,522,743  |
| Accumulated losses            | (2,817,289)   | (2,817,289) |
| Total equity                  | 58,508,012    | 56,705,454  |

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

The parent entity is a party to a deed of cross guarantee (refer Note 33) under which it guarantees the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

#### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

#### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

#### 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.

### Note 31. Business combinations

#### 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.

**Note 31. Business combinations (continued)**

*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 M. B. Prefab and Midland Timber acquisitions are final as at 30 June 2019. The values identified in relation to the New Zealand acquisitions are provisional as at 30 June 2019.

Details of the acquisitions are as follows:

|                                                                          | M.B. Prefab<br>Fair value<br>\$ | Midland<br>Timber<br>Fair value<br>\$ | New<br>Zealand<br>Fair value<br>\$ | Total<br>Fair value<br>\$ |
|--------------------------------------------------------------------------|---------------------------------|---------------------------------------|------------------------------------|---------------------------|
| 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       | <u>4,915,112</u>                | <u>2,491,405</u>                      | <u>19,724,848</u>                  | <u>27,131,365</u>         |
| 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                 |
|                                                                          | <u>4,915,112</u>                | <u>2,491,405</u>                      | <u>19,724,848</u>                  | <u>27,131,365</u>         |
| Acquisition costs expensed to profit or loss                             | <u>213,208</u>                  | <u>131,113</u>                        | <u>228,426</u>                     | <u>572,747</u>            |
| 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                                                            | <u>4,415,112</u>                | <u>2,190,341</u>                      | <u>-</u>                           | <u>6,605,453</u>          |

\* Included in deferred consideration within trade and other payables (refer note 15).



**Note 31. Business combinations (continued)**

**2018**

**Midcoast Timbers**

On 24 August 2017, the Group executed a business purchase deed to acquire the business and assets of Midcoast Timbers, a business located in Burleigh West, Queensland. The purchase price was \$2,710,732 which includes the acquisition of inventory and plant and equipment and was settled through the payment of \$2,410,732 in cash and \$300,000 in ordinary shares of Big River Industries Limited.

**Ern Smith Timber & Hardware**

On 3 November 2017, the Group executed a business purchase deed to acquire the business and assets of Ern Smith Timber & Hardware, a business located in Hume, Australian Capital Territory. The purchase price was \$1,720,000 which includes the acquisition of inventory and plant and equipment and was settled through the payment of \$1,120,000 in cash and \$600,000 in ordinary shares of Big River Industries Limited.

Details of the acquisitions are as follows:

|                                                                    | Midcoast<br>Timbers<br>Fair value<br>\$ | Ern Smith<br>Timber<br>& Hardware<br>Fair value<br>\$ | Total<br>Fair value<br>\$ |
|--------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------|---------------------------|
| Inventories                                                        | 506,075                                 | 1,037,936                                             | 1,544,011                 |
| Plant and equipment                                                | 143,383                                 | 505,900                                               | 649,283                   |
| Employee benefits                                                  | (24,715)                                | (28,404)                                              | (53,119)                  |
| Net assets acquired                                                | 624,743                                 | 1,515,432                                             | 2,140,175                 |
| Goodwill                                                           | 2,085,989                               | 204,568                                               | 2,290,557                 |
| Acquisition-date fair value of the total consideration transferred | <u>2,710,732</u>                        | <u>1,720,000</u>                                      | <u>4,430,732</u>          |
| Representing:                                                      |                                         |                                                       |                           |
| Cash paid or payable to vendor                                     | 2,410,732                               | 1,120,000                                             | 3,530,732                 |
| Big River Industries Limited shares issued to vendor               | 300,000                                 | 600,000                                               | 900,000                   |
|                                                                    | <u>2,710,732</u>                        | <u>1,720,000</u>                                      | <u>4,430,732</u>          |
| Acquisition costs expensed to profit or loss                       | <u>195,100</u>                          | <u>108,758</u>                                        | <u>303,858</u>            |
| Cash used to acquire business, net of cash acquired:               |                                         |                                                       |                           |
| Acquisition-date fair value of the total consideration transferred | 2,710,732                               | 1,720,000                                             | 4,430,732                 |
| Less: shares issued by Company as part of consideration            | (300,000)                               | (600,000)                                             | (900,000)                 |
| Net cash used                                                      | <u>2,410,732</u>                        | <u>1,120,000</u>                                      | <u>3,530,732</u>          |

### Note 32. Interests in subsidiaries

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

| Name                                                                              | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------|--------------------|-----------|
|                                                                                   |                                                           | 2019<br>%          | 2018<br>% |
| ACN 609 939 139 Pty Ltd (formerly known as Big River Group Holdings Pty Limited)* | Australia                                                 | -                  | 100.00%   |
| Big River Group Pty Limited                                                       | Australia                                                 | 100.00%            | 100.00%   |
| Big River Group (NZ) Limited                                                      | New Zealand                                               | 100.00%            | -         |

\* ACN 609 939 139 Pty Ltd was deregistered on 7 November 2018.

### Note 33. Deed of cross guarantee

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

Big River Industries Limited  
Big River Group Pty Ltd

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

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

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

**Note 34. Reconciliation of profit after income tax to net cash from operating activities**

|                                                       | <b>Consolidated</b> |                  |
|-------------------------------------------------------|---------------------|------------------|
|                                                       | <b>2019</b>         | <b>2018</b>      |
|                                                       | <b>\$</b>           | <b>\$</b>        |
| Profit after income tax expense for the year          | 3,856,713           | 5,176,270        |
| Adjustments for:                                      |                     |                  |
| Depreciation and amortisation                         | 2,666,691           | 2,496,606        |
| Net gain on disposal of property, plant and equipment | (26,249)            | (62,075)         |
| Foreign exchange differences                          | 5,825               | -                |
| Change in operating assets and liabilities:           |                     |                  |
| Increase in trade and other receivables               | (3,952,930)         | (2,235,154)      |
| Decrease/(increase) in inventories                    | 525,071             | (3,388,829)      |
| Increase in income tax refund due                     | (15,736)            | -                |
| Decrease in deferred tax assets                       | 226,525             | 25,592           |
| Decrease/(increase) in other operating assets         | 134,146             | (25,779)         |
| Increase in trade and other payables                  | 1,228,002           | 3,662,207        |
| Decrease in provision for income tax                  | (643,622)           | (460,026)        |
| Decrease in deferred tax liabilities                  | (158,400)           | (158,400)        |
| Increase/(decrease) in other provisions               | (98,388)            | 130,286          |
| Decrease in other operating liabilities               | -                   | (200,000)        |
| Net cash from operating activities                    | <u>3,747,648</u>    | <u>4,960,698</u> |

**Note 35. Changes in liabilities arising from financing activities**

| <b>Consolidated</b>                          | <b>Bank bills</b> | <b>Lease liability</b> | <b>Total</b>      |
|----------------------------------------------|-------------------|------------------------|-------------------|
|                                              | <b>\$</b>         | <b>\$</b>              | <b>\$</b>         |
| Balance at 1 July 2017                       | 5,020,000         | 2,550,049              | 7,570,049         |
| Net cash from/(used in) financing activities | <u>2,900,000</u>  | <u>(41,858)</u>        | <u>2,858,142</u>  |
| Balance at 30 June 2018                      | 7,920,000         | 2,508,191              | 10,428,191        |
| Net cash from/(used in) financing activities | <u>5,600,000</u>  | <u>(238,968)</u>       | <u>5,361,032</u>  |
| Balance at 30 June 2019                      | <u>13,520,000</u> | <u>2,269,223</u>       | <u>15,789,223</u> |



### Note 36. Earnings per share

|                                                                                           | <b>Consolidated</b> |               |
|-------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                           | <b>2019</b>         | <b>2018</b>   |
|                                                                                           | <b>\$</b>           | <b>\$</b>     |
| Profit after income tax attributable to the owners of Big River Industries Limited        | 3,856,713           | 5,176,270     |
|                                                                                           | <b>Number</b>       | <b>Number</b> |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 53,296,805          | 52,888,531    |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 53,296,805          | 52,888,531    |
|                                                                                           | <b>Cents</b>        | <b>Cents</b>  |
| Basic earnings per share                                                                  | 7.24                | 9.79          |
| Diluted earnings per share                                                                | 7.24                | 9.79          |

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

### Note 37. 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.

### Note 37. Share-based payments (continued)

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

#### 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                         |
|            |             |                | <u>1,415,455</u>                 | <u>-</u> | <u>-</u>  | <u>(185,000)</u>          | <u>1,230,455</u>               |

#### 2018

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

The weighted average share price during the financial year was \$1.3117 (2018: \$2.082).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.68 years (2018: 2.64 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:

#### 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                        |
|            |             | <u>-</u>                         | <u>341,355</u> | <u>-</u>  | <u>-</u>                  | <u>341,355</u>                 |

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 4.40 years (2018: nil years).

### Note 38. Events after the reporting period

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 \$2,000,000 which includes the acquisition of inventory and plant and equipment and was settled through the payment of \$1,800,000 in cash. An amount of \$200,000 is payable through the issue of ordinary shares in Big River Industries Limited upon achieving an agreed EBITDA target.

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% will be released from escrow after 12 months of the date of issue and the remaining 62.5% will be released from escrow after 24 months of the date of issue.

**Note 38. Events after the reporting period (continued)**

Apart from the dividend declared as disclosed in note 23, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.



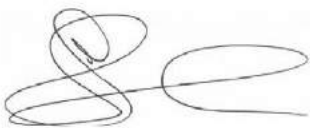
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33 to the financial statements.

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

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

On behalf of the directors



Malcolm Jackman  
Chairman



James Bindon  
Managing Director

27 August 2019  
Sydney



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

Phone: +61 2 9322 7000  
[www.deloitte.com.au](http://www.deloitte.com.au)

## **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 "Entity") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

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

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

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

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report 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.



| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | How the scope of our audit responded to the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Impairment assessment of goodwill</b></p> <p>As at 30 June 2019, the Group has recognised goodwill of \$25,193,341, of which \$16,890,152 arose as a result of acquisitions during the current year as disclosed in Note 31.</p> <p>Management's assessment of the recoverability of goodwill requires them to exercise significant judgement in respect of key assumptions supporting the expected future cash flows, the discount rate and the long term growth rate.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Challenging management's ability to accurately forecast cash flows by assessing the precision of the prior year forecasts against actual outcomes; and</li> <li>• Engaging our valuation specialists to assist with: <ul style="list-style-type: none"> <li>○ Comparing the discount rate utilised by management to an independently calculated discount rate;</li> <li>○ Comparing the Group's forecast cash flows to the board approved budget, and challenging the growth rates used; and</li> <li>○ Performing sensitivity analysis on the growth and discount rates.</li> </ul> </li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 14 to the financial statements.</p> |

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Directory and Shareholder Information, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Chairman 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 are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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



### *Auditor's Responsibilities for the Audit of the Financial Report*

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 7 to 12 of the Directors' Report for the year ended 30 June 2019.

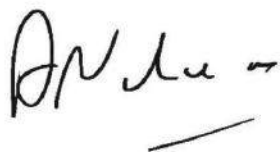
In our opinion, the Remuneration Report of Big River Industries Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### *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



Alfred Nehama  
Partner  
Chartered Accountants  
Sydney, 27 August 2019



The shareholder information set out below was applicable as at 14 August 2019.

#### 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                            | 30                                   |
| 1,001 to 5,000                        | 70                                   |
| 5,001 to 10,000                       | 41                                   |
| 10,001 to 100,000                     | 64                                   |
| 100,001 and over                      | 25                                   |
|                                       | <hr/> 230 <hr/>                      |
| Holding less than a marketable parcel | <hr/> 14 <hr/>                       |

#### Equity security holders

##### Twenty largest quoted equity security holders

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

|                                                                                   | Ordinary shares<br>Number held | % of total<br>shares issued |
|-----------------------------------------------------------------------------------|--------------------------------|-----------------------------|
| NATIONAL NOMINEES LIMITED                                                         | 17,428,970                     | 27.90                       |
| 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                                              | 2,397,260                      | 3.84                        |
| ANACACIA PTY LIMITED (WATTLE FUND)                                                | 2,199,650                      | 3.52                        |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                                         | 1,346,713                      | 2.16                        |
| DENIS WILLIAM JAGGAR & CHRISTINE PAULA JAGGAR                                     | 901,632                        | 1.44                        |
| PAUL HARVEY WEBBER & SUSAN MARGARET WEBBER                                        | 901,632                        | 1.44                        |
| PANTHEON MULTI STRATEGY CO-INVESTMENT PROGRAM 2014                                | 854,139                        | 1.37                        |
| PANTHEON ASIA FUND VI LP                                                          | 501,916                        | 0.80                        |
| MEGAN ANNE BINDON (THE BINDON FAMILY A/C)                                         | 319,048                        | 0.51                        |
| SARGON CT PTY LTD (CYAN C3G FUND)                                                 | 285,714                        | 0.46                        |
| VESKAY PTY LTD (VESKAY SUPER FUND A/C)                                            | 253,333                        | 0.41                        |
| AURELIO JOSEPH SCHORER & SALLIE LOUISE SCHORER                                    | 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                        |
| MR DEAN JOSEPH HENDERSON & MRS TERESA YOLANDA HENDERSON (THE HENDERSON SUPER A/C) | 176,954                        | 0.28                        |
| JAMES HIATT & BREE HIATT (THE J & B HIATT SUPER FUND A/C)                         | 160,000                        | 0.26                        |
|                                                                                   | <hr/> 58,683,995 <hr/>         | <hr/> 93.94 <hr/>           |



### *Unquoted equity securities*

|                                     | Number<br>on issue | Number<br>of holders |
|-------------------------------------|--------------------|----------------------|
| Options over ordinary shares issued | 1,230,455          | 13                   |

### **Substantial holders**

Substantial holders in the Company are set out below:

|                               | Ordinary shares<br>Number held | % of total<br>shares<br>issued |
|-------------------------------|--------------------------------|--------------------------------|
| ANACACIA PARTNERSHIP II LP    | 31,700,001                     | 50.75                          |
| NAOS ASSET MANAGEMENT LIMITED | 17,055,970                     | 27.30                          |

### **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<br>of shares |
|-----------------|--------------|---------------------|
| Ordinary shares | 1 May 2020   | 244,702             |
| Ordinary shares | 12 July 2020 | 676,224             |
| Ordinary shares | 12 July 2021 | 1,127,040           |
|                 |              | <u>2,047,966</u>    |

## 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

## SA

### Adelaide

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

## 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







[illegible]





# BigRiver

Building Australia for over 100 years