



ABN 87 602 638 531

BAUMART HOLDINGS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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CORPORATE DIRECTORY

Directors

Mr Berthus Budiman – Executive Director
 Mr Matthew Logan – Executive Director
 Mr Michael Crichton – Non-Executive Director
 Mr Anson Gan – Non-Executive Director

Share Registry

Advanced Share Registry Services Pty Ltd
 110 Stirling Highway
 Nedlands WA 6009

Telephone: +61 8 9389 8033
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Company Secretary

Ms Natalie Teo

Auditor

Stantons International Audit and Consulting Pty Ltd
 Level 2, 1 Walker Avenue
 West Perth WA 6005

Principal Place of Business

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 North Fremantle WA 6159

Telephone: +61 8 6558 0814
 Website: www.baumart.com.au

Australian Securities Exchange

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DIRECTORS' REPORT

*The Directors present their report together with the consolidated financial statements of BauMart Holdings Limited (the **Company** or **Parent Entity**) and its controlled entities (together referred to hereafter as the **Consolidated Entity**) for the year ended 30 June 2017 and the auditor's report thereon.*

DIRECTORS

The Directors of the Company at any time during or since the end of the year are:

Mr Berthus Budiman

Executive Director – appointed 31 October 2014

Mr Budiman has more than 26 years' experience in the manufacturing, wholesale and distribution industry across an extensive range of products such as building and raw materials, industrial products, pharmaceutical products and consumer goods in South East Asia.

Prior to joining BauMart Holdings, Mr Budiman has held senior management positions with global corporations such as Young Corporation (Young Indonesia Pratama, PT), Mahakam Group of Companies and SC Johnson & Son (Indonesia). During his time with the Young Corporation as Vice President, he oversaw the establishment of various distribution companies and manufacturing facilities in Asia Pacific, Europe, the Middle East and North and South America.

Mr Budiman studied at the Christian University of Indonesia's Faculty of Mechanical Engineering from 1967 to 1970.

Mr Matthew Logan

Executive Director, B. Com. – appointed 8 August 2016

Mr Logan graduated with a Bachelor of Commerce majoring in Accounting and Business Law from Curtin University in Western Australia and is an experienced commercial manager in the industrial supplies and materials handling industry.

He is responsible for the Eco Pallets Pty Ltd (Eco Pallets) business and has worked closely with BauMart since the acquisition of Eco Pallets.

Mr Logan was formerly an associate of a private practice for over 10 years where he provided corporate and accounting services to various ASX clients in the mining, energy, industrial and technology industries.

Mr Michael Crichton

Non-Executive Director - appointed 19 March 2015

Mr Crichton has been involved in the logistics and construction industry for over 20 years. He spent 12 years in senior management positions at TNT Express Worldwide and DHL Worldwide Express in South Australia and Western Australia.

Mr Crichton went on to establish new apprenticeship programs with MPA Skills (Master Plumbers and Painters Association WA) before taking on a consulting role in the construction industry, specialising on apprenticeships, on behalf of the Western Australian State Government for 10 years.

Mr Crichton will be seeking re-election by shareholders at the 2017 Annual General Meeting.

Mr Anson Gan

Non-Executive Director, B.Eng (Hons) – appointed 19 March 2015

Mr Gan is a registered electrical engineer with the Institution of Engineers (Malaysia). He has held a range of project engineering and consulting positions with various engineering companies in Australia, Malaysia and China, as well as establishing his own business specialising in green building design and green energy technology and the supply of green building materials.

He is experienced in electrical engineering, project management and green building consultancy in large scale residential and commercial construction projects in Malaysia.

Mr Gan has a Bachelor of Engineering with a major in Electrical Engineering from Curtin University, Western Australia

DIRECTORS' REPORT

COMPANY SECRETARY

Ms Natalie Teo, B. Com. - appointed 19 March 2015

Ms Teo graduated with a Masters in Accounting from Curtin University in Western Australia and is currently pursuing a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia.

Ms Teo is currently working with a firm which provides company secretarial and accounting services to both listed and unlisted entities.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of directorship	
		From	To
Mr B Budiman	Not Applicable	-	-
Mr M Logan	Not Applicable	-	-
Mr M Crichton	Not Applicable	-	-
Mr A Gan	Not Applicable	-	-

DIRECTORS' INTERESTS

The relevant interests of each director in the securities of the Company at the date of this report are as follows:

Director	Shares	Options
Mr B Budiman	1,000,001	-
Mr M Logan	3,200,000	-
Mr M Crichton	1,000,000	-
Mr A Gan	8,500,000	-

DIRECTORS' MEETINGS

The number of Directors' meetings held and the number of meetings attended by each of the Directors of the Company during the year are:

Director	Board	
	Held	Attended
Mr B Budiman	6	6
Mr M Logan ¹	6	5
Mr M Crichton	6	6
Mr A Gan	6	6

1. Mr Logan appointed as a Director on 8 August 2016.

PRINCIPAL ACTIVITY

The principal activity of the Consolidated Entity during the year was the procurement, supply and installation of building products and materials, to both the residential and commercial construction markets. In addition to this, the Company expanded into materials handling product supply following the acquisition of Eco Pallets.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

During the year, the Consolidated Entity implemented a new business model focussed on driving sustainable contract revenue across a more diversified client portfolio. The new strategy saw a realignment of objectives and targets across all divisions, with strategic focus on new and current client growth and retention, and an operational focus on business development activities to feed into existing and established infrastructure.

The principal operations of the Consolidated Entity continued to revolve around sourcing and securing distributorship rights in Australia for building and building-related materials and establishing sourcing and supply arrangements with various building industry participants. The building materials supply division, which includes wood plastic composite decking and premium natural stones, delivered on the following key targets for the financial year and gaining traction in the marketplace:

- Improvements to procurement and supply chain processes
- Relocation of Perth and Sydney operations into first class distribution centres
- Partnerships with specialised transport companies to manage complex end to end deliveries for customers located Australia wide
- Building product awareness through:
 - o Trade show participation;
 - o Business to business marketing; and
 - o Targeted online marketing (including content writing and various social media platforms)
- Development of long-term client relationships with potential repeat customers such as landscapers, builders, designers, architects and resellers alike

The materials handling division had a breakthrough year, successfully executing its key priorities for the financial year. The division is excited for the 2018FY as it plans to develop and add complementary products into its solid portfolio and launch into the Queensland market before the December half year. Trade show participation will continue during the 2018FY as the materials handling division expands with the target of becoming the number 1 plastic materials handling supplier in Australia. Some of the highlights for the financial year include:

- Market penetration into sustainable industries such as pharmaceutical, food and beverage and export
- Supply contract with a subsidiary of a leading biopharmaceutical company in Australia, providing up to 3 years of recurring revenue
- Secured preferred supplier status for two ASX Top 100 companies to supply all their plastic pallet operations
- Additions of new suppliers, complementary products and end to end transport partners

In 2017FY, the Consolidated Entity entered into an equipment lease agreement with Sydney Sunny Glass Pty Ltd (**SSG**) relating to its glass-processing equipment in Smithfield, New South Wales. SSG also assumed responsibility for the Smithfield premises lease obligation on existing lease terms. SSG is a growing glass manufacturing business and the arrangement with BauMart provides SSG with greater production capability and processing efficiency. The early signs of this new arrangement look positive as SSG's production capacity increases, allowing greater supply to the booming Sydney construction market. With the combination of BauMart's specialised glass-processing equipment and SSG's selling and distribution expertise, the business is well positioned to benefit from the ongoing development projects in Sydney.

In line with its growth plans, the Consolidated Entity continues to evaluate a healthy pipeline of potentially accretive distributorship rights and synergistic acquisitions.

The Consolidated Entity continued to focus on its core business of sourcing and securing distributorship rights in Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Board assessed the carrying value of plant and equipment during the year, which resulted in an impairment of \$826,846, which has been recognised in profit and loss.

Ordinary fully paid shares issued during the year were as follows:

- (a) The issue of 5 million shares at \$0.20 each through the exercise of options, raising \$1M in cash
- (b) The issue of 7.5 million shares at \$0.20 each pursuant to an underwriting agreement, raising \$1.5M in cash



DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONTINUED)

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

Total shares on issue at 30 June 2017 were 144,744,757.

LIKELY DEVELOPMENTS

The Consolidated Entity will continue to develop its principal activities of building materials and materials handling product supply.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this report.

ENVIRONMENTAL REGULATION

The Directors are not aware of any particular and significant environment regulation under a law of the Commonwealth, State or Territory relevant to the Consolidated Entity.

CORPORATE GOVERNANCE

The Company's 2017 Corporate Governance Statement can be found on the Company's website: www.baumart.com.au.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

SHARE OPTIONS

Options issued or granted

No options have been granted since the end of the previous financial year and to the date of this report.

Options Exercised or lapsed

The following options to subscribe for ordinary fully paid shares were exercised during the year.

Class	Expiry date	Exercise Price	Number of Options Exercised
Unlisted Options	31 May 2017	\$0.20	5,000,000

Consequently, a total of 20,000,000 unlisted options lapsed during the year.

Unissued shares under option

There were no options to subscribe for ordinary fully paid shares at the end of the year or at the date of this report.

DIRECTORS' REPORT

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current Directors and Company Secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Company, the Company Secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

The Company has not, during or since the year indemnified or agreed to indemnify the auditor of the Company or any related entity against liability incurred by the auditor. During the year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

NON-AUDIT SERVICES

The Company's auditor, Stantons International, did not provide any non-audit services during the year.

Stantons International Audit and Consulting Pty Ltd
Amounts paid for audit services provided during the year are set out below:

	30 June 2017 \$	30 June 2016 \$
Audit and review of financial reports	37,000	32,000
Total remuneration for audit services	37,000	32,000

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 45.

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 purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

For the purposes of this report, key management personnel of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Key management personnel

The following were key management personnel of the Consolidated Entity at any time during the year and unless otherwise indicated were key management personnel for the entire year:

Name	Position held
Mr B Budiman	Executive Director (appointed 31 October 2014)
Mr M Logan	Executive Director (appointed 8 August 2016)
Mr M Crichton	Non-executive Director (appointed 19 March 2015)
Mr A Gan	Non-executive Director (appointed 19 March 2015)

Principles of remuneration

The remuneration structures explained below are competitively set to attract, motivate and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders.

The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the achievement of strategic objectives;
- the Consolidated Entity's performance including:
 - o the growth in share price; and
 - o the amount of incentives within each key management person's compensation.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives and senior managers. Remuneration is determined by the Board as a whole as the Company has not yet established a remuneration committee.

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by shareholders in general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at a meeting held in February 2015, is not to exceed \$300,000 per annum. Directors' fees cover all main board activities and membership of committees if applicable.

Non-executive directors do not receive any retirement benefits, other than statutory superannuation, nor do they receive any performance-related compensation.

Non-executive directors' fees as at the reporting date are as follows:

Name	Non-executive directors' fees
Mr M Crichton	\$20,000 per annum
Mr A Gan	\$20,000 per annum

DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (CONTINUED)

Executive remuneration

Remuneration for executives is set out in employment agreements. Details of the employment agreement with the Executive Director are provided below.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed annually by the Board through a process that considers individual and overall performance of the Consolidated Entity.

Long-term incentive

Long-term incentives (LTI) may be provided to key management personnel in the form of options over ordinary shares of the Company. LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. Options may only be issued to directors subject to approval by shareholders in general meeting.

There were no options issued as LTI during the year.

The Company has introduced a policy that prohibits employees and Directors of the Company from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and Directors to confirm compliance.

Consolidated Entity performance and link to remuneration

The Company was incorporated on 31 October 2014 and admitted to the Official List of ASX on 16 June 2015. It is a owner and lessor of glass-processing equipment and a supplier of building products and material handling products whose operational activities commenced in the 2015 financial year. Consequently, the Consolidated Entity's financial results are not considered to be a principal performance indicator. However, the overall level of key management personnel remuneration will take into account the achievement of strategic objectives, service criteria and growth in share price.

There were no performance related remuneration transactions during the year.

The earnings of the Consolidated Entity for the year are summarised below:

	30 June 2017	30 June 2016
Net loss for the year attributable to owners of the Company	(1,795,082)	(\$2,393,296)
Dividends paid	Nil	Nil
Change in share price		
Share price at beginning of the year	\$0.205	\$0.22
Share price at end of the year	\$0.22	\$0.205
Loss per share	(1.35 cents)	(1.91 cents)

DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (CONTINUED)

Use of remuneration consultants

The Consolidated Entity did not engage the services of a remuneration consultant during the year.

Employment agreement

Executive Directors

The Company has entered into an employment agreement with its Executive Director, Mr Berthus Budiman, effective from 1 December 2014 (**Employment Agreement**). The Employment Agreement outlines the components of remuneration paid to Mr Budiman and will be reviewed on an annual basis. The Employment Agreement specifies the duties and obligations to be fulfilled by Mr Budiman in the role of Executive Director. The Company must pay to Mr Budiman \$80,000 per annum (exclusive of statutory superannuation) on the basis of an approximate 28-hours work week for his services.

In addition, the company has appointed another Executive Director, Mr Matthew Logan, effective from 8 August 2016. The agreement outlines that remuneration paid to Mr Logan will be reviewed on an annual basis. Furthermore, the Agreement states that the duties and obligations to be fulfilled by Mr Logan is in the role of Executive Director, focusing towards the operational side of the company. In the first year of employment, the Company must pay to Mr Logan an annual salary of \$80,500 per annum (exclusive of statutory superannuation) on the basis of an approximate 28-hours work week for his services for the 30 June 2017 year.

Either Executive Director or BauMart Holdings may terminate the agreement at any time by giving three months' written notice to the Company. Executive Directors have no entitlement to termination payment should they terminate the agreement by written notice. BauMart Holdings may, by giving written notice to either Executive Directors, immediately terminate the agreement should a number of specified occurrences happen, including a serious breach of the agreement or serious misconduct. Executive Directors have no entitlement to termination payment in the event of removal for misconduct.

Termination benefits are within the limits set by the Corporations Act 2001 such that they do not require shareholder approval.

Remuneration of key management personnel

2017		Short-term employment benefits		Post-employment benefits	Share-based payments	Total \$	Proportion of remuneration performance related %
		Salary & fees ¹ \$	Other \$	Superannuation benefits \$	Options \$		
Executive Director							
Mr B Budiman	2017	80,000	-	7,560	-	87,560	-
	2016	76,667	-	7,283	-	83,950	-
Mr M Logan	2017	80,500	-	7,647	-	88,147	-
	2016	-	-	-	-	-	-
Non-Executive Directors							
Mr M Crichton	2017	20,000	-	1,900	-	21,900	-
	2016	20,000	-	1,900	-	21,900	-
Mr A Gan	2017	20,000	-	1,900	-	21,900	-
	2016	20,000	-	1,900	-	21,900	-
Other Key Management Personnel							
Mr S Teoh	2017	-	-	-	-	-	-
	2016	50,176	-	4,767	-	54,943	-
Total	2017	200,500	-	19,007	-	219,507	-
Total	2016	166,843	-	15,850	-	182,693	-

The Company paid \$8,980 as a premium during the year in respect of a director and officer liability insurance policy.

1. Salary & fees include employee benefits paid during the year.

DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (continued)

Share-based remuneration

There were no share-based remuneration transactions during the year.

Loans to key management personnel

There were no loans provided to key management personnel of the Consolidated Entity or their close family members or entities related to them during the year.

Key management personnel equity holdings

Fully paid ordinary shares

The movement during the year in the number of ordinary shares in BauMart Holdings Limited held, directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

Key management person	Held at 30 June 2016	Held at date of appointment	Granted as remuneration	Other changes	Held at date of resignation	Held at 30 June 2017
Mr B Budiman	1,000,001	N/A	-	-	-	1,000,001
Mr M Logan ¹	-	3,200,000	-	-	-	3,200,000
Mr M Crichton	1,000,000	N/A	-	-	-	1,000,000
Mr A Gan	8,500,000	N/A	-	-	-	8,500,000

1. Mr M Logan was appointed as a Director on 8 August 2016.

Key management person	Held at 30 June 2015	Held at date of appointment	Granted as remuneration	Other changes	Held at date of resignation	Held at 30 June 2016
Mr B Budiman	1,000,001	N/A	-	-	-	1,000,001
Mr M Crichton	1,000,000	N/A	-	-	-	1,000,000
Mr A Gan	8,500,000	N/A	-	-	-	8,500,000
Mr S Teoh	1,010,000	N/A	-	-	1,010,000	-

Share options

Directors did not hold any options at the beginning or end of the financial year.

This concludes the remuneration report, which has been audited.

This Directors' Report is made out in accordance with a resolution of the Directors:

Dated at Perth, Western Australia this 28th day of August 2017



Matthew Logan

Executive Director

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
Revenue and other income			
Sale of goods		1,757,189	431,323
Total Revenue		1,757,189	431,323
Cost of sales		(1,393,182)	(362,325)
Total cost of sales		(1,393,182)	(362,325)
Gross profit		364,007	68,998
Other revenue	8 (a)	722,751	991,920
Net finance income / (expense)	8 (b)	(7,829)	14,192
Expenses			
Corporate and administrative expenses		(459,378)	(637,733)
Operational expenses		(488,360)	(285,025)
Occupancy expenses	8 (c)	(731,711)	(779,858)
Marketing expenses		(130,870)	(23,965)
Depreciation and amortisation expenses	12 & 13	(236,846)	(229,439)
Impairment of goodwill	13	-	(1,511,458)
Impairment of Plant & Equipment	12	(826,846)	-
Total expenses		(2,874,011)	(3,467,478)
Loss before income tax		(1,795,082)	(2,392,368)
Income tax benefit/(expense)	7 (a)	-	(2,943)
Net loss for the year		(1,795,082)	(2,395,311)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss		(1,795,082)	(2,395,311)
Loss attributable to:			
Owners of the Company		(1,795,082)	(2,393,296)
Non-controlling interests		-	(2,015)
		(1,795,082)	(2,395,311)
Total comprehensive loss attributable to:			
Owners of the Company		(1,795,082)	(2,393,296)
Non-controlling interests		-	(2,015)
		(1,795,082)	(2,395,311)
Basic and diluted loss per share attributable to the ordinary equity holders of the Company			
Basic and diluted loss per share (cents)	24	(1.35)	(1.91)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents		904,902	496,033
Trade and other receivables	9	1,843,760	547,559
Other current assets	10	96,972	86,396
Inventories	11	207,919	212,999
Total current assets		3,053,553	1,342,987
NON-CURRENT ASSETS			
Property, plant & equipment	12	1,188,827	2,244,768
Intangibles	13	4,240	4,853
Total non-current assets		1,193,067	2,249,621
TOTAL ASSETS		4,246,620	3,592,608
CURRENT LIABILITIES			
Trade and other payables	14	553,568	275,591
Employee benefits	15	18,344	9,527
Loans and borrowings	16	-	208,271
Current tax liabilities	7	2,943	2,943
Total current liabilities		574,855	496,332
TOTAL LIABILITIES		574,855	496,332
NET ASSETS		3,671,765	3,096,276
EQUITY			
Issued capital	17	8,251,219	5,880,648
Accumulated losses	18	(4,579,454)	(2,782,367)
Equity attributable to owners of the Company		3,671,765	3,098,281
Non-controlling interests		-	(2,005)
TOTAL EQUITY		3,671,765	3,096,276

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Issued Capital \$	Accumulated losses \$	Total \$	Non-controlling interest \$	Total equity \$
Balance at 30 June 2016	5,880,648	(2,782,367)	3,098,281	(2,005)	3,096,276
Loss for the year	-	(1,795,082)	(1,795,082)	-	(1,795,082)
Total comprehensive loss for the year	-	(1,795,082)	(1,795,082)	-	(1,795,082)
Transaction with equity holders, in their capacity as equity holders					
Issue of ordinary shares, net of transaction costs	2,370,571	-	2,370,571	-	2,370,571
Non-Controlling Interest	-	(2,005)	(2,005)	2,005	-
Balance at 30 June 2017	8,251,219	(4,579,454)	3,671,765	-	3,671,765
Balance at 30 June 2015	4,285,341	(389,071)	3,896,270	-	3,896,270
Loss for the Year	-	(2,393,296)	(2,393,296)	(2,015)	(2,395,311)
Total comprehensive loss for the year	-	(2,393,296)	(2,393,296)	(2,015)	(2,395,311)
Transaction with equity holders, in their capacity as equity holders					
Issue of ordinary shares, net of transaction costs	1,595,307	-	1,595,307	10	1,595,317
Balance at 30 June 2016	5,880,648	(2,782,367)	3,098,281	(2,005)	3,096,276

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	30 June 2017 \$	30 June 2016 \$
Cash flows from operating activities			
Receipts in the course of operations		2,935,328	1,148,336
Payments in the course of operations		(3,226,292)	(2,056,858)
Interest received		57,790	16,409
Interest paid		(40,018)	(3,074)
Net cash (outflow) from operating activities	23	(273,192)	(895,187)
Cash flows from investing activities			
Short term secured loan		(1,500,000)	-
Purchase of property, plant, and equipment		(7,138)	(138,242)
Proceeds from sale of property, plant, and equipment		-	13,636
Cash held by subsidiaries at acquisition date		-	53,016
Net cash (outflow) from investing activities		(1,507,138)	(71,590)
Cash flows from financing activities			
Proceeds from the issue of share capital		2,500,000	-
Transaction costs		(129,429)	(4,683)
Repayment of borrowings		(181,372)	(150,000)
Net cash inflow / (outflow) from financing activities		2,189,199	(154,683)
Net increase / (decrease) in cash and cash equivalents		408,869	(1,121,460)
Cash and cash equivalents as at beginning of year		496,033	1,617,493
Cash and cash equivalents as at end of year		904,902	496,033

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. REPORTING ENTITY

BauMart Holdings Limited (**BauMart** or **Parent Entity**) is a public company limited by shares, whose shares are publicly traded on the Australian Securities Exchange. The financial statements cover BauMart Holdings Limited as a consolidated entity consisting of BauMart and its subsidiaries (together referred to as the **Consolidated Entity**) for the year ended 30 June 2017.

A description of the nature of the Consolidated Entity'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 28 August 2017. The directors have the power to amend and reissue the financial statements.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) and the Corporations Act 2001. These consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (**IASB**).

Basis of measurement

The financial report is prepared on the accruals basis and the historical cost basis, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

3. USE OF JUDGEMENTS AND ESTIMATES

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 and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined below:

Provision for impairment of receivables

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

Impairment of plant and equipment

The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, in accordance with the accounting policy stated in Note 4. The recoverable amounts of assets 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. Details of assumptions are included in Note 12.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. The condition of the assets is assessed at least once per year and considered against the remaining useful life. Depreciation charges are included in Note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3. USE OF JUDGEMENTS AND ESTIMATES (continued)

Goodwill

The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, in accordance with the accounting policy stated in Note 4. 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. Details of assumptions are included in Note 13.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Consolidated Entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported cash flows.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been applied consistently by the Consolidated Entity throughout the year presented in these financial statements.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in Note 22.

Basis of consolidation

The consolidated financial statements comprise the financial statements of BauMart Holdings Limited and its subsidiaries (together referred to as the **Consolidated Entity**) as at 30 June each year.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity 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 Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity 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 Consolidated Entity.

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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity 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 Consolidated Entity 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

All revenue is stated net of the amount of goods and services tax. Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time control of the goods has passed to the customer.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that expenditure is recoverable.

Rent

Rent revenue from lease of the glass processing equipment is recognised as 7.5% of gross profit generated from its operator, SSG. A further \$50,000.00 is payable as a fixed annual fee, which is recognised on a straight-line basis over the year.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

The excess of the cost of the business combination over the net fair value of the Consolidated Entity's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Consolidated Entity's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the Consolidated Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

Going Concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Based upon the Consolidated Entity's existing cash resources and secured short term loans receivable (refer Note 9) the directors consider there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation to be appropriate for the preparation of the Consolidated Entity's 2017 annual financial report.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the year, a total of 12,500,000 ordinary fully paid shares have been issued following an options exercise and underwriting agreement, raising a total of \$2,500,000 in cash, before capital raising costs.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- (a) except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- (a) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Deferred tax assets in respect of tax losses have not been brought to account as it is not considered probable that future taxable profits will be available against which they could be utilised.

Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve 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 twelve months after the reporting period. All other assets are classified as non-current.

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

Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity 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 purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable.

Provisions and employee benefits

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as 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 national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution superannuation expense

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

(iv) Share-based payments

The Consolidated Entity provides benefits to employees (including Directors) and consultants of the Consolidated Entity in the form of share based payment transactions, whereby services are rendered in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees and consultants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes or Binomial option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant recipients become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Property, plant and equipment

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Plant and equipment is depreciated using the straight line and units of production methods over the estimated useful lives.

Depreciation rates used for each class of assets vary to the estimated useful lives at the time of acquisition, and are typically:

Class of fixed asset	Depreciation rates	Method
Plant and equipment		
- Glass Processing Equipment	10%	Straight line
- Plastic Injection Mould	Variable	Units of production
Motor vehicles	33%	Straight line
Office equipment	20% - 50%	Straight line
Fixtures and fittings	20%	Straight line

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 Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained earnings.

Impairment of assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Consolidated Entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses for goodwill are not subsequently reversed.

Inventory

Finished goods are stated at the lower of cost and net realisable value. Cost in relation to finished goods comprises delivery costs, direct labour and import duties or other taxes. 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.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amount equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of borrowings using the effective interest method. Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or assumed, is recognised in profit and loss as other income or finance costs. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

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

Fair value measurement

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Issued capital

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

Earnings per share

Basic earnings per share is calculated by dividing the net earnings attributable to members of the Company for the reporting period by the weighted average number of ordinary shares of the Company.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Adoption of new or revised accounting standards and interpretations

The Consolidated Entity has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 January 2016 but determined that their application to the financial statements is either not relevant or not material.

New accounting standards and interpretations that are not yet mandatory

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Consolidated Entity, together with an assessment of the potential impact of such pronouncements on the Consolidated Entity when adopted in future periods, are discussed below:

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Consolidated Entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Consolidated Entity's financial instruments.

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations that are not yet mandatory (continued)

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Consolidated Entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- **AASB 16: Leases** (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

The main changes introduced by the new Standard are as follows:

- recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciating the right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

5. FINANCIAL RISK MANAGEMENT

Overview

Risk management is carried out under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

Financial risk management objectives

The Board monitors and manages the financial risk relating to the operations of the Consolidated Entity. The Consolidated Entity's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate risk, and currency risk). The overall risk management strategy focuses on managing these risks and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. Risk management is carried out under the direction of the Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

5. FINANCIAL RISK MANAGEMENT (continued)

The Consolidated Entity holds the following financial instruments as at the reporting date:

	2017	2016
	\$	\$
Financial assets		
Cash and cash equivalents	904,902	496,033
Trade receivables	343,760	547,559
Other receivables – short term secured loan ¹	1,500,000	-
	<u>2,748,662</u>	<u>1,043,592</u>
Financial liabilities		
Trade and other payables	452,655	246,705
Loans and borrowings	-	208,271
	<u>452,655</u>	<u>454,976</u>

1. Refer to Note 9

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Consolidated Entity is exposed to currency risk on overseas purchases that are denominated in a currency other than the functional currency of the Consolidated Entity, being the Australian dollar. At 30 June 2017, the Consolidated Entity had US\$ 7,071 (AU\$ 9,428) in outstanding foreign currency denominated purchases. A change of 10% in the USD/AUD cross-rate will not have a material effect on either net profit, or equity of the Consolidated Entity.

The Consolidated Entity does not have any overseas borrowings.

The Consolidated Entity does not currently hedge any of its estimated foreign currency exposure in respect of forecast sales and purchases.

Interest rate risk

The following table sets out the interest rates applicable to financial instruments that are exposed to interest rate risk:

	Fixed interest rate	Non- interest bearing	Total	Weighted average interest rate
Consolidated	2017	2017	2017	2017
	\$	\$	\$	%
Financial assets				
Cash and cash equivalents	825,407	79,495	904,902	1.58%
Trade receivables	-	343,760	343,760	
Other receivables – short term secured loan ¹	1,500,000	-	1,500,000	7.00%
Total financial assets	<u>2,325,407</u>	<u>423,255</u>	<u>2,748,662</u>	
Financial liabilities				
Trade and other payables	-	452,655	452,655	
Loans and borrowings	-	-	-	
Total financial liabilities	<u>-</u>	<u>452,655</u>	<u>452,655</u>	

1. Refer to Note 9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

5. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

	Fixed interest rate	Non- interest bearing	Total	Weighted average interest rate
Consolidated	2016	2016	2016	2016
	\$	\$	\$	%
Financial assets				
Cash and cash equivalents	415,927	80,106	496,033	1.52
Trade and other receivables	-	547,559	547,559	
Total financial assets	415,927	627,665	1,043,592	
Financial liabilities				
Trade and other payables	-	246,705	246,705	
Loans and borrowings	176,898	31,373	208,271	10.00
Total financial liabilities	176,898	278,078	454,976	

There is no interest rate applicable on trade receivables or trade and other payables.

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables from customers and investments.

Trade and other receivables

The Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Consolidated Entity regularly assesses customers' creditworthiness. The Consolidated Entity is reliant on one customer in respect of the Equipment Investments segments.

The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

	2017 \$	2016 \$
Financial assets		
Cash and cash equivalents	904,902	496,033
Trade receivables	343,760	547,559
Other receivables – short term secured loan ¹	1,500,000	-
	2,748,662	1,043,592

The credit quality is assessed and monitored as follows:

Credit quality of financial assets	Equivalent S&P rating ¹ AA-	Internally rated ² No default	Total
At 30 June 2017			
Cash and cash equivalents	904,902	-	904,902
Trade receivables – current	-	343,760	343,760
Other receivables – short term secured loan ¹	-	1,500,000	1,500,000
	904,902	1,843,760	2,748,662
At 30 June 2016			
Cash and cash equivalents	496,033	-	496,033
Trade and other receivables – current	-	547,559	547,559
	496,033	547,559	1,043,592

1. Refer to Note 9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

5. FINANCIAL RISK MANAGEMENT (continued)

The Consolidated Entity receives interest on its cash management deposits based on daily balances and at balance date was exposed to a variable interest rate of 1.58% per annum (2016: 1.52% per annum). The Consolidated Entity's operating accounts do not attract interest.

1. The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.
2. Trade and receivables represent sale of goods, rental income receivables and short term secured loans receivable (Refer Note 9)

Allowance for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

Balances within trade and other receivables contained amounts that were impaired during 30 June 2016. The Consolidated Entity considered balances within trade and other receivables as impaired after reviewing credit terms of customers based on collection practices. All balances were received and the provisions subsequently reversed. Refer to Note 9 for details of past due receivables.

Fair value measurement of financial instruments

Note 4 outlines the Consolidated Entity's approach to fair value assessment of its assets and liabilities. The carrying amounts of the Consolidated Entity's financial instruments are assumed to approximate their fair value due to either their short term nature or their terms and conditions.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Consolidated Entity and the Consolidated Entity's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity management requirements. The Consolidated Entity manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

6. AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor of the Company and its related practices:

Audit services – Stantons International Audit and Consulting Pty Ltd

Audit and review of financial statements

2017 \$	2016 \$
37,000	32,000
37,000	32,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

7. INCOME TAX

	2017 \$	2016 \$
(a) Income tax expense	-	2,943
(b) Numerical reconciliation between tax benefit and pre-tax net loss		
Loss before income tax benefit	(1,795,082)	(2,392,368)
Income tax calculated at 27.5% (30 June 2016: 28.5%)	(493,647)	(681,825)
Tax effect of:		
Non-deductible expenses and temporary differences	113,089	431,610
Section 40-880 deduction	(19,237)	(12,291)
Future income tax benefit not brought to account	399,795	265,449
Income tax expense	-	2,943
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable) Potential at 27.5% (30 June 2016: 28.5%)	701,902	317,457
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax assets have not been recognised at 27.5% (30 June 2016: 28.5%):		
- Provisions	242,436	52,965
- Section 40-880 deduction	52,969	37,943
Unrecognised deferred tax assets relating to the above temporary differences	295,405	90,908

(e) Tax rates

The potential tax benefit at 30 June 2017 in respect of tax losses not brought into account has been calculated at 27.5% (30 June 2016: 28.5%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

8. REVENUE AND EXPENSES

	2017	2016
	\$	\$
(a) Other revenue		
Rental from sublease of premises	557,051	625,244
Rental from machinery	104,543	360,000
Sundry revenue	61,157	6,676
	722,751	991,920
(b) Net finance income / (expense)		
Interest income	5,290	16,409
Interest expense	(13,119)	(2,217)
	(7,829)	14,192
(c) Occupancy expenses		
Rental of warehouse	639,948	681,913
Rental of office premises	91,763	97,945
	731,711	779,858

9. TRADE AND OTHER RECEIVABLES

Current

Trade receivables	343,760	689,309
Other receivables ¹	1,500,000	-
Provision for impairment	-	(141,750)
	1,843,760	547,559

1. Short Term Loan Facility

- a. The Consolidated Entity entered into a short-term loan agreement with a third party, Sterlink Development Pty Ltd ("**Short Term Loan Agreement**")
- b. Amount of facility: \$1,500,000.00; Interest Rate: 7% per annum; Interest paid in advance
- c. Repayment Date: no later than 20 December 2017;
- d. Security: Real Property, valued at \$3,003,615, with first registered mortgage, as specified in the Short-Term Loan Agreement.
- e. Loan to Value Ratio: ~50%

The Consolidated Entity's exposure to credit risk related to trade and other receivables is disclosed in Note 5.

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$2,276 as at 30 June 2017 (30 June 2016: \$12,305).

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

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

31-60 days	88,069	158,726
61-90 days	1,837	106,848
90+ days	2,276	12,305
	92,182	277,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

10. OTHER CURRENT ASSETS

	2017	2016
	\$	\$
Prepaid insurance	9,374	2,034
Prepaid inventory	77,474	14,438
Prepaid services	10,124	69,924
	96,972	86,396

11. INVENTORIES

	2017	2016
	\$	\$
Materials handling supply	116,948	141,073
Building materials supply	90,971	71,926
	207,919	212,999

12. PROPERTY, PLANT & EQUIPMENT

	Plant & equipment \$	Furniture & fittings \$	Office equipment \$	Total \$
At 30 June 2017				
Cost	2,580,636	5,158	16,385	2,602,179
Accumulated depreciation	(578,541)	(802)	(7,163)	(586,506)
Impairment charge	(826,846)	-	-	(826,846)
Net book amount	1,175,249	4,356	9,222	1,188,827
At 30 June 2016				
Cost	2,580,636	1,700	12,705	2,595,041
Accumulated depreciation	(346,484)	(229)	(3,560)	(350,273)
Net book amount	2,234,152	1,471	9,145	2,244,768

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

Year ended 30 June 2017				
Opening net book amount	2,234,152	1,471	9,145	2,244,768
Additions	-	3,458	3,680	7,138
Depreciation charges	(232,057)	(573)	(3,603)	(236,233)
Impairment charge	(826,846)	-	-	(826,846)
Disposals	-	-	-	-
Closing net book amount	1,175,249	4,356	9,222	1,188,827
Year ended 30 June 2016				
Opening net book amount	2,139,726	-	-	2,139,726
Additions	342,348	1,700	10,383	354,431
Depreciation charges	(227,922)	(229)	(1,238)	(229,389)
Disposals	(20,000)	-	-	(20,000)
Closing net book amount	2,234,152	1,471	9,145	2,244,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

12. PROPERTY, PLANT & EQUIPMENT

Impairment Test for Plant & Equipment

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of the recoverable amount.

Where the carrying value of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. The impairment loss is recognised in profit or loss in the reporting period in which the write-down occurs.

The Consolidated Entity owns and leases its plant and equipment to SSG at its facility in Smithfield, New South Wales. The recoverable amount of the plant and equipment has been determined by a value-in-use calculation using a discounted cash flow model, based on a one-year projection period approved by management and extrapolated for a further 4 years using a steady growth rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset is most sensitive.

The following key assumptions were used in the discounted cash flow model for the plant and equipment:

- a) 15.52% pre-tax discount rate; (2016: N/A)
- b) 5.0% (2016: N/A) per annum projected revenue growth rate;
- c) Operating costs and overheads estimated to be 20% of projected revenue.

The discount rate of 15.52% pre-tax reflects management's estimate of the time value of money and the Consolidated Entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Projected growth rates are based on future potential and current trends which management believes are achievable during the forecasted period.

The carrying value of plant and equipment was assessed by management as impaired and a total of \$826,846 has been recognised in profit and loss.

13. INTANGIBLES

Goodwill

Carrying amount at the beginning of the year
Acquisition through business combination
Impairment of Materials Handling Products goodwill
Net carrying value

	2017	2016
	\$	\$
	-	-
	-	1,511,458
	-	(1,511,458)
	-	-
	-	-
	-	1,511,458
	-	(1,511,458)
	-	-

Gross
Accumulated impairment losses
Net carrying value

Trademarks

Carrying amount at the beginning of the year
Acquisition through business combination
Amortisation
Net carrying value

	4,853	-
	-	4,903
	(613)	(50)
	4,240	4,853
	6,120	6,120
	(1,880)	(1,267)
	4,240	4,853

At 30 June 2017

Gross
Accumulated amortisation
Net carrying value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

14. TRADE AND OTHER PAYABLES

	2017 \$	2016 \$
Current		
Trade payables	425,815	212,052
Other payables	127,753	63,539
	553,568	275,591

The Consolidated Entity's exposure to liquidity risk related to trade and other payables is disclosed in Note 5.

15. EMPLOYEE BENEFITS

Liability for leave and other entitlements	18,344	9,527
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16. LOANS AND BORROWINGS

Current		
Unsecured loans	-	208,271

The loan facilities were unsecured with no fixed or floating charges on any current or future property of the Consolidated Entity with respect to the loan facilities. Interest was accrued or paid at a rate of 10% per annum on the principal balance outstanding. The unsecured loans were paid in full during the year.

17. ISSUED CAPITAL

144,744,757 fully paid ordinary shares (30 June 2016: 132,244,757)	8,251,219	5,880,648
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(a) Ordinary shares

The following movements in ordinary share capital occurred during the year:

	2017 number	2016 number	2017 \$	2016 \$
Balance at beginning of the year	132,244,757	124,244,757	5,880,648	4,285,341
Issue of shares at \$0.20 each in consideration for the acquisition of Eco Pallets Pty Ltd	-	8,000,000	-	1,600,000
Issue of shares at \$0.20 each through exercise of options	5,000,000	-	1,000,000	-
Issue of shares at \$0.20 pursuant to an underwriting agreement	7,500,000	-	1,500,000	-
Share issue costs	-	-	(129,429)	(4,693)
Balance at the end of the year	144,744,757	132,244,757	8,251,219	5,880,648

Ordinary shares entitle the holder to participate in dividends and the proceeds from winding up of the Company in proportion to the number and amounts paid on the shares held.

On a show of hands every holder of ordinary securities present at a shareholder meeting in person or by proxy is, entitled to one vote, and upon a poll each share is entitled to one vote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

17. ISSUED CAPITAL (CONTINUED)

(b) Options

Options issued or granted during the year

No options have been granted since the end of the previous financial year.

Options Exercised or lapsed during the year

The following options to subscribe for ordinary fully paid shares were exercised during the year.

Class	Expiry date	Exercise Price	Number of Options Exercised
Unlisted Options	31 May 2017	\$0.20	5,000,000

Consequently, a total of 20,000,000 unlisted options lapsed during the year.

Unissued shares under option

There were no options to subscribe for ordinary fully paid shares at the end of the year.

(c) Capital risk management

The Consolidated Entity'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.

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels.

There were no changes in the Consolidated Entity's approach to capital management during the year. The Consolidated Entity is not subject to any externally imposed capital requirements.

18. ACCUMULATED LOSSES

	2017 \$	2016 \$
Accumulated losses at the beginning of the year	(2,782,367)	(389,071)
Net loss for the year	(1,795,082)	(2,393,296)
Non-Controlling interest	(2,005)	-
Accumulated losses at the end of the year	(4,579,454)	(2,782,367)

19. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Consolidated Entity has entered into a commercial lease on its premises in Smithfield, New South Wales. The lease is for a period of 8 years effective from 1 March 2015, with a current annual rental of \$594,444 (\$49,537 per month) plus GST. On 15 March 2017, the Consolidated Entity's previous sub lessee, Origin Oz Holdings Pty Ltd (**Origin Oz**), assigned its property leasing obligations to Sydney Sunny Glass Pty Ltd (**SSG**). The Consolidated Entity has sublet the Smithfield premises to SSG, with the tenant assuming responsibility at an annual fee of \$594,444 (\$49,537 per month) plus GST. The expiry date of the sub lease remains unchanged at 18 April 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum rentals payable under the non-cancellable operating lease as at the reporting date are as follows:

	2017	2016
	\$	\$
Within one year	594,439	560,230
After one year but not more than five years	2,377,757	2,241,280
More than five years	445,829	980,560
	3,418,025	3,782,070

The Consolidated Entity increased its bank guarantee to \$158,710 in favour of its landlord in March 2017 (being an amount equivalent to 3 months' current rent (plus GST)).

Service commitments

Future payables arising from service agreements as at the reporting date are as follows:

Within one year	46,000	48,000
After one year but not more than five years	-	46,000
	46,000	94,000

Contingencies

The Consolidated Entity does not have any contingent liabilities at balance and reporting dates.

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to Directors and other members of Key Management Personnel of the Consolidated Entity during the year is set out below:

Short-term employee benefits	200,500	166,843
Post-employment benefits	19,007	15,850
	219,507	182,693

21. RELATED PARTY TRANSACTIONS

(a) Parent entity

BauMart Holdings Limited is the parent entity (**Company**).

(b) Subsidiaries

The Company's interests in its subsidiaries for the year are set out below. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interest held equals the voting rights held by the Company. The country of incorporation is also its principal place of business.

Name of entity	Country of incorporation	Equity holding 2017	Equity holding 2016	Principal activities
Buildmart Services Pty Ltd	Australia	100%	100%	Supply and installation of building materials
BauMax Pty Ltd	Australia	100%	90%	IT related services
Eco Pallets Pty Ltd	Australia	100%	100%	Materials handling product supply

Loans made by the Company to its wholly-owned subsidiaries are contributed to meet required expenditure payable on demand and are not interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel compensation

The following were key management personnel of the Consolidated Entity at any time during the year and unless otherwise indicated were key management personnel for the year:

Mr Berthus Budiman (Executive Director)
 Mr Matthew Logan (Executive Director) – appointed 8 August 2016
 Mr Michael Crichton (Non-executive Director)
 Mr Anson Gan (Non-executive Director)

Disclosures relating to key management personnel are set out in Note 20.

(d) Related party loans

During the year, the Consolidated Entity repaid an unsecured, non-interest bearing, non-recourse loan to Mr Matthew Logan for the amount of \$17,418.

During the year, the Consolidated Entity repaid an unsecured interest bearing loan to Teresita Logan for the amount of \$111,667.

22. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity for year ended 30 June 2017.

	2017 \$	2016 \$
Statement of profit or loss and other comprehensive income		
Loss after income tax	(1,798,268)	(2,615,957)
Total comprehensive loss	(1,798,268)	(2,615,957)
Statement of financial position		
Total current assets	2,625,742	858,314
Total assets	4,014,844	3,211,519
Total current liabilities	338,348	107,326
Total liabilities	338,348	107,326
Equity		
Issued capital	8,251,219	5,880,648
Accumulated losses	(4,574,723)	(2,776,455)
Total equity	3,676,496	3,104,193

(a) Guarantees entered into by the parent entity

Refer to Note 19 for more information on guarantees provided by the parent entity.

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities at year end.

(c) Contractual commitments for capital expenditure

The parent entity did not have any commitment in relation to capital expenditure contracted but not recognised as liabilities as at balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

23. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

(a) Cash flows from operating activities

(Loss) for the year	(1,795,082)	(2,395,311)
Adjustments of non-cash/non-operating items:		
Depreciation and amortisation	236,845	229,439
Goodwill impairment	-	1,511,458
Loss on disposal of fixed assets	-	6,365
Impairment of plant and equipment	826,846	-
Operating loss before changes in working capital and provisions and net of working capital changes on acquisition of subsidiary	(731,391)	(648,049)
Change in trade and other receivables	206,952	(104,285)
Changes in inventories	5,080	(62,426)
Changes in prepayments	41,808	(65,689)
Change in trade and other payables	195,542	3,356
Change in employee benefits	8,817	(18,094)
Net cash used in operating activities	(273,192)	(895,187)

(a) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year.

24. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share

The calculation of basic loss per share at 30 June 2017 was based on the following:

	2017	2016
	\$	\$
Loss attributable to ordinary shareholders		
Net loss for the year attributable to owners of the Company	(1,795,082)	(2,393,296)
Weighted average number of ordinary shares	Number	Number
Balance at beginning of year	132,244,757	124,244,757
Effect of shares issued on 31 May 2016	-	657,534
Effect of shares issued on 31 May 2017	410,959	-
Effect of shares issued on 2 June 2017	575,342	-
	133,231,058	124,902,291

Diluted earnings/(loss) per share must be calculated where potential ordinary shares on issue are dilutive. As the potential ordinary shares on issue would decrease the loss per share, they are not considered dilutive, and are not shown. There are no potential ordinary shares outstanding as set out in Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

25. SEGMENT INFORMATION

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Consolidated Entity is managed primarily on the basis of product category and service offerings since the diversification of the Consolidated Entity's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the products sold and/or services provided by that segment.

Types of products and services by segment

Building Materials Supply

The Building Materials Supply is focused on the supply and installation of building products and materials procured from local and offshore suppliers to both the residential and commercial property construction markets.

Materials Handling Supply

The Materials Handling Supply division is focused on the Australia wide supply of plastic materials handling unit load devices, such as plastic pallets and plastic crates.

Equipment Investments

The Equipment Investments division is focused on acquiring specialised equipment. The business model contemplates the acquisition of specialised equipment with the intention of leasing the equipment to specialised operators, providing the Consolidated Entity with lease income.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Consolidated Entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

25. SEGMENT INFORMATION (continued)

Accounting policies adopted

All inter-segment loans payable and receivable are eliminated on consolidation for the Consolidated Entity's financial statements.

Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances segment assets are clearly identifiable on the basis of their nature and physical location.

Segment Liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Consolidated Entity as a whole and are not allocated. Segment liabilities include trade and other payables and certain borrowings.

Unallocated items

Items of revenue, expenses, assets and liabilities which are not considered part of the core operations of any segment are allocated to Corporate and Administrative:

	Building Materials Supply		Materials Handling Supply		Equipment Investments		Corporate & Administrative		Consolidated Entity (Total)	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Segment revenue	454,350	262,919	1,302,839	175,079	104,543	360,000	618,208	625,245	2,479,940	1,423,243
Segment result	(108,217)	25,481	(15,323)	22,922	(1,199,494)	132,114	(472,048)	(2,573,813)	(1,795,082)	(2,393,296)
Segment assets	112,627	153,081	636,228	632,409	962,995	2,020,731	2,534,770	786,387	4,246,620	3,592,608
Segment liabilities	7,516	6,523	220,087	370,945	-	-	347,252	118,864	574,855	496,332



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

26. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of BauMart Holdings Limited:

- (a) the financial statements and notes, set out on pages 12 to 39, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated at Perth, Western Australia this 28th day of August 2017

A handwritten signature in black ink, appearing to read "Matthew Logan", with a stylized flourish at the end.

Matthew Logan
Executive Director

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
BAUMART HOLDINGS LIMITED**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Baumart Holdings Limited, the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of 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 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
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Impairment of Plant and Equipment

The consolidated entity has two plant and equipment assets which were subject to impairment assessment due to impairment triggers identified during the year. One item is the Lisec machine which is under Baumart Holdings Limited, and the other is a mould held by Eco Pallets Pty Ltd.

We identified that the most significant assumption in assessing whether the plant and equipment items are impaired or not is their ability to generate income. The two assets identified for impairment assessment had lower than expected revenue generation and/or are not being used on a frequent basis. Therefore, the amounts involved are potentially material and require the application of judgement and estimation to determine the adequacy of the impairment amount provided.

Inter alia, our audit procedures included the following:

- i. Examining the Group's impairment assessment of the two plant and equipment items, including forecast revenue, gross margins and discount assumptions.
- ii. We performed appropriate procedures on the Group's Discounted Cash Flow (DCF) model for the two assets to help ensure the assumptions used are reasonable and in line with historical information available. (Refer to Note 12).
- iii. We reviewed Board minutes to help identify any potential issues and compared to assumptions used in the DCF model.
- iv. Discussions with management and the Board regarding their expectation of future operations to help identify any potentially large expenditure relating to the plant and equipment assets.
- v. Reviewed post-balance events for evidence of any issues that would significantly affect the DCF models, and therefore, would further impact impairment.

Recoverability of Loan Receivable

At the 30 June 2017 the Group had a loan receivable of \$1,500,000. During the year, Baumart Holdings Limited loaned out \$1,500,000 to a third party which is repayable within 6 months. This loan is secured against 7 properties and Baumart Holdings Limited has first mortgage over these properties.

The key elements of the judgement associated with assessing the recoverability of the loan receivable include assessing the value of the secured properties, recent sales information and determining the credit risk based on relative exposure.

Inter alia, our audit procedures included the following:

- i. Obtaining loan agreements between Baumart Holdings Limited and the third party.
- ii. Obtained loan confirmation from third party.
- iii. Obtained legal information regarding the security of the loan to ensure the properties that the loan is secured against are under a properly registered charge in Baumart Holdings Limited's name.
- iv. Reviewed recent sales information of similar properties in a similar area to help ensure property values are sufficient to cover loan balance, if in default.
- v. Reviewed post-balance events for evidence of any possible impairment triggers.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do 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 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, 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.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 has 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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.

We 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.

We 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 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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 consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

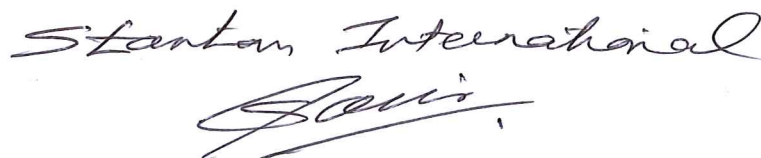
We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2017.

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

Responsibilities

The directors of the Company 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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Samir Tirodkar
Director

West Perth, Western Australia
28 August 2017

28 August 2017

The Directors
Baumart Holdings Limited
15 McCabe St
North Fremantle WA 6159

Dear Sirs

RE: BAUMART HOLDINGS 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 Baumart Holdings Limited.

As Audit Director for the audit of the financial statements of Baumart Holdings Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

Yours faithfully,
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Samir R Tirodkar
Director

A D D I T I O N A L I N F O R M A T I O N

Top holders

The 20 largest registered holders of each class of quoted equity security as at 25 August 2017 were:

Fully paid ordinary shares – quoted

	Name	No. of Shares	%
1.	Wonder Holdings Pty Ltd	28,333,334	19.575
2.	Jojo Krisnawan	23,050,000	15.925
3.	Benny Lau	20,807,256	14.375
4.	Anson Gan	8,500,000	5.872
5.	Robert Ang	8,100,000	5.596
6.	QP & Co Pty Ltd <Quppi Family A/C>	7,500,000	5.182
7.	Anrinza Future Pty Ltd	5,937,500	4.102
8.	Kuswandi Aman	4,650,000	3.213
9.	Isak Gievan Eljapa Jap	4,400,000	3.040
10.	Serng Yee Liew	3,600,000	2.487
11.	Willy Masturi <W E Masturi Family A/C>	3,450,000	2.387
12.	Evan Retallack	3,200,000	2.211
13.	Matthew Logan <The Pax Investment A/C>	3,200,000	2.211
14.	Goodrich Capital Pty Ltd	1,563,353	1.080
15.	Teddy Tania	1,250,000	0.864
16.	Sanny Nanang	1,100,000	0.760
17.	Hermawan Hosein	1,095,100	0.757
18.	Berthus Budiman	1,000,001	0.691
19.	Roeland Daun	1,000,001	0.691
20.	Michael Crichton	1,000,000	0.691
		132,736,545	91.71

Distribution schedules

A distribution schedule of each class of equity security as at 25 August 2017:

Ordinary fully paid shares

Range			Holders	Units	%
1	-	1,000	2	51	0.00
1,001	-	5,000	2	6,851	0.00
5,001	-	10,000	141	1,410,000	0.97
10,001	-	100,000	23	940,526	0.65
100,001	-	Over	43	142,387,329	98.37
Total			211	144,744,757	100.00

Substantial shareholders

The names of substantial shareholders in the Company as at 25 August 2017, and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Wonder Holdings Pty Ltd	28,333,334
Jojo Krisnawan	23,050,000
Benny Lau	20,807,256
Anson Gan	8,500,000
Robert Ang	8,100,000
QP & Co Pty Ltd <Quppi Family A/C>	7,500,000



ADDITIONAL INFORMATION

Restricted securities or securities subject to voluntary escrow

As at 25 August 2017, the Company had no restricted securities on issue.

As at 25 August 2017, the Company had no securities subject to voluntary escrow.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,222 shares as at 25 August 2017):

Holders	Units
2	51

Voting Rights

The voting rights attaching to ordinary shares are:

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

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

Corporate Governance

The Board has adopted and approved the Company's Corporate Governance Statement, which can be found on the Company's website at www.baumart.com.au.