



ABN 87 602 638 531

ANNUAL REPORT – 30 JUNE 2015



CORPORATE DIRECTORY

DIRECTORS

Mr Berthus Budiman (Executive Director)
Mr Anson Gan (Non-Executive Director)
Mr Michael Crichton (Non-Executive Director)

COMPANY SECRETARY

Ms Natalie Teo

REGISTERED OFFICE

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NEDLANDS WA 6009
Telephone: (61 8) 6389 2688
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PRINCIPAL PLACE OF BUSINESS

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Telephone: (61 8) 9277 2030
Website: www.baumart.com.au

AUDITOR

Stantons International Audit and Consulting Pty Ltd
Level 2, 1 Walker Avenue
WEST PERTH WA 6005

SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009
PO Box 1156
NEDLANDS WA 6909
Telephone: +61 8 9389 8033
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SOLICITOR

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

STOCK EXCHANGE

ASX Limited
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

ASX Code: BMH

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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 entity (together referred to hereafter as the **Consolidated Entity**) for the period from incorporation on 31 October 2014 to 30 June 2015 (the **Period**) and the auditor's report thereon.*

DIRECTORS

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

Mr Berthus Budiman

Executive Director – appointed 31 October 2014

Mr Budiman has more than 25 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 Budiman will be seeking re-election by shareholders at the 2015 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 established 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.

Mr Gan will be seeking re-election by shareholders at the 2015 Annual General Meeting.

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 2015 Annual General Meeting.

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.

DIRECTORS' REPORT

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 Period are as follows:

Director	Company	Period of directorship	
		From	To
Mr Berthus Budiman	Not Applicable	-	-
Mr Anson Gan	Not Applicable	-	-
Mr Michael Crichton	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 Berthus Budiman	1,000,001	-
Mr Anson Gan	8,500,000	-
Mr Michael Crichton	1,000,000	-

DIRECTORS' MEETINGS

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

Director	Board	
	Held	Attended
Mr Berthus Budiman	4	4
Mr Anson Gan	3	3
Mr Michael Crichton	3	2

PRINCIPAL ACTIVITY

The principal activity of the Company during the Period was the procurement, supply and installation of building products and materials, to both the residential and commercial construction markets.

REVIEW OF OPERATIONS

The Consolidated Entity incurred a loss of \$389,071 after income tax for the Period.

In January and March 2015, the Company successfully raised \$2,500,000 through the issue of 16,666,668 fully paid ordinary shares to supplement its working capital.

On 16 June 2015 the Company was successfully admitted to the Official List of ASX, raising a further \$2,000,000 before costs.

During the Period, the Company acquired glass-processing equipment for \$2,200,000, which is capable of producing a range of custom-made glass products for supply to the building construction industry. The equipment is leased to a third party operator in Smithfield, NSW.

The Company has also secured rights for the distribution in Australia of building and building-related materials, including natural stone and epoxy paint products. The Company has entered into two distribution agreements to date:

- *Natural Stone Products*

The agreement includes the supply of multiple stone types, including sandstone, basalt, limestone, lavastone, slate and green quartz stone, suitable for benchtops, indoor and outdoor floor and wall application, pavers and tiling.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (continued)

- *Natural Stone Products (continued)*

The manufacturer is based in Indonesia and has supplied stone to end users through individual builders or contractors in the Australian market previously. The manufacturer has agreed for the Company to act as the exclusive distributor for their stone products, in Australia, for a period of two years.

- *Epoxy Paint Products*

The agreement includes the supply of epoxy paints and coatings suitable for application onto concrete floors and walls in residential and commercial construction.

The manufacturer which is based in Indonesia has been manufacturing epoxy paint since 1985, and has supplied epoxy paint to several property construction projects in Indonesia. The manufacturer has agreed for the Company to act as the exclusive distributor for their epoxy paint products, in Australia, for a period of two years.

The Company will continue to actively source products which it considers suitable for supply to the industry and endeavour to secure further distribution agreements with suppliers, particularly through the Asian region where Messrs Budiman and Gan have broad industry contacts.

In conjunction with the objective of securing new distribution agreements, the Company will initiate discussions with property industry participants, including developers and builders, and seek to negotiate on commercial supply agreements.

The supply of glass products will be one of the main areas of focus for the Company's activities. It will look to supply glass products that provide a spectrum of architectural, safety, security, fire protection, noise reduction and energy efficiency solutions for use in residential homes and commercial projects primarily in Western Australia (the Company's main headquarters) and New South Wales (where the Company has established a branch office).

The Company will also assess the Australian and international property markets for opportunities involving innovative and sustainable materials and the associated manufacturing equipment that may present investment opportunities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company was admitted to the Official List of ASX on 16 June 2015 and official quotation of its securities on ASX commenced on 19 June 2015.

The Consolidated Entity's net assets increased by \$3.9 million during the Period. The increase in net assets principally comprised:

- (a) Net increase in property, plant and equipment of \$2.1 million as a result of the acquisition of the glass-processing equipment; and
- (b) Net increase in cash of \$1.6 million principally from capital raisings completed during the Period.

Fully paid ordinary shares issued during the Period were as follows:

- (a) the issue of 97,578,088 shares at \$0.00001 each to raise \$975 before costs;
- (b) the issue of 3,333,334 shares at \$0.15 each to raise \$500,000 before costs;
- (c) the issue of 13,333,334 shares at \$0.15 each to raise \$2,000,000 before costs; and
- (d) the issue of 10,000,000 shares at \$0.20 each to raise \$2,000,000 before costs.

Total shares on issue at 30 June 2015 were 124,244,757.

LIKELY DEVELOPMENTS

The Consolidated Entity will continue to develop its principal activity of sourcing and supplying building products and materials, from local and offshore suppliers, for the residential and commercial building markets. The Consolidated Entity will continue to assess the Australian and international property markets for innovative and sustainable materials and associated equipment requirements that may present investment opportunities.

DIRECTORS' REPORT

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

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters described in Note 24 to the financial statements, there has not arisen in the interval between the end of the Period 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

The following options were granted during the Period:

Class	Expiry Date	Exercise Price	Date Granted	Number of Options
Unlisted Options	31 May 2017	\$0.20	21 November 2014	25,000,000

At the date of this report, unissued ordinary shares of the Company under option are:

Grant date	Expiry date	Exercise Price	Number of Options
21 November 2014	31 May 2017	\$0.20	25,000,000

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

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 Period 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.

INDEMNIFICATION AND INSURANCE OF AUDITORS

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

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

DIRECTORS' REPORT

NON-AUDIT SERVICES

The following non-audit services were provided by Stantons International Securities Pty Ltd, a company associated with the Consolidated Entity's auditor, Stantons International Audit and Consulting Pty Ltd.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Stantons International Securities Pty Ltd received or is due to receive the following amount for non-audit services provided during the Period:

	31 October 2014 to 30 June 2015
	\$
Stantons International Securities Pty Ltd	
Services other than audit and review of financial statements:	
Investigating accountant's report for inclusion in a prospectus	8,993
Total remuneration for non-audit services	8,993

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 35.

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.

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 Period and unless otherwise indicated were key management personnel for the entire Period:

Name	Position held
Mr Berthus Budiman	Executive Director (appointed 31 October 2014)
Mr Anson Gan	Non-executive Director (appointed 19 March 2015)
Mr Michael Crichton	Non-executive Director (appointed 19 March 2015)
Mr Sok Teoh	Chief Financial Officer (appointed 13 February 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.

DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (continued)

Principles of remuneration (continued)

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:
 - the growth in share price; and
 - 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 Anson Gan	\$20,000 per annum
Mr Michael Crichton	\$20,000 per annum

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 Period.

DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (continued)

Long-term incentive (continued)

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 supplier of building products whose operational activities have only recently commenced. 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 Period.

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

	31 October 2014 to 30 June 2015
Net loss for the Period	(\$389,071) ¹
Dividends paid	Nil
Change in share price	
Share price at beginning of the Period	\$0.00001 ²
Share price at end of the Period	\$0.22
Loss per share	(\$0.40)

- These figures cover the period from incorporation on 31 October 2014 to 30 June 2015.
- The Company was incorporated on 31 October 2014 with an issued capital of 1 share of \$0.00001.

Use of remuneration consultants

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

Employment agreements

Executive Director

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 initial term of the Employment Agreement is 1 year. The Company must pay to Mr Budiman \$60,000 per annum (exclusive of statutory superannuation) on the basis of an approximate 20 hour work week for his services.

Either Mr Budiman or BauMart Holdings may terminate the agreement at any time by giving three months' written notice to the other. Mr Budiman has no entitlement to termination payment should he terminate the agreement by written notice. BauMart Holdings may, by giving written notice to Mr Budiman, immediately terminate the agreement should a number of specified occurrences happen, including a serious breach of the agreement or serious misconduct. Mr Budiman has 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.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (continued)

Employment agreements (continued)

Chief Financial Officer

The Company has entered into a service contract with its Chief Financial Officer, Mr Sok Teoh, which is capable of termination on three months' notice by the Company, for a term of one year effective from 13 February 2015. The agreement specifies the duties and obligations to be fulfilled by the Chief Financial Officer. The Company must pay to Mr Teoh \$125,000 per annum (exclusive of statutory superannuation) on the basis of an approximate 38 hour work week, including entitlement to appropriate incentive benefits and allowances in relation to travel and accommodation expenses associated with Company business. No incentive benefits have been negotiated between Mr Teoh and the Company to date.

Remuneration of key management personnel

	SHORT-TERM			POST-EMPLOYMENT	SHARE-BASED PAYMENTS		
	Salary & fees \$	Annual Leave \$	Other \$	Superannuation benefits \$	Options \$	Total \$	Proportion of remuneration performance related %
Directors							
<i>Non-executive</i>							
Mr A Gan	-	-	-	-	-	-	-
Mr M Crichton	-	-	-	-	-	-	-
<i>Executive</i>							
Mr B Budiman	35,000	1,413	15,000	3,325	-	54,738	-
Other Key Management Personnel							
Mr S Teoh	48,078	2,429	-	4,567	-	55,074	-
Total*	83,078	3,842	15,000	7,892	-	109,812	-

*for period of incorporation on 31 October 2014 to 30 June 2015

Non-executive directors' fees will commence from 1 July 2015. Mr Budiman's employment agreement was effective from 1 December 2014. Mr Teoh's employment agreement was effective from 13 February 2015.

As the Company was incorporated on 31 October 2014, there are no comparatives for remuneration of key management personnel.

Share-based remuneration

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

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 Period.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (continued)

Key management personnel equity holdings

Fully paid ordinary shares

The movement during the Period 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:

	Held at 31 October 2014	Held at date of appointment	Granted as remuneration	Other changes*	Held at 30 June 2015
Mr B Budiman	1	N/A	-	1,000,000	1,000,001
Mr A Gan	N/A	8,500,000	-	-	8,500,000
Mr M Crichton	N/A	1,000,000	-	-	1,000,000
Mr S Teoh	N/A	1,000,000	-	10,000	1,010,000

*Other changes represent shares that were purchased or sold during the Period.

This concludes the remuneration report, which has been audited.

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



Berthus Budiman
Executive Director

Dated at Perth this 28th day of August 2015.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
for the period of incorporation on 31 October 2014 to 30 June 2015

	Note	31 October 2014 to 30 June 2015 \$
Revenue and other income		
Sale of goods		271,115
Other revenue - rent		304,123
Total Revenue		<u>575,238</u>
Cost of sales		<u>(275,333)</u>
Total cost of sales		<u>(275,333)</u>
Gross profit		<u>299,905</u>
Other income		1,517
Expenses		
Operational expenses		(503,380)
Corporate and administrative expenses		(187,113)
Total expenses		<u>(690,493)</u>
Loss before income tax		(389,071)
Income tax benefit/(expense)	7 (a)	-
Net loss for the Period		<u>(389,071)</u>
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 Period, net of tax		<u>-</u>
Total comprehensive income for the Period attributable to the ordinary equity holders of the Company		<u><u>(389,071)</u></u>
 Basic and diluted loss per share attributable to the ordinary equity holders of the Company		
Basic and diluted loss per share (cents)	22	(0.40)

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 2015

	Note	2015 \$
CURRENT ASSETS		
Cash and cash equivalents	8	1,617,493
Trade and other receivables	9	290,775
Other current assets	10	<u>3,657</u>
Total current assets		<u>1,911,925</u>
NON-CURRENT ASSETS		
Property, plant & equipment	12	<u>2,139,726</u>
Total non-current assets		<u>2,139,726</u>
TOTAL ASSETS		<u>4,051,651</u>
CURRENT LIABILITIES		
Trade and other payables	13	128,590
Employee benefits	14	<u>26,791</u>
Total current liabilities		<u>155,381</u>
TOTAL LIABILITIES		<u>155,381</u>
NET ASSETS		<u><u>3,896,270</u></u>
EQUITY		
Issued capital	15	4,285,341
Accumulated losses	16	<u>(389,071)</u>
TOTAL EQUITY		<u><u>3,896,270</u></u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period of incorporation on 31 October 2014 to 30 June 2015

	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 31 October 2014	-	-	-
Loss for the Period	-	(389,071)	(389,071)
Total comprehensive loss for the Period	-	(389,071)	(389,071)
Transactions with equity holders in their capacity as equity holders:			
Issue of ordinary shares, net of transaction costs	4,285,341	-	4,285,341
Balance at 30 June 2015	4,285,341	(389,071)	3,896,270

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period of incorporation on 31 October 2014 to 30 June 2015

	Note	31 October 2014 to 30 June 2015 \$
Cash flows from operating activities		
Receipts in the course of operations		310,052
Payments in the course of operations		(779,417)
Interest received		1,517
Net cash (outflow) from operating activities	21	<u>(467,848)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment		(2,200,000)
Net cash inflow/(outflow) from investing activities		<u>(2,200,000)</u>
Cash flows from financing activities		
Proceeds from the issue of share capital, net of transaction costs		4,285,341
Net cash inflow/(outflow) from financing activities		<u>4,285,341</u>
Net increase/(decrease) in cash and cash equivalents		1,617,493
Cash and cash equivalents as at 31 October 2014		-
Cash and cash equivalents as at 30 June 2015	8	<u>1,617,493</u>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period of incorporation on 31 October 2014 to 30 June 2015

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 Company was incorporated on 31 October 2014 as Buildmart Holdings Pty Ltd. On 10 April 2015 the Company converted to a public company limited by shares. On 13 April 2015, the Company changed its name to BauMart Holdings Limited.

The financial statements cover BauMart Holdings Limited as a Consolidated Entity consisting of BauMart and its subsidiary (together referred to as the **Consolidated Entity**) for the period of incorporation on 31 October 2014 to 30 June 2015 (the **Period**).

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 28th August 2015. The directors have the power to amend and reissue the financial statements.

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.

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:

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.

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 period 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 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary Buildmart Services Pty Ltd (**Buildmart Services**) for the period from incorporation on 11 November 2014 to 30 June 2015. BauMart Holdings Limited and its subsidiary together are referred to in these financial statements as the 'Consolidated Entity'.

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.

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 measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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 on a straight-line basis over the lease term.

Interest

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 period of incorporation on 31 October 2014 to 30 June 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade receivables, which generally have 30 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 Period 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 period of incorporation on 31 October 2014 to 30 June 2015

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.

Depreciation is calculated on a straight-line basis over their expected useful lives as follows:

- Glass Processing Equipment 10 years

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.

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.

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.

(a) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 adopted the new and revised Standards and Interpretations issued by the the AASB that are relevant to its operations and effective for the current reporting period.

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

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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

Offsetting Financial Assets and Financial Liabilities - Amendments to AASB 132

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

AASB 2014-1 Amendments to Australian Accounting Standards

The adoption AASB 2014-1 has required additional disclosures in our segment note. Other than that, the adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

New accounting standards and interpretations that are not yet mandatory

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Consolidated Entity have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Consolidated Entity are set out below. The Consolidated Entity does not plan to adopt these standards early.

- *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 comment on hedge accounting 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.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for 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:

- 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 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 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.

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

	2015
	\$
Financial assets	
Cash and cash equivalents	1,617,493
Trade and other receivables	290,775
	<u>1,908,268</u>
Financial liabilities	
Trade and other payables	<u>116,590</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

5. FINANCIAL RISK MANAGEMENT (continued)

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. The Consolidated Entity does not have any overseas borrowings.

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

Interest rate risk

The Consolidated Entity's exposure to interest rates is not considered significant to the financial statements.

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

	2015
	\$
Cash and cash equivalents	1,617,493
Trade and other receivables	290,775
	<u>1,908,268</u>

The credit quality is assessed and monitored as follows:

Credit quality of financial assets	Equivalent S&P rating¹ AA-	Internally rated² No default	Total
At 30 June 2015			
Cash and cash equivalents	1,617,493	-	1,617,493
Trade and other receivables – current	-	290,775	290,775
	<u>1,617,493</u>	<u>290,775</u>	<u>1,908,268</u>

The Company receives interest on its cash management deposits based on daily balances and at balance date was exposed to a variable interest rate of 2% per annum. The Company'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 other receivables represent sale of goods and rental income receivables.

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 contain amounts past due but without impairment. The Consolidated Entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices. It is expected that these other balances will be received when due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

5. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement of financial instruments

Note 4 outlines the Company's approach to fair value assessment of its assets and liabilities. The carrying amounts of the Company'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

2015
\$

During the Period, 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	12,000
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Other Services - Stantons International Securities Pty Ltd

Preparation of Investigating Accountant's Report for inclusion in a prospectus	8,993
	<u>20,993</u>

7. INCOME TAX

(a) Income tax expense	<u>-</u>
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(b) Numerical reconciliation between tax benefit and pre-tax net loss

Loss before income tax benefit	<u>(389,071)</u>
Income tax calculated at 30%	(116,721)
Tax effect of:	
- Section 40-880 deduction	(12,938)
Future income tax benefit not brought to account	<u>129,659</u>
Income tax benefit	<u>-</u>

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)	
Potential at 30%	<u>129,659</u>

(d) Unrecognised temporary differences

Temporary differences for which deferred tax assets have not been recognised (at 30%):	
- Provisions	11,637
- Section 40-880 deduction	<u>51,752</u>
Unrecognised deferred tax assets relating to the above temporary differences	<u>63,389</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

7. INCOME TAX (continued)

(e) Tax rates

The potential tax benefit at 30 June 2015 in respect of tax losses not brought into account has been calculated at 30%.

8. CASH AND CASH EQUIVALENTS

2015
\$

Cash at bank and in hand	<u>1,617,493</u>
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The Group's exposure to interest rate risk is not considered significant to the financial statements.

9. TRADE AND OTHER RECEIVABLES

Current

Trade receivables	214,750
Other receivables	<u>76,025</u>
	<u>290,775</u>

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 \$8,849 as at 30 June 2015.

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	-
61-90 days	4,889
90+ days	<u>3,960</u>
	<u>8,849</u>

10. OTHER CURRENT ASSETS

Prepayments ¹	<u>3,657</u>
	<u>3,657</u>

Note:

1. This relates to premiums paid in respect of a director and officer liability insurance policy

11. INVENTORIES

Inventory expense

Inventories recognised as an expense for the Period totalled \$275,333 for the Consolidated Entity. This expense has been included in the cost of sales line item in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

12. PROPERTY, PLANT & EQUIPMENT	2015 \$
Glass processing equipment – at cost	2,200,000
Less: Accumulated depreciation	<u>(60,274)</u>
	<u>2,139,726</u>

Reconciliations of carrying amount

Glass processing equipment

Balance at 31 October 2014	-
Additions	2,200,000
Depreciation	<u>(60,274)</u>
Balance at 30 June 2015	<u>2,139,726</u>

13. TRADE AND OTHER PAYABLES

Current

Trade payables	64,252
Other payables	<u>64,338</u>
	<u>128,590</u>

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

14. EMPLOYEE BENEFITS

Liability for leave and other entitlements	<u>26,791</u>
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15. ISSUED CAPITAL

124,244,757 fully paid ordinary shares	<u>4,285,341</u>
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(a) Ordinary shares

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

	Number of Shares	2015 \$
Balance at beginning of Period	-	-
Issue of shares at \$0.00001 each on incorporation	1	-
Issue of shares at \$0.00001 each on 21 November 2014	97,578,088	975
Issue of shares at \$0.15 each on 28 January 2015	3,333,334	500,000
Issue of shares at \$0.15 each on 19 March 2015	13,333,334	2,000,000
Issue of shares at \$0.20 each on 15 June 2015	10,000,000	2,000,000
Share issue costs	-	<u>(215,634)</u>
Balance at the end of the Period	<u>124,244,757</u>	<u>4,285,341</u>

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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

15. ISSUED CAPITAL (continued)

(b) Options

The following options to subscribe for ordinary fully paid shares were granted during the Period:

Class	Expiry date	Exercise Price	Date Granted	Number of Options
Unlisted Options	31 May 2017	\$0.20	21 November 2014	25,000,000

These options were issued for nil consideration and have no value recognised in the Statement of Comprehensive Income. None of these options were exercised or lapsed during the Period and all remained outstanding at 30 June 2015. These options do not entitle the holder to participate in any share issue of the Company or any other entity.

(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 Period. The Consolidated Entity is not subject to any externally imposed capital requirements.

16. ACCUMULATED LOSSES

2015
\$

Accumulated losses at the beginning of the Period

-

Net loss for the Period

(389,071)

Accumulated losses at the end of the Period

(389,071)

17. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company 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 annual rental of \$560,320 (\$46,693 per month) plus GST. The Company has sublet part of the premises to Origin Oz Holdings Limited (**Origin Oz**), effective from 1 March 2015 at an annual fee of \$480,000 (\$40,000 per month) plus GST for an initial period expiring 18 April 2023.

All outgoings in relation to the premises are payable by Origin Oz, effective from 1 March 2015.

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

	\$
Within one year	560,320
After one year but not more than five years	2,241,280
More than five years	1,540,880
	<u>4,342,480</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

17. COMMITMENTS AND CONTINGENCIES (continued)

Operating lease commitments (continued)

Under the terms of the lease, the Company is required to provide a bank guarantee of \$154,088 to the landlord (being an amount equivalent to 3 months' rent (plus GST)). As at the date of this Report, the Company has not provided the bank guarantee, which must be provided by 30 August 2015. The Landlord has given the Company written confirmation that the Landlord is willing to extend the Bank Guarantee Payment Date by 60 days to 27 October 2015.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, are payable as follows:

	2015 \$
Within one year	<u>176,458</u>

Refer to Note 18 for details of remuneration paid to key management personnel during the Period.

Service commitments

The Company entered into a company secretarial services agreement with Broadway Corporate Services Pty Ltd (**Broadway**) (**Company SSA**). The Company SSA is effective for a term of 3 years from the date that the Company is admitted to the Official List of the ASX. Broadway receives \$4,000 (excluding GST) per month under the Company SSA. The Company SSA contains standard termination rights.

The Company entered into an accounting services agreement with Townshend York Pty Ltd (**Townshend**) (**Company ASA**). The Company ASA is effective for a term of 12 months commencing from 1 July 2015. Townshend receives \$1,500 (excluding GST) per month under the Company ASA. The Company ASA contains standard termination rights.

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

Within one year	66,000
After one year but not more than five years	94,000
	<u>160,000</u>

Contingencies

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

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

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

Short-term employee benefits	101,920
Post-employment benefits	7,892
	<u>109,812</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

19. RELATED PARTY TRANSACTIONS

(a) Parent entity

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

(b) Subsidiary

The Company's interests in its subsidiary for the Period are set out below. Unless otherwise stated, the subsidiary has 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	Place of business/ country of incorporation	Ownership interest held by the Company 11 November 2014 to 30 June 2015	Principal activities
Buildmart Services Pty Ltd	Australia	100%	Supply and installation of building materials

Loans made by BauMart Holdings Limited to its wholly-owned subsidiary are contributed to meet required expenditure payable on demand and are not interest bearing.

(c) Key management personnel compensation

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

Mr Berthus Budiman (Executive Director)
Mr Anson Gan (Non-executive Director)
Mr Michael Crichton (Non-executive Director)
Mr Sok Kiang Teoh (Chief Financial Officer)

Disclosures relating to key management personnel are set out in Note 18.

20. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity for period from incorporation to 30 June 2015.

Statement of profit or loss and other comprehensive income	2015 \$
Loss after income tax	(160,498)
Total comprehensive loss	(160,498)
 Statement of financial position	 30 June 2015 \$
Total current assets	1,671,838
Total assets	4,212,564
Total current liabilities	87,721
Total liabilities	87,721
Equity	
Issued capital	4,285,341
Accumulated losses	(160,498)
Total equity	4,124,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

20. PARENT ENTITY INFORMATION (continued)

(a) Guarantees entered into by the parent entity

The parent entity did not provide any guarantees during the Period. Refer to Note 17 for more information on guarantees required to be provided by the Company.

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities at Period 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.

21. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	2015
	\$
(a) Cash flows from operating activities	
Profit/ (Loss) for the Period	(389,071)
Adjustments of non-cash/non-operating items:	
Depreciation	60,274
Operating loss before changes in working capital and provisions	(328,797)
Change in trade and other receivables	(290,775)
Changes in prepayments	(3,657)
Change in trade and other payables	128,590
Change in employee benefits	26,791
Net cash used in operating activities	(467,848)

(b) Non-cash investing and financing activities

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

22. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share

The calculation of basic loss per share at 30 June 2015 was based on the following:

	\$
Loss attributable to ordinary shareholders	
Net loss for the Period	(389,071)
Weighted average number of ordinary shares	Number
Balance at beginning of Period	-
Effect of shares issued on 31 October 2014	1
Effect of shares issued on 21 November 2014	89,110,568
Effect of shares issued on 28 January 2015	2,107,438
Effect of shares issued on 19 March 2015	5,674,931
Effect of shares issued on 15 June 2015	619,835
	97,512,773

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 not shown. The number of potential ordinary shares is set out in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period of incorporation on 31 October 2014 to 30 June 2015

23. SEGMENT INFORMATION

The Board has determined that the consolidated entity has three reportable segments, being building materials supply, equipment investments and corporate and administrative.

	Building Materials Supply	Equipment Investments	Corporate and Administrative	Consolidated Entity
30 June 2015	\$	\$	\$	\$
Segment revenue	271,115	90,000	214,123	<u>575,238</u>
Segment result	(199,668)	29,726	(219,129)	<u>(389,071)</u>
Segment assets	271,000	2,139,726	1,640,925	<u>4,051,651</u>
Segment liabilities	67,660	-	87,720	<u>155,380</u>

24. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the Period and the date of these financial statements 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 31, 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 2015 and its performance for the financial period 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 Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations from the Executive Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the period from incorporation on 31 October 2014 to 30 June 2015. In accordance with section 295A, those declarations were that:

- (i) the financial records of the Consolidated Entity have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
- (ii) the financial statements and notes comply with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* in all material respects;
- (iii) the financial statements and notes give a true and fair view, in all material respects, of the financial position and performance of the Consolidated Entity.

Dated at Perth, Western Australia this 28th day of August 2015

Signed in accordance with a resolution of the Directors.



Berthus Budiman
Executive Director

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

Report on the Financial Report

We have audited the accompanying financial report of Baumart Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company also comprising the entities it controlled from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view 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 note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion:

- a) the financial report of Baumart Holdings Limited is 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 2015 and of its performance for the period ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the Remuneration Report

We have audited the remuneration report included on pages 7 to 11 of the directors' report for the period ended 30 June 2015. 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.

Opinion

In our opinion the remuneration report of Baumart Holdings Limited for the period ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Yours faithfully

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



Samir R Tirodkar
Director

West Perth, Western Australia
28 August 2015

28 August 2015

The Directors
Baumart Holdings Limited
Suite 1, 82 Belmont Avenue
RIVERVALE WA 6103

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 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours 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

Details of shares and options as at 25 August 2015:

Top holders

The 20 largest registered holders of each class of quoted equity security as at 25 August 2015 were:

Fully paid ordinary shares - quoted

	Name	No. of Shares	%
1.	Jojo Krisnawan	23,050,000	18.55
2.	Benny Lau	20,807,256	16.74
3.	Wonder Holdings Pty Ltd	15,333,334	12.34
4.	Mr Anson Gan	8,500,000	6.84
5.	Robert Ang	8,100,000	6.51
6.	Anrinza Future Pty Ltd	5,937,500	4.77
7.	Mutual Street Pty Ltd	4,666,666	3.75
8.	Kuswandi Aman	4,650,000	3.74
9.	Isak Gievan Eljapa Jap	4,400,000	3.54
10.	Willy Masturi <W E Masturi Family A/C>	3,450,000	2.77
11.	Xing Min Lee	3,000,000	2.41
12.	Kingsfield Pty Ltd	2,500,000	2.01
13.	Serng Yee Liew	2,000,000	1.61
14.	Teddy Tania	1,250,000	1.00
15.	Sanny Nanang	1,100,000	0.88
16.	Berthus Budiman	1,000,001	0.80
17.	Benjamin Pratignyo Young	1,000,000	0.80
18.	Sok Kiang Teoh	1,000,000	0.80
19.	Roeland Daun	1,000,000	0.80
20.	Michael Crichton	1,000,000	0.80
		113,744,757	91.54

Registered holders holding 20% or more of each class of unquoted equity security as at 25 August 2015 were:

Options exercisable at \$0.20 on or before 21 May 2017 – unquoted

Name	No. of Options	%
Benny Lau	10,000,000	40.00
Mutual Street Pty Ltd	5,000,000	20.00
Wonder Holdings Pty Ltd	5,000,000	20.00
Jojo Krisnawan	5,000,000	20.00

Distribution schedules

A distribution schedule of each class of equity security as at 25 August 2015:

<i>Fully paid ordinary shares</i>						<i>Options exercisable at \$0.25 on or before 15 June 2015</i>					
Range		Holders	Units	%		Range		Holders	Units	%	
1	- 1,000	0	0	0.00		1	- 1,000	0	0	0	
1,001	- 5,000	0	0	0.00		1,001	- 5,000	0	0	0	
5,001	- 10,000	259	2,586,000	2.08		5,001	- 10,000	0	0	0	
10,001	- 100,000	85	3,131,275	2.52		10,001	- 100,000	0	0	0	
100,001	- Over	36	118,527,482	95.40		100,001	- Over	4	25,000,000	100.00	
Total		380	124,244,757	100.00		Total		4	25,000,000	100.00	

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

Substantial shareholders

The names of substantial shareholders 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
Jojo Krisnawan	23,050,000
Benny Lau	20,807,256
Wonder Holdings Pty Ltd	15,333,334
Anson Gan	8,500,000
Robert Ang	8,100,000

Restricted securities

Fully paid ordinary shares

Number of Shares	Escrow Period
101,744,757	24 months commencing on the date of Official Quotation

Options exercisable at \$0.20 on or before 21 May 2017

Number of Options	Escrow Period
25,000,000	24 months commencing on the date of Official Quotation

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,380 shares as at 25 August 2015):

Holders	Units
0	0

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.

ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily the sourcing and supply of building materials to the construction industry, including residential and commercial building markets, in Australia. The Company believes that it has used its cash and assets in a consistent manner to which was disclosed under the Prospectus dated 13 May 2015.

Principles of Good Corporate Governance and Recommendations

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.

END OF REPORT