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ABN 87 602 638 531

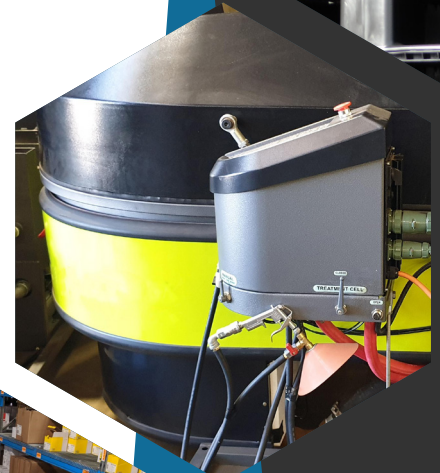
ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2021

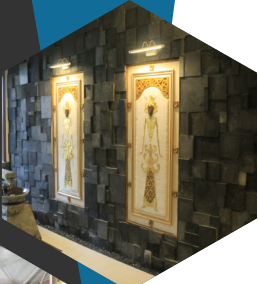
CONTENTS

Page

| | |
|---|----|
| Corporate Directory | 3 |
| Appendix 4E | 4 |
| Review of Operations | 5 |
| Directors' Report | 7 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 15 |
| Consolidated Statement of Financial Position | 16 |
| Consolidated Statement of Changes in Equity | 17 |
| Consolidated Statement of Cash Flows | 18 |
| Notes to Consolidated Financial Statements | 19 |
| Directors' Declaration | 46 |
| Independent Auditor's Report | 47 |
| Auditor's Independence Declaration | 51 |
| Additional Information | 52 |



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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

Company Secretary

Ms Natalie Teo

Principal Place of Business

15 McCabe Street
North Fremantle WA 6159

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

Registered Office

15 McCabe Street
North Fremantle WA 6159

Telephone: +61 8 6389 2688
Facsimile: +61 8 6389 2588

Share Registry

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

Telephone: +61 8 9389 8033
Facsimile: +61 8 9262 3723

Auditor

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

Australian Securities Exchange

Australian Securities Exchange Limited
Level 40, Central Park,
152-158 St George's Terrace
Perth WA 6000

ASX Code: BMH

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2021

The following information is provided to the ASX under listing rule 4.3A

Company Name: BauMart Holdings Limited (the **Company**)
ABN: 87 602 638 531
Reporting Period: Year ended 30 June 2021
Previous Reporting Period: Year ended 30 June 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | 30 June 2021 | 30 June 2020 | Change up/ (down) % |
|--|-----------------|-----------------|---------------------------|
| \$ Revenue from Ordinary Activities (\$'000) | 5,483 | 4,275 | 28% |
| \$ Profit (loss) from ordinary activities after tax (\$'000) | 3,316 | (258) | 1,385% |
| \$ Net profit (loss) attributable to members (\$'000) | 4,133 | (258) | 1,702% |
| Net tangible assets per security | 0.04 | 0.01 | 300% |

DIVIDENDS

No dividends have been paid or declared by the Company since the beginning of the current reporting period. No dividends were paid for the previous reporting period.

FOREIGN ENTITIES

Foreign entities included in the Group are outlined below:

| Entity | Country of Incorporation |
|------------------------|-----------------------------|
| Eco Pallets NZ Limited | New Zealand |

FOR FURTHER INFORMATION

The Independent Auditor's Review Report contains an emphasis of matter in relation to going concern.

Further information to assist in the understanding of the financial results presented above is provided throughout this Annual Report.

REVIEW OF OPERATIONS

FOR THE YEAR ENDED 30 JUNE 2021

COVID-19 Pandemic

The Group's business is alert to the economic disruption and uncertainty brought about by the COVID-19 pandemic (the "Pandemic") particularly the effect it is having on global freight movement. Our key markets in New South Wales and Victoria, are being hampered by ongoing lockdowns. Our main supplier, based in Malaysia, has been severely affected by government-imposed COVID-19 movement control orders, with production capacity restricted and shipping delayed.

Group operations

Despite these challenges posed by the Pandemic, Group Revenue grew to \$5.48m for FY21 (FY20: \$4.27m), an increase of 28%. The Group achieved a maiden net profit of \$3.3m for FY21 (FY20: \$259K loss), due to the gain on sale on disposal of assets as outlined below.

During the year, the Group divested its glass processing plant in consideration for shares in Australia Sunny Glass Group Limited ("AG1") which is listed on the National Stock Exchange of Australia. The AG1 shares held by the Group has a market value of approximately \$4.3m at the end of the financial year (refer Note 21 for details).

Materials Handling update

Revenue from this division increased during the year to \$4.92m (FY20: \$3.95m), an increase of 24%. Since the Pandemic began, margins have come under pressure from significantly higher ocean freight prices. Managing customer expectations have become more challenging with rising supply chain costs, unpredictable delivery times and the COVID-19 Delta variant causing severe disruptions to businesses throughout Malaysia.

Building Materials update

Rising freight costs have increased the cost base and delivery times for the import of our natural stone range. To counter this and given the premium nature of the product, any increases have been absorbed by customers. Revenue for FY21 totalled \$147K (FY20: \$205K), a decrease of 28%.

Source & Procure update

The division continued to supply mining consumables, industrial equipment and personal protective equipment during the year. Revenue for FY21 increased by 262% to \$415K (FY20: \$115K). The division is currently reviewing strategic ventures with equipment suppliers in Asia, leveraging off the equipment rental model that management put in place for a mining project in West Africa.

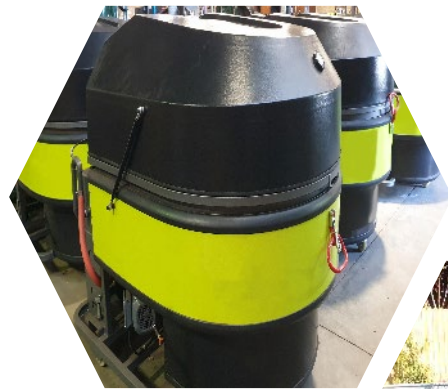
Other activities

The Group's management services contract provided modest recurrent income during the year. The client is a Perth based industrial parts washer business with Tier 1 clients in the resources and logistics sectors.

The Group is currently exploring other managed services projects along with organic partnerships and/or strategic associations within its client network to expand its operations.

Strategic Business review

As previously announced, the Directors have commenced a strategic business review of the Group's current activities. The broad objective of this review is to identify long term growth opportunities and projects that will maximise shareholder value. Each business division will be critically assessed as to its potential to generate sustainable margin and growth for the Group. At the same time, external investment opportunities will be considered with particular emphasis on businesses with potential to leverage on the Group's experience in supply chain issues and project incubation and development.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The Directors present their report together with the consolidated financial statements of BauMart Holdings Limited (the Company, BauMart Holdings or Parent Entity) and its controlled entities (together referred to hereafter as the Consolidated Entity or Group) for the year ended 30 June 2021 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 30 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., MAICD – 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. He has also been instrumental in developing the Australia wide infrastructure for all product distribution divisions of BauMart.

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 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

FOR THE YEAR ENDED 30 JUNE 2021

COMPANY SECRETARY

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

Ms Teo graduated with Bachelor of Commerce majoring in Marketing and Management and a Masters in Accounting from Curtin University in Western Australia. She also holds a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia.

Ms Teo is a Chartered Secretary and an Associate of the Governance Institute of Australia. She is currently the secretary to several ASX and NSX-listed entities and is 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 |
|---------------|-----------|
| 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 Meetings | |
|---------------|----------------|----------|
| | Held | Attended |
| Mr B Budiman | 5 | 5 |
| Mr M Logan | 5 | 5 |
| Mr M Crichton | 5 | 4 |
| Mr A Gan | 5 | 4 |

PRINCIPAL ACTIVITY

The principal activity of the Consolidated Entity during the year included, but was not limited to:

- Supply of industrial products, including plastic material handling unit load devices;
- Supply of building products, including premium volcanic natural stones;
- Sourcing, procurement and end-to-end supply chain services; and
- Managed services.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no ordinary fully paid shares issued during the year.

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 2021 were 144,744,757 fully-paid ordinary shares.

LIKELY DEVELOPMENTS

The Consolidated Entity will continue to develop its principal activities as described on page 8.

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 2021 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 29 to the financial statements, 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 these operations, or the state of affairs of the Consolidated Entity in future financial years.

SHARE OPTIONS

Options granted, exercised or lapsed

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

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

FOR THE YEAR ENDED 30 JUNE 2021

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 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.

| | 30 June 2021 \$ | 30 June 2020 \$ |
|--|-----------------------|-----------------------|
| Stantons International Audit and Consulting Pty Ltd Amounts paid for audit services provided during the year are set out below: | | |
| Audit and review of financial reports | 57,770 | 54,563 |
| Total remuneration for audit services | 57,770 | 54,563 |

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 51.

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

FOR THE YEAR ENDED 30 JUNE 2021

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:
 - 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 excluding superannuation |
|---------------|--|
| Mr M Crichton | \$20,000 per annum |
| Mr A Gan | \$20,000 per annum |

Please note the above directors are entitled to superannuation on top of the above directors' fees.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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

There were no performance related remuneration transactions during the year.

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

| | 30 June 2021 | 30 June 2020 |
|--|-----------------|-----------------|
| Net profit / (loss) for the year attributable to owners of the Company | \$3,316,069 | (\$258,643) |
| Dividends paid | Nil | Nil |
| Change in share price | | |
| Share price at beginning of the year | \$0.20 | \$0.24 |
| Share price at end of the year | \$0.20 | \$0.20 |
| Gains / (Loss) per share | 2.29 cents | (0.18 cents) |

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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. As of 1 July 2021, the Company currently pays to Mr Budiman \$100,000 per annum (exclusive of statutory superannuation) on the basis of an approximate 28-hours work week for his services.

In addition, the company has another Executive Director, Mr Matthew Logan, effective from 8 August 2016 (**Agreement**). 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. As of 1 July 2021, the Company currently pays to Mr Logan an annual salary of \$125,000 per annum (exclusive of statutory superannuation) for his services.

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

| 2021 | | Short-term employment benefits | | Post-employment benefits | Share-based payments | Total | Proportion of remuneration performance related % |
|--|-------------|----------------------------------|-------------|-------------------------------|----------------------|----------------|--|
| | | Salary & fees ¹ \$ | Other \$ | Superannuation benefits \$ | Options \$ | | |
| Executive Directors² | | | | | | | |
| Mr B Budiman | 2021 | 80,000 | - | 7,600 | - | 87,600 | - |
| | 2020 | 80,000 | - | 7,600 | - | 87,600 | - |
| Mr M Logan | 2021 | 100,000 | - | 9,500 | - | 109,500 | - |
| | 2020 | 100,000 | - | 9,500 | - | 109,500 | - |
| Non-Executive Directors² | | | | | | | |
| Mr M Crichton | 2021 | 20,000 | - | 1,900 | - | 21,900 | - |
| | 2020 | 20,000 | - | 1,900 | - | 21,900 | - |
| Mr A Gan | 2021 | 20,000 | - | 1,900 | - | 21,900 | - |
| | 2020 | 20,000 | - | 1,900 | - | 21,900 | - |
| Total | 2021 | 220,000 | - | 20,900 | - | 240,900 | - |
| Total | 2020 | 220,000 | - | 20,900 | - | 240,900 | - |

1. Salary & fees include employee benefits paid during the year.
2. The Company paid \$16,000 as a premium during the year in respect of a director and officer liability insurance policy.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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 2020 | Held at date of appointment | Granted as remuneration | Other changes | Held at date of resignation | Held at 30 June 2021 |
|-----------------------|-------------------------|-----------------------------------|----------------------------|------------------|--------------------------------|-------------------------|
| Mr B Budiman | 1,000,001 | N/A | - | - | - | 1,000,001 |
| Mr M Logan | 3,200,000 | N/A | - | - | - | 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 |

| Key management person | Held at 30 June 2019 | Held at date of appointment | Granted as remuneration | Other changes | Held at date of resignation | Held at 30 June 2020 |
|-----------------------|-------------------------|-----------------------------------|----------------------------|------------------|--------------------------------|-------------------------|
| Mr B Budiman | 1,000,001 | N/A | - | - | - | 1,000,001 |
| Mr M Logan | 3,200,000 | N/A | - | - | - | 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 |

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 25th day of August 2021



Matthew Logan
Executive Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 30 June 2021 \$ | 30 June 2020 \$ |
|---|------------------|-----------------------|-----------------------|
| Revenue and other income | | | |
| Sale of goods | | 5,483,448 | 4,274,780 |
| Total Revenue | | 5,483,448 | 4,274,780 |
| Cost of sales | | (4,670,626) | (3,541,637) |
| Total cost of sales | | (4,670,626) | (3,541,637) |
| Gross profit | | 812,822 | 733,143 |
| Other revenue | 8 (a) | 4,600,057 | 1,002,050 |
| Net finance income / (expense) | 8 (b) | 218,609 | 228,338 |
| Expenses | | | |
| Corporate and administrative expenses | | (882,368) | (765,806) |
| Operational expenses | | (194,732) | (161,742) |
| Occupancy expenses | 8 (c) | (264,729) | (305,554) |
| Marketing expenses | | (180,239) | (203,673) |
| Depreciation and amortisation expenses | 12 & 13 & 16 (c) | (793,351) | (1,005,303) |
| Reversal of Impairment of Plant & Equipment / (Impairment of Plant & Equipment) | 12 | - | 220,303 |
| Provision for doubtful debts | | - | (399) |
| Total expenses | | (2,315,419) | (2,222,174) |
| Profit / (Loss) before income tax | | 3,316,069 | (258,643) |
| Income tax benefit/(expense) | 7 (a) | - | - |
| Net profit / (loss) for the year | | 3,316,069 | (258,643) |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | 21 | 816,667 | - |
| Items that may be reclassified subsequently to profit or loss | | - | - |
| Other comprehensive income for the year, net of tax | | 816,667 | - |
| Total comprehensive profit / (loss) | | 4,132,736 | (258,643) |
| Profit / (Loss) attributable to: | | | |
| Owners of the Company | | 3,316,069 | (258,643) |
| Total comprehensive profit / (loss) attributable to: | | 3,316,069 | (258,643) |
| Owners of the Company | | 4,132,736 | (258,643) |
| Basic and diluted earnings / loss per share attributable to the ordinary equity holders of the Company | | | |
| Basic and diluted earnings / (loss) per share (cents) | 27 | 2.29 | (0.18) |

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 2021

| | Note | 30 June 2021 \$ | 30 June 2020 \$ |
|--------------------------------------|-------------|-----------------------|-----------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 26 (c) | 750,505 | 268,504 |
| Trade and other receivables | 9 | 854,883 | 813,020 |
| Other current assets | 10 | 112,589 | 138,657 |
| Inventories | 11 | 327,361 | 372,299 |
| Finance lease receivable | 22 | 1,139,302 | 1,308,670 |
| Total current assets | | 3,184,640 | 2,901,150 |
| NON-CURRENT ASSETS | | | |
| Property, plant & equipment | 12 | 219,183 | 286,086 |
| Intangibles | 13 | 9,657 | 3,583 |
| Other non-current assets | 21 | 4,316,667 | - |
| Right of use assets | 12 & 16 (a) | 1,520,086 | 2,281,854 |
| Finance lease receivable | 22 | 177,315 | 1,168,184 |
| Total non-current assets | | 6,242,908 | 3,739,707 |
| TOTAL ASSETS | | 9,427,548 | 6,640,857 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 2,298,231 | 3,039,941 |
| Employee benefits | 15 | 42,419 | 47,869 |
| Current tax liabilities | | 2,943 | 2,943 |
| Lease liabilities | 16 (b) | 788,420 | 726,729 |
| Loans & borrowings | 17 (a) | 132,647 | - |
| Total current liabilities | | 3,264,660 | 3,817,482 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | 16 (b) | 849,128 | 1,642,377 |
| Total non-current liabilities | | 849,128 | 1,642,377 |
| TOTAL LIABILITIES | | 4,113,788 | 5,459,859 |
| NET ASSETS | | 5,313,760 | 1,180,998 |
| EQUITY | | | |
| Issued capital | 18 | 8,251,219 | 8,251,219 |
| Accumulated losses | 19 | (3,754,152) | (7,070,221) |
| Reserves | 20 | 816,693 | - |
| TOTAL EQUITY | | 5,313,760 | 1,180,998 |

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 2021

| | Issued Capital \$ | Accumulated Profit (Losses) \$ | Reserves \$ | Total Equity \$ |
|---|-------------------------|--------------------------------------|----------------|-----------------------|
| Balance at 30 June 2020 | 8,251,219 | (7,070,221) | - | 1,180,998 |
| Profit for the year | - | 3,316,069 | - | 3,316,069 |
| Share equity reserves | - | - | 816,667 | 816,667 |
| Foreign currency translation reserves | - | - | 26 | 26 |
| Total comprehensive profit for the year | - | 3,316,069 | 816,693 | 4,132,762 |
| Transaction with equity holders, in their capacity as equity holders | | | | |
| Issue of ordinary shares, net of transaction costs | - | - | - | - |
| Balance at 30 June 2021 | 8,251,219 | (3,754,152) | 816,693 | 5,313,760 |
| Balance at 30 June 2019 | 8,251,219 | (6,811,578) | - | 1,439,641 |
| Loss for the year | - | (258,643) | - | (258,643) |
| Total comprehensive loss for the year | - | (258,643) | - | (258,643) |
| Transaction with equity holders, in their capacity as equity holders | | | | |
| Issue of ordinary shares, net of transaction costs | - | - | - | - |
| Balance at 30 June 2020 | 8,251,219 | (7,070,221) | - | 1,180,998 |

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 2021

| | Note | 30 June 2021 \$ | 30 June 2020 \$ |
|--|--------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Receipts in the course of operations | | 7,042,808 | 5,747,642 |
| Government grants and tax incentives received | | 362,468 | 287,089 |
| Payments in the course of operations | | (7,523,835) | (5,332,435) |
| Interest received | | 564,907 | 146,601 |
| Interest paid | | (67,079) | (21,791) |
| Net cash inflow / (outflow) from operating activities | 26 | 379,269 | 827,106 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, and equipment and intangibles | | (12,940) | (5,595) |
| Lease payments received | | 895,758 | 199,693 |
| Deposit on mining-equipment acquired and leased to a third party | | (838,389) | (1,091,329) |
| Rental deposit used | | - | 158,710 |
| Net cash inflow / (outflow) from investing activities | | 44,429 | (738,521) |
| Cash flows from financing activities | | | |
| Loans and borrowings received | 17 (a) | 132,647 | - |
| Net cash inflow from financing activities | | 132,647 | - |
| Net increase in cash and cash equivalents | | 556,345 | 88,585 |
| Cash and cash equivalents as at beginning of year | | 268,504 | 177,592 |
| Effect of movement in exchange rates on cash held | | (74,344) | 2,327 |
| Cash and cash equivalents as at end of year | | 750,505 | 268,504 |

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 2021

1. REPORTING ENTITY

BauMart Holdings Limited (“**BauMart**”, “**Company**” 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**” or “**Group**”) for the year ended 30 June 2021.

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 25 August 2021. 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 functional currency of the Company and subsidiaries are measured using the currency of the primary economic environment in which the Company and subsidiaries operate; being Australian Dollars and New Zealand Dollars. However, the financial statements are presented in Australia dollars and all values are rounded to the nearest dollar unless otherwise stated.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the consolidated financial statements are taken to profit or loss.

During the year, comparative figures have been adjusted and/or reclassified where necessary to conform to changes in presentation for the current year.

Significant accounting policies

Except as noted below, the same accounting policies and methods of computation have been applied by each entity in the Group and are consistent with those adopted and disclosed in the most recent annual financial report.

New and revised Accounting Standards and Interpretations adopted 1 July 2020

None of the new standards and amendments to standards that are mandatory for the financial year beginning 1 January 2021 affected any of the amounts recognised in the current period or any prior period. The Group has adopted the new Conceptual Framework for Financial Reporting, which is applicable to annual reporting periods beginning on or after 1 January 2021. The adoption of this Conceptual Framework from 1 January 2020 has not led to any changes in accounting or disclosure for the Group, but the new Conceptual Framework may be referred to if accounting matters arise that are not addressed by accounting standards.

The Group has adopted the new definition of Material included in AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material, which is applicable to annual reporting periods beginning on or after 1 January 2020. The amendments provide a new definition of material which now extends materiality consideration to obscurity and clarify that materiality now depends on the nature or magnitude of information.

The Group has adopted the new definitions of Business and associated guidance in AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business, which is applicable to annual reporting periods beginning on or after 1 January 2020. The amendments clarify the minimum requirements for a business, narrowing the definition of business and of outputs, and also provide guidance to help entities assess whether an acquired process is substantive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

Carrying value of assets

The plastic injection mould generates income from the units produced, which has a direct effect on the carrying value of the asset.

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 25.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. Profit / (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.

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.

The Consolidated Entity incurred a net profit of \$3,316,069 during the year (2020: \$258,643 net loss). Included in trade and other receivables at 30 June 2021 is an amount of \$854,883 owed to the Consolidated Entity. The ability of the Consolidated Entity to pay its debts as and when they fall due and to continue as a going concern is dependent upon the Consolidated Entity's ability to generate positive cash flows through its existing business and/or raise further equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors believe there are reasonable grounds to believe the Consolidated Entity will be able to pay its debts as and when they become due and payable, and therefore continue as a going concern after consideration of the following factors:

- The Consolidated Entity has a net deficiency in working capital of \$80,020 including cash reserves of \$750,505 at 30 June 2021;
- The directors are confident that the trade receivables' amounts of \$854,883 referred to in Note 9 are fully recoverable following discussions with the debtors;
- The budgets and forecasts reviewed and approved by the Directors for the next 12 months anticipate the business will continue to produce improved results;
- The mining-equipment transaction, announced in October 2019, is expected to generate positive cashflow for the remainder of the 1 and a half-year period;
- While it is the Consolidated Entity's intention to be cash flow positive through operations, the Consolidated Entity may be required to raise additional capital either through equity or debt in order to continue as a going concern. The Directors are confident that the Consolidated Entity will be able to raise further working capital either through debt or equity as and when required to continue to support the business.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, net of outstanding bank overdrafts. Bank overdrafts are included in current liabilities in the statement of financial position.

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. Trade receivables are generally due for settlement no more than 90 days from the date of recognition. Please refer to Note 9 for the ageing of the past due but not impaired.

As per AASB 9, an expected loss model is applied, not an incurred credit loss as per the previous standard applicable (AASB 139). To reflect changes in credit risk, this expected credit loss model require the Group to account for expected credit loss since initial recognition. The Group recognises a loss allowance for expected credit losses on trade and other receivables using simplified approach, which does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Share-based payments

The Consolidated Entity may provide 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.

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 | | |
| - Plastic Injection Mould | Variable | Units of production |
| Motor vehicles | 33% | Straight line |
| Office equipment | 20% - 50% | Straight line |
| Pooled equipment | 20% | Straight line |
| Fixtures and fittings | 20% - 25% | Straight line |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, in accordance with *AASB 136: Impairment of Assets* unless the asset is carried at a revalued amount in accordance with another Standard (e.g. 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.

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. No provision for obsolete stock.

Leases

The Company as a lessee

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease, if this rate cannot be readily determined, the Group uses the incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonable certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

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.

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

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transactions costs, except for those carried "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (**FVOCI**); and
- fair value through profit or loss (**FVPL**).

Classifications are determined by both:

- The contractual cash flow characteristics of the financial assets; and
- The entities business model for managing the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (OCI)

The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *AASB 132 Financial Instruments: Presentation* and are not held for trading.

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

Impairment

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Revenue recognition

The Consolidated Entity generates its revenue from the following streams:

Sale of goods

The Group generates revenue from the sale of goods, which is recognised at a point in time when the goods are delivered, the legal title has passed and/or the customer has accepted the goods. The amount of revenue recognised for goods delivered is adjusted by expected returns.

The Group does not provide or offer any warranties for sale of goods.

Service revenue

Revenue from the provision of services is recognised in the period in which the services are rendered. The performance obligation is the supply of services over the contractual terms. The terms represent distinct contracted services that are substantially the same with the same pattern of transfer, such that they would be recognised over time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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:

| | 30 June 2021 \$ | 30 June 2020 \$ |
|--------------------------------|-----------------------|-----------------------|
| Financial assets | | |
| Cash and cash equivalents | 750,505 | 268,504 |
| Restricted cash | - | - |
| Finance lease receivable | 1,316,617 | 2,476,854 |
| Financial assets @ FVOCI | 4,316,667 | - |
| Trade receivables ¹ | 854,883 | 813,020 |
| | 7,238,672 | 3,558,378 |
| Financial liabilities | | |
| Trade payables | 2,298,231 | 3,039,941 |
| Trade finance facility | 132,647 | - |
| Lease liabilities | 1,637,548 | 2,369,106 |
| | 4,068,426 | 5,409,047 |

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. The Consolidated Entity had the following exposures as at the reporting date:

30 June 2021

| Currency | Receivables | Sensitivity | | Payables | Sensitivity | |
|----------|-------------|-------------|-------------|-----------|-------------|-----------|
| | | +10% | -10% | | +10% | -10% |
| USD | \$1,165,175 | \$1,281,693 | \$1,048,658 | \$185,594 | \$204,153 | \$167,035 |
| NZD | \$19,123 | \$21,035 | \$17,211 | \$3,502 | \$3,852 | \$3,152 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

30 June 2020

| Currency | Receivables | Sensitivity | | Payables | Sensitivity | |
|----------|-------------|-------------|-------------|-------------|-------------|-----------|
| | | +10% | -10% | | +10% | -10% |
| USD | \$1,705,330 | \$1,875,863 | \$1,534,797 | \$1,017,745 | \$1,119,520 | \$915,971 |
| NZD | \$9,820 | \$10,802 | \$8,838 | \$6,876 | \$7,563 | \$6,188 |

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 | 30 June 2021 | 30 June 2021 | 30 June 2021 | 30 June 2021 |
| | \$ | \$ | \$ | % |
| Financial assets | | | | |
| Cash and cash equivalents | 1,358 | 749,147 | 750,505 | 0.05% |
| Finance lease receivable | 1,316,617 | - | 1,316,617 | 14.32% |
| Financial assets @FVOCI | - | 4,316,667 | 4,316,667 | 0.00% |
| Trade receivables | - | 854,883 | 854,883 | 0.00% |
| Total financial assets | 1,317,975 | 5,920,697 | 7,238,672 | |
| Financial liabilities | | | | |
| Trade payables | 356,937 | 1,941,294 | 2,298,231 | 8.00% |
| Trade finance facility | 132,647 | - | 132,647 | 4.68% |
| Lease liabilities | 1,637,548 | - | 1,637,548 | 5.00% |
| Total financial liabilities | 2,127,132 | 1,941,294 | 4,068,426 | |

| | Fixed interest rate | Non-interest bearing | Total | Weighted average interest rate |
|------------------------------------|---------------------|----------------------|------------------|--------------------------------|
| Consolidated | 30 June 2020 | 30 June 2020 | 30 June 2020 | 30 June 2020 |
| | \$ | \$ | \$ | % |
| Financial assets | | | | |
| Cash and cash equivalents | 200,037 | 68,467 | 268,504 | 0.05% |
| Finance lease receivable | 2,476,854 | - | 2,476,854 | 14.32% |
| Trade receivables | - | 813,020 | 813,020 | |
| Total financial assets | 2,676,891 | 881,487 | 3,558,378 | |
| Financial liabilities | | | | |
| Trade payables | 100,874 | 2,939,067 | 3,039,941 | 8.00% |
| Lease liabilities | 2,369,106 | - | 2,369,106 | 5.00% |
| Total financial liabilities | 2,469,980 | 2,939,067 | 5,409,047 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

There is no interest rate applicable on trade receivables or trade and other payables. The Consolidated Entity has a bank overdraft facility with interest of 8% and trade finance facility with interest of 4.68%. Management believes a change of 5% in the interest rate will not have a material effect on the result of operations or equity of the Consolidated Entity.

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.

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:

| | 30 June 2021 \$ | 30 June 2020 \$ |
|-----------------------------------|-----------------------|-----------------------|
| Financial assets | | |
| Cash and cash equivalents | 750,505 | 268,504 |
| Accounts finance lease receivable | 1,316,617 | 2,476,854 |
| Financial assets @FVOCI | 4,316,667 | - |
| Trade receivables | 854,883 | 813,020 |
| | 7,238,672 | 3,558,378 |

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 2021 | | | |
| Cash and cash equivalents | 750,505 | - | 750,505 |
| Finance lease receivable | - | 1,316,617 | 1,316,617 |
| Financial assets @FVOCI | - | 4,316,667 | 4,316,667 |
| Trade receivables – current | - | 854,883 | 854,883 |
| | 750,505 | 6,488,167 | 7,238,672 |
| At 30 June 2020 | | | |
| Cash and cash equivalents | 268,504 | - | 268,504 |
| Finance lease receivable | - | 2,476,854 | 2,476,854 |
| Trade and other receivables – current | - | 813,020 | 813,020 |
| | 268,504 | 3,289,874 | 3,558,378 |

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 0.05% per annum (2020: 0.05% per annum). The Consolidated Entity's operating accounts do not attract interest.

- 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.
- Trade and other receivables represent sale of goods and rental income receivables (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.

There were no balances within trade and other receivables containing amounts that were impaired during 30 June 2021. The Consolidated Entity considered balances within trade and other receivables as impaired after reviewing credit terms of customers based on collection practices. Refer to Note 9 for details of past due receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

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.

Financing arrangements

Unused borrowing facilities (see Note 17) with the bank at the reporting date:

| | 30 June 2021 \$ | | 30 June 2020 \$ | |
|-------------------------|-----------------------|-------------------|-----------------------|-------------------|
| | Facility amount | Unused portion | Facility amount | Unused portion |
| Bank overdraft facility | 50,000 | 49,946 | - | - |
| Trade finance facility | 250,000 | 117,353 | - | - |
| | <u>300,000</u> | <u>167,299</u> | <u>-</u> | <u>-</u> |

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

| | 30 June 2021 \$ | 30 June 2020 \$ |
|--|-----------------------|-----------------------|
| | 57,770 | 54,563 |
| | <u>57,770</u> | <u>54,563</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. INCOME TAX

| | 30 June 2021 \$ | 30 June 2020 \$ |
|---|-----------------------|-----------------------|
| (a) Income tax expense - current | - | - |
| (b) Numerical reconciliation between tax benefit and pre-tax net profit / (loss) | | |
| Profit / (Loss) before income tax benefit | 3,316,069 | (258,643) |
| Income tax calculated at 26% (30 June 2020: 27.5%) | 862,178 | (71,127) |
| Tax effect of: | | |
| Non-deductible expenses and temporary differences | (337,863) | (106,632) |
| Section 40-880 deduction | (6,730) | (7,377) |
| Future tax benefit not brought to account | 5,070 | 185,161 |
| Prior year tax losses utilised | (522,293) | - |
| Effect of higher foreign tax rate | (362) | (25) |
| Income tax expense | - | - |
| (c) Tax losses | | |
| Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable) Potential at 25% (30 June 2020: 27.5%) | 173,960 | 920,927 |
| (d) Unrecognised temporary differences | | |
| Temporary differences for which deferred tax assets have not been recognised at 25% (30 June 2020: 27.5%): | | |
| - Provisions and other timing differences | 26,373 | 344,812 |
| - Section 40-880 deduction | - | 7,119 |
| Unrecognised deferred tax assets relating to the above temporary differences | 26,373 | 351,931 |

(e) Tax rates

The potential tax benefit at 30 June 2021 in respect of tax losses not brought into account has been calculated at 25% (30 June 2020: 27.5%)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

8. REVENUE AND EXPENSES

| | Note | 30 June 2021 \$ | 30 June 2020 \$ |
|---|--------|-----------------------|-----------------------|
| (a) Other revenue | | | |
| Rental from sublet of leased property | | 616,864 | 598,898 |
| R&D refund | | 289,616 | 253,251 |
| Other income ¹ | | 3,648,896 | 25,432 |
| Rental of equipment | | - | 50,000 |
| ATO cashflow boost | | 44,681 | 74,469 |
| | | 4,600,057 | 1,002,050 |
| ¹ Other revenue for FY2021 includes the gain on disposal of assets | | | |
| (b) Net finance income / (expense) | | | |
| Interest income | | 17,093 | 3,448 |
| Interest income from finance lease | 22 | 396,489 | 381,296 |
| Interest expense | | (2,206) | (1,610) |
| Interest expense from finance lease | | (114,559) | (41,981) |
| Interest expense from unwinding of interest per AASB16 | 16 (d) | (78,208) | (112,815) |
| | | 218,609 | 228,338 |
| (c) Occupancy expenses | | | |
| Rental expense for warehouse | | 187,209 | 226,843 |
| Rental expense for office premises | | 77,520 | 78,711 |
| | | 264,729 | 305,554 |
| (d) Disposal of assets | | | |
| Proceed from sale of asset for AG1 shares | 21 | 3,500,000 | - |
| Carrying value at date of disposal | 12 | (42,834) | - |
| | | 3,457,166 | - |

9. TRADE AND OTHER RECEIVABLES

Current

| | | |
|---------------------------------------|----------------|----------------|
| Trade receivables – normal activities | 854,883 | 813,020 |
| | 854,883 | 813,020 |

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 90 days due but without provision for impairment of receivables amount to \$29 as at 30 June 2021 (30 June 2020: \$72,373). This amount is immaterial, as a result management has assessed that no provision for impairment will be provided.

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:

| | | |
|------------|----------------|----------------|
| 1-30 days | 736,054 | 463,616 |
| 31-60 days | 118,407 | 139,409 |
| 61-90 days | 393 | 137,622 |
| 90+ days | 29 | 72,373 |
| | 854,883 | 813,020 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

10. OTHER CURRENT ASSETS

| | 30 June 2021 | 30 June 2020 |
|-----------------------------|-----------------|-----------------|
| Current | \$ | \$ |
| Deposits to suppliers | 130,236 | 20,699 |
| Prepaid insurance | 7,194 | 6,115 |
| Prepaid inventory | 109 | 133 |
| Prepaid services | 6,979 | 4,260 |
| Sundry – ATO cashflow boost | - | 27,329 |
| Interest yet to be paid | (31,929) | 80,121 |
| | 112,589 | 138,657 |

11. INVENTORIES

| | | |
|---------------------------|----------------|----------------|
| Materials handling supply | 287,163 | 310,639 |
| Building materials supply | 39,179 | 58,660 |
| Source and procure supply | 1,019 | 3,000 |
| | 327,361 | 372,299 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

12. PROPERTY, PLANT & EQUIPMENT

| | Plant & equipment \$ | Furniture & fittings \$ | Office equipment \$ | Pooled Assets \$ | Right of use asset \$ | Total \$ |
|--------------------------|-------------------------|----------------------------|------------------------|---------------------|--------------------------|------------------|
| At 30 June 2021 | | | | | | |
| Cost | 271,745 | 22,706 | 38,405 | 2,285 | 2,281,854 | 2,616,995 |
| Accumulated depreciation | (27,626) | (15,187) | (28,851) | (73) | (761,768) | (833,505) |
| Disposals | (42,834) | - | - | (1,387) | - | (44,221) |
| Net book amount | <u>201,285</u> | <u>7,519</u> | <u>9,554</u> | <u>825</u> | <u>1,520,086</u> | <u>1,739,269</u> |
| At 30 June 2020 | | | | | | |
| Cost | 2,580,636 | 22,706 | 31,649 | 3,796 | 3,042,472 | 5,681,259 |
| Accumulated depreciation | (1,278,588) | (11,580) | (22,593) | (1,119) | (760,618) | (2,074,498) |
| Impairment provision | (1,038,821) | - | - | - | - | (1,038,821) |
| Net book amount | <u>263,227</u> | <u>11,126</u> | <u>9,056</u> | <u>2,677</u> | <u>2,281,854</u> | <u>2,567,940</u> |

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 2021 | | | | | | |
| Opening net book amount | 263,227 | 11,126 | 9,056 | 2,677 | 2,281,854 | 2,567,940 |
| Additions | - | - | 6,756 | - | - | 6,756 |
| Depreciation charges | (19,108) | (3,607) | (6,258) | (465) | (761,768) | (791,206) |
| Impairment reversal | - | - | - | - | - | - |
| Disposals | (42,834) | - | - | (1,387) | - | (44,221) |
| Closing net book amount | <u>201,285</u> | <u>7,519</u> | <u>9,554</u> | <u>825</u> | <u>1,520,086</u> | <u>1,739,269</u> |
| Year ended 30 June 2020 | | | | | | |
| Opening net book amount | 276,633 | 14,742 | 7,074 | 1,740 | - | 300,189 |
| Additions | - | - | 7,234 | 1,511 | 3,042,472 | 3,051,217 |
| Depreciation charges | (233,709) | (3,616) | (5,252) | (574) | (760,618) | (1,003,769) |
| Impairment charge | 220,303 | - | - | - | - | 220,303 |
| Disposals | - | - | - | - | - | - |
| Closing net book amount | <u>263,227</u> | <u>11,126</u> | <u>9,056</u> | <u>2,677</u> | <u>2,281,854</u> | <u>2,567,940</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

12. PROPERTY, PLANT & EQUIPMENT (continued)

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 has assessed the plant and equipment of plastic injection mould and impairment will be considered if the present value of the expected cash flows is less than the carrying amount. Using the low and high estimate discount factor, the recoverable amount has exceeded the carrying amount of the equipment. Therefore, there will be no impairment of the plant and equipment of plastic injection mould for the year ended 30 June 2021.

13. INTANGIBLES

| | 30 June 2021 \$ | 30 June 2020 \$ |
|--|-----------------------|-----------------------|
| Trademarks (Net-book-value) | | |
| Carrying amount at the beginning of the year | 2,402 | 3,016 |
| Additions | 8,219 | - |
| Amortisation | (1,228) | (614) |
| Net carrying value | <u>9,393</u> | <u>2,402</u> |
| Computer Software (Net-book-value) | | |
| Carrying amount at the beginning of the year | 1,181 | 2,101 |
| Additions | - | - |
| Amortisation | (917) | (920) |
| Net carrying value | <u>264</u> | <u>1,181</u> |
| Cost | 8,412 | 8,412 |
| Additions | 8,219 | - |
| Accumulated amortisation | (6,974) | (4,829) |
| Net carrying value | <u>9,657</u> | <u>3,583</u> |

14. TRADE AND OTHER PAYABLES

Current

| | | |
|---|------------------|------------------|
| Trade payables – normal activities | 1,367,106 | 1,434,395 |
| Trade payables – supplier of mining equipment | 22 356,937 | 1,297,159 |
| Other payables | 540,297 | 131,250 |
| Other payables – accrued engineer fees | - | 76,263 |
| Other payables – accrued interest mining equipment supplier | 22 33,891 | 100,874 |
| | <u>2,298,231</u> | <u>3,039,941</u> |

The ageing of the past due trade payables – normal activities are as follows:

| | | |
|------------|------------------|------------------|
| 1-30 days | 909,820 | 504,243 |
| 31-60 days | 338,294 | 470,053 |
| 61-90 days | 60,619 | 249,797 |
| 90+ days | 58,373 | 210,302 |
| | <u>1,367,106</u> | <u>1,434,395</u> |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

15. EMPLOYEE BENEFITS

| | 30 June 2021 \$ | 30 June 2020 \$ |
|---|-----------------------|-----------------------|
| Current | | |
| Liability for annual leave and other entitlements | 42,419 | 47,869 |

16. LEASES

| | | |
|---|----------------------|-----------|
| (a) Right-of-use assets | | |
| Rental property balance at 1/7/2020 | 2,281,854 | - |
| Additions | - | 3,042,472 |
| Depreciation | (761,768) | (760,618) |
| Rental property balance at 30/6/2021 | 1,520,086 | 2,281,854 |
| (b) Lease liabilities | | |
| Current | 788,420 | 726,729 |
| Non-current | 849,128 | 1,642,377 |
| | 1,637,548 | 2,369,106 |
| (c) Depreciation charge of right-of-use asset | | |
| Depreciation expense per AASB 16 | 12 761,768 | 760,618 |
| | 761,768 | 760,618 |
| (d) Interest expense on lease liabilities (under net finance income) | | |
| Interest expense from the unwinding of interest per AASB 16 | 8(b) 78,208 | 112,815 |
| | 78,208 | 112,815 |
| Total yearly cash outflows for leases | 16 (c) & (d) 839,976 | 873,433 |

The sublet of the leased property has been treated as an operating lease and as a result of the above, the Group receives rental income as per Note 8 (a).

17. LOANS AND BORROWINGS

This note provides information about the contractual terms of The Consolidated Entity's interest-bearing loans and borrowings. For more information about The Consolidated Entity's exposure to interest rate and liquidity risk, see Note 5.

| | 30 June 2021 \$ | | 30 June 2020 \$ | |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Facility drawdown | Facility available | Facility drawdown | Facility available |
| (a) Trade finance | | | | |
| NAB facility - \$250,000 limit | 132,647 | 117,353 | - | - |
| | 132,647 | 117,353 | - | - |
| (b) Bank overdraft | | | | |
| NAB facility - \$50,000 limit | 54 | 49,946 | - | - |
| | 54 | 49,946 | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

17. LOANS AND BORROWINGS (continued)

Terms of loans and borrowings

| Details | Trade finance facility | Bank overdraft |
|-------------------|-----------------------------------|--|
| Facility provider | National Australia Bank | National Australia Bank |
| Facility limit | \$250,000 | \$50,000 |
| Interest rate | 4.68% p.a. | 8.00% p.a. |
| Term of drawings | 120 days | No limit |
| Services fees | 1.00% p.a. on trade finance limit | \$50 per month |
| Application fees | \$1,000 once off | \$600 once off |
| Expiry date | 31 May 2022 | Revolving term, subject to annual review |

Assets pledged as security

The finance facilities provided by NAB comprises of trade refinance facility and an overdraft facility. Should The Consolidated Entity fail to make on-time repayments on these facilities and breaching the covenants, NAB are deemed as secured creditors and are first in line to The Consolidated Entity's cash & cash equivalents and any income from trade receivables received as securities totalling the amounts owed to the limit of drawn down.

18. ISSUED CAPITAL

144,744,757 fully paid ordinary shares (30 June 2020: 144,744,757)

8,251,219

8,251,219

(a) Ordinary shares

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

| | 30 June 2021 number | 30 June 2020 number | 30 June 2021 \$ | 30 June 2020 \$ |
|----------------------------------|---------------------------|---------------------------|-----------------------|-----------------------|
| Balance at beginning of the year | 144,744,757 | 144,744,757 | 8,251,219 | 8,251,219 |
| Share issues | - | - | - | - |
| Balance at the end of the year | 144,744,757 | 144,744,757 | 8,251,219 | 8,251,219 |

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.

(b) Options

Options granted, exercised or lapsed

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

18. ISSUED CAPITAL (continued)

(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.

19. ACCUMULATED LOSSES

| | 30 June 2021 \$ | 30 June 2020 \$ |
|---|-----------------------|-----------------------|
| Accumulated losses at the beginning of the year | (7,070,221) | (6,811,578) |
| Net profit / (loss) for the year | 3,316,069 | (258,643) |
| Accumulated losses at the end of the year | <u>(3,754,152)</u> | <u>(7,070,221)</u> |

20. RESERVES

| | | |
|------------------------------|----------------|----------|
| Fair value reserve | 816,667 | - |
| Foreign currency translation | 26 | - |
| Total reserves | <u>816,693</u> | <u>-</u> |

21. OTHER NON-CURRENT ASSETS

Long Term Equity Investments

| | | |
|---|------------------|----------|
| Sale of glass processing equipment for 11,666,667 AG1 shares at \$0.30 each on 24/07/2020 | 3,500,000 | - |
| Movement in fair value | 816,667 | - |
| Fair value as at 30 June 2021 ¹ | <u>4,316,667</u> | <u>-</u> |

¹The company holds 11,666,667 ordinary fully paid shares in Australia Sunny Glass Group Limited. The fair value of the investment has been determined based on the last quoted market price sale of the securities being \$0.37 as of 30 June 2021. The last trading of AG1 shares was on 7 December 2020 and there have been no trades since then up till the date of this report. Refer to the National Stock Exchange for more information.

22. FINANCE LEASE RECEIVABLE

| | | |
|--------------------------------------|------------------|------------------|
| Current Finance Lease Receivable | 1,139,302 | 1,308,670 |
| Non-Current Finance Lease Receivable | 177,315 | 1,168,184 |
| Total | <u>1,316,617</u> | <u>2,476,854</u> |

In October 2019, the Consolidated Entity secured a finance lease contract with Newfield Resources Limited (ASX:NWF) (**Newfield**) to supply various underground mining equipment, including 2x Drill Rig Jumbos, 2x Haul trucks and 2x LHD Loaders. The Consolidated Entity's wholly owned subsidiary, Buildmart Services Pty Ltd (**Buildmart**) has sourced and financed the purchase of mining equipment with a total value of ~AUD\$3.6m. As at 30 June 2021, Buildmart has a liability to pay to the manufacturer of \$356,937 and accrued interest payable of \$33,891 at a rate of 8% on the 70% balance to be paid over 3 months (refer Note 14).

The initial contract term is for 3 years, subject to early termination and purchase options with an implied interest rate of 14% per annum. The contract, in the form of a finance lease, will generate approximately AUD\$1.2m in interest income over its 3 year tenure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

22. FINANCE LEASE RECEIVABLE (continued)

Under the contract, Buildmart will provide service and maintenance support for the first 12 months. Newfield will assume responsibility for servicing and maintenance of the equipment for the remainder of the term.

The equipment cost of ~AUD\$2.3m has been funded through existing working capital and a 12 month accounts payable credit term has been obtained from the manufacturer to assist with ongoing working capital requirements.

For accounting purposes, the transaction has been recorded as a finance lease. A finance lease receivable of \$1,316,617 is comprised of current and non-current assets of \$1,139,302 and \$177,315 respectively. Included in \$1,139,302 is the accrued interest receivable from Newfield of \$216,840. The Consolidated Entity has not recognised an asset since all risks and rewards have been transferred to Newfield at the commencement of the lease.

The Consolidated Entity recognised interest income from the finance lease of \$396,489 as at 30 June 2021.

23. 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:

| | 30 June 2021 \$ | 30 June 2020 \$ |
|------------------------------|-----------------------|-----------------------|
| Short-term employee benefits | 220,000 | 220,000 |
| Post-employment benefits | 20,900 | 20,900 |
| | 240,900 | 240,900 |

24. 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 | Ownership interest as at 30 June 2021 | | Principal activities |
|----------------------------|--------------------------|---------------------------------------|---------------------|---|
| | | Equity holding 2021 | Equity holding 2020 | |
| Buildmart Services Pty Ltd | Australia | 100% | 100% | Supply and installation of building materials |
| BauMax Pty Ltd | Australia | Nil | 100% | IT related services |
| Eco Pallets Pty Ltd | Australia | 100% | 100% | Materials handling product supply |
| Eco Pallets NZ Limited | New Zealand | 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.

BauMax Pty Ltd was deregistered on 15 July 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

24. 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)
Mr Michael Crichton (Non-executive Director)
Mr Anson Gan (Non-executive Director)

Disclosures relating to key management personnel are set out in Note 23 and the remuneration report.

25. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity for year ended 30 June 2021.

| | 30 June 2021 \$ | 30 June 2020 \$ |
|---|-----------------------|-----------------------|
| Statement of profit or loss and other comprehensive income | | |
| Profit / (Loss) after income tax | 2,828,332 | (644,520) |
| Total comprehensive profit / (loss) | 2,828,332 | (644,520) |
| Statement of financial position | | |
| Total current assets | 164,480 | 459,392 |
| Total assets | 6,293,820 | 3,345,769 |
| Total current liabilities | 1,315,842 | 1,219,541 |
| Total liabilities | 2,164,969 | 2,861,917 |
| Equity | | |
| Issued capital | 8,251,219 | 8,251,219 |
| Accumulated losses | (4,939,035) | (7,767,367) |
| Reserves | 816,667 | - |
| Total equity | 4,128,851 | 483,852 |

(a) Guarantees entered into by the parent entity

The parent entity did not have any guarantees at year end.

(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 2021

26. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

(a) Cash flows from operating activities

| | 30 June 2021 \$ | 30 June 2020 \$ |
|--|-----------------------|-----------------------|
| Profit / (Loss) for the year | 3,316,069 | (258,643) |
| Adjustments of non-cash/non-operating items: | | |
| Depreciation and amortisation | 793,351 | 1,005,303 |
| Impairment of plant and equipment / (reversal) | - | (220,303) |
| Doubtful debts expense | - | 399 |
| Net foreign exchange (gain) | 84,532 | 28,976 |
| Gain on sale of Asset | (3,457,166) | - |
| Operating profit / (loss) before changes in working capital and provisions | 736,786 | 555,732 |
| Change in trade and other receivables | (41,863) | 502,632 |
| Change in inventories | 44,942 | 24,087 |
| Change in prepayments | 26,068 | (117,149) |
| Change in trade and other payables | (392,114) | (125,137) |
| Change in employee benefits | 5,450 | (13,059) |
| Net cash provided by / (used in) operating activities | 379,269 | 827,106 |

(b) Non-cash investing and financing activities

Sale of glass processing equipment for 11,666,667 AG1 shares at \$0.30 each.

(c) Cash and cash equivalents

| | | |
|----------------------------------|----------------|----------------|
| Cash on hand | 1,192 | 1,167 |
| Cash in bank | 749,367 | 267,337 |
| Bank overdraft | (54) | - |
| Cash and cash equivalents | 750,505 | 268,504 |

27. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share

The calculation of basic loss per share at 30 June 2021 was based on the following:

Earnings / (Loss) attributable to ordinary shareholders

| | | |
|--|-----------|-----------|
| Net profit / (loss) for the year attributable to owners of the Company | 3,316,069 | (258,643) |
|--|-----------|-----------|

Weighted average number of ordinary shares

| | | |
|------------------------------|-------------|-------------|
| Balance at beginning of year | 144,744,757 | 144,744,757 |
|------------------------------|-------------|-------------|

| | | |
|------------------------|-------------|-------------|
| Balance at end of year | 144,744,757 | 144,744,757 |
|------------------------|-------------|-------------|

Diluted earnings/(loss) per share must be calculated where potential ordinary shares on issue are dilutive. There are no potential ordinary shares outstanding as set out in Note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

28. 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

Materials Handling Supply

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

Building Materials Supply

The Building Materials Supply division 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.

Source & Procurement Supply

The Sourcing and Procurement division is focused on providing specialised procurement solutions to a broad range of sectors.

Basis of accounting for purposes of reporting by operating segments

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. This segment was amended in FY21 as the glass processing equipment was sold.

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.

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 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

28. SEGMENT INFORMATION (continued)

| | Segment Revenue ¹ | | Segment Results | | Segment Assets | | Segment Liabilities | |
|------------------------------------|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30 June 2021 \$ | 30 June 2020 \$ | 30 June 2021 \$ | 30 June 2020 \$ | 30 June 2021 \$ | 30 June 2020 \$ | 30 June 2021 \$ | 30 June 2020 \$ |
| Materials Handling Supply | \$4,921,059 | \$3,954,692 | \$189,120 | \$203,860 | \$1,707,478 | \$1,278,783 | \$1,324,282 | \$1,114,575 |
| Building Materials Supply | \$147,079 | \$205,272 | (\$619,414) | (\$800,943) | \$5,818,279 | \$2,331,121 | \$2,164,915 | \$2,861,918 |
| Source & Procurement Supply | \$811,798 | \$496,112 | \$388,563 | \$331,348 | \$1,776,489 | \$2,572,202 | \$621,647 | \$1,480,423 |
| Equipment Investments ² | \$3,457,166 | \$50,000 | \$3,384,683 | \$39,080 | - | \$58,016 | - | - |
| Corporate & Administrative | \$965,012 | \$799,092 | (\$26,883) | (\$31,988) | \$125,302 | \$400,735 | \$2,944 | \$2,943 |
| Consolidated Entity (Total) | \$10,302,114 | \$5,505,168 | \$3,316,069 | (\$258,643) | \$9,427,548 | \$6,640,857 | \$4,113,788 | \$5,459,859 |

¹ Segment revenue includes sale of goods, income from delivery of services and other revenue earned during the year.

² Equipment investments revenue includes the sale of the glass processing equipment amounting to \$3.5m. Shown as other revenue in the consolidated statement of profit and loss and other comprehensive income statement.

29. 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 15 to 45, 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 2021 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.

This declaration has been made after receiving the declarations from the Executive Director required by section 295A of the *Corporations Act 2001* for the year ended 30 June 2021. In accordance with section 295A, those declarations were that:

- (a) the financial records of the Consolidated Entity have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
- (b) 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; and
- (c) 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.

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 25th day of August 2021



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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 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 Company 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.

Material Uncertainty Relating to Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As referred to in Note 4 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. At 30 June 2021, the Group had cash and cash equivalents totalling \$750,505, a working capital deficiency of \$80,020 and had generated a profit before tax for the year totalling \$3,316,069. The Group is dependent on generating future profits from operations and/or successfully raising capital. In the event that future operations do not generate profits and capital raisings are not successful, the Company and its subsidiaries may not be able to continue as going concerns and to meet their liabilities as

and when they fall due, and the realisable value of the Company's and its subsidiaries' assets may be significantly less than book values.

Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a Key Audit Matter 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 |
|--|--|
| <p><i>Completeness and accuracy of revenue under the new revenue Standard AASB 15 Revenue from Contracts with Customers</i></p> <p>There is an inherent risk around the accuracy of revenue recorded given the nature of the Group's activities.</p> <p>The application of the new revenue accounting standard involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognised over a period. The group's policy on revenue recognition is set out in Note 4 to the financial statements under the use of judgements and estimates.</p> <p>Revenue recognition is a key audit matter as the application of revenue recognition involves the evaluation of the appropriateness of management's judgements and estimates, as well as the significance of the Revenue balance to the Group of \$5.483 million.</p> | <p>Inter alia, our audit procedures included the following:</p> <ul style="list-style-type: none"> i. Assessing the Group's process to identify the impact of adoption of the new revenue accounting standard. ii. Assessing the appropriateness of the Group's revenue recognition accounting policies and the adequacy of their disclosures in the financial statements; iii. Testing the operating effectiveness of the key controls over the revenue process; iv. Performing tests for accuracy, completeness and cut-off of customer invoicing on a sample basis; and v. Performing substantive tests and analytical procedures on revenue and costs of sales and performed tests of detail on accounts receivable balances recognised in the statement of financial position at year-end. |

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 2021 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 opinion thereon.

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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 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 11 to 14 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Baumart Holdings Limited for the year ended 30 June 2021 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
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik

Director

West Perth, Western Australia

25 August 2021



PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

25 August 2021

Board of Directors
Baumart Holdings Limited
15 McCabe St
North Fremantle WA 6159

Dear Directors

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 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

A handwritten signature in blue ink that reads "Martin Michalik".

Martin Michalik
Director

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ADDITIONAL INFORMATION

Top holders

The 20 largest registered holders of each class of quoted equity security as at 23 August 2021 were:

Fully paid ordinary shares – quoted

| | Name | No. of Shares | % |
|-----|---|--------------------|--------------|
| 1. | Wonder Holdings Pty Ltd | 28,333,334 | 19.57 |
| 2. | Kreo Capital Management Pte Ltd | 20,872,060 | 14.42 |
| 3. | PT Mitra Investama Anugrah | 8,889,149 | 6.14 |
| 4. | Mr Tze Fong Gan | 8,500,000 | 5.87 |
| 5. | Ms May Ern Gloria Lai | 8,000,000 | 5.53 |
| 6. | Mr Hoong Ngai Christopher Lai | 8,000,000 | 5.53 |
| 7. | QP & Co Pty Ltd <Quppi Family A/C> | 7,500,000 | 5.18 |
| 8. | Mr Sumampo Lau | 7,000,000 | 4.84 |
| 9. | Anrinza Future Pty Ltd | 6,577,500 | 4.54 |
| 10. | Mr Robert Ang | 5,000,000 | 3.45 |
| 11. | Kingsfield Pty Ltd | 4,000,000 | 2.76 |
| 12. | Mr Park On Lai | 4,000,000 | 2.76 |
| 13. | Mr Matthew Luke Mark Logan <The Pax Investment A/C> | 3,200,000 | 2.21 |
| 14. | Serng Yee Liew | 2,850,000 | 1.97 |
| 15. | Mr Evan Murray Retallack | 2,476,361 | 1.71 |
| 16. | Willy Masturi <W E Masturi Family A/C> | 2,250,000 | 1.55 |
| 17. | Kuswandi Aman | 2,200,000 | 1.52 |
| 18. | Sanny Nanang | 1,100,000 | 0.76 |
| 19. | Mr Sok Kiang Teoh | 1,010,000 | 0.70 |
| 20. | Mr Berthus Indrajit Budiman | 1,000,001 | 0.69 |
| | | 132,758,405 | 91.70 |

Distribution schedules

A distribution schedule of each class of equity security as at 23 August 2021:

Ordinary fully paid shares

| | Range | Holders | Units | % |
|--|------------------|------------|--------------------|---------------|
| | 1 - 1,000 | 4 | 493 | 0.00 |
| | 1,001 - 5,000 | 8 | 22,860 | 0.02 |
| | 5,001 - 10,000 | 132 | 1,320,000 | 0.91 |
| | 10,001 - 100,000 | 23 | 728,343 | 0.50 |
| | 100,001 - Over | 44 | 142,673,061 | 98.57 |
| | Total | 211 | 144,744,757 | 100.00 |

Substantial shareholders

The names of substantial shareholders in the Company as at 23 August 2021, 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 |
| Kreo Capital Management Pte Ltd | 20,872,060 |
| PT Mitra Investama Anugrah | 9,331,893 |
| Tze Fong Gan | 8,500,000 |
| Ms May Ern Gloria Lai | 8,000,000 |
| Mr Hoong Ngai Christopher Lai | 8,000,000 |
| QP & Co Pty Ltd <Quppi Family A/C> | 7,500,000 |

ADDITIONAL INFORMATION

Restricted securities or securities subject to voluntary escrow

As at 23 August 2021, the Company had no restricted securities on issue.

As at 23 August 2021, the Company had no securities subject to voluntary escrow.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,500 shares as at 23 August 2021):

| Holders | Units |
|---------|-------|
| 5 | 2,430 |

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.