



ABN 87 602 638 531

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

The following information is provided to the ASX under listing rule 4.2A.3

Company Name: BauMart Holdings Limited (the **Company**)
ABN: 87 602 638 531
Reporting Period: Half year ended 31 December 2019
Previous Reporting Period: Half year ended 31 December 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 December 2019	31 December 2018	Change up/ (down) %
\$ Revenue from Ordinary Activities (\$'000)	2,007	2,199	(8.73%)
\$ Profit (loss) from ordinary activities after tax (\$'000)	(167)	(743)	77%
\$ Net profit (loss) attributable to members (\$'000)	(167)	(743)	77%
Net tangible assets per security	0.77	0.75	2.67%

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.

FOR FURTHER INFORMATION

The Independent Auditor's Review Report contains an emphasis of matter in relation to going concern. The emphasis of matter draws attention to Note 3 of the Interim Financial Report and states that the factors described in that going concern note to the interim financial statements, indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

The Directors present their report together with the consolidated financial statements of BauMart Holdings Limited (the **Company** or **Parent Entity**) and its controlled entities (together referred to hereafter as the **Consolidated Entity**) for the half year ended 31 December 2019 and the auditor's review report thereon.

DIRECTORS

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

Name	Period of directorship
Mr Berthus Budiman <i>Executive Director</i>	Director since 31 October 2014
Mr Matthew Logan <i>Executive Director</i>	Director since 8 August 2016
Mr Michael Crichton <i>Non-Executive Director</i>	Director since 19 March 2015
Mr Anson Gan <i>Non-Executive Director</i>	Director since 19 March 2015

RESULTS

The loss of the Consolidated Entity for the half-year was \$166,963 (2018: \$743,294) after income tax of nil (2018: nil).

REVIEW OF OPERATIONS

Group results

- Net loss after tax of \$166,963 (31 December 2018: \$743,294).

Sales revenue

- Down 8.7% to \$2,007,151 (31 December 2018: \$2,198,759).
- Materials handling division up 8.6% to \$1,809,106 (31 December 2018: \$1,664,387) .
- Building material sales down 74% to \$141,088 (31 December 2018: \$534,372).
- Industrial consumables (comprised of mining drilling equipment consumables) contributed \$56,957 in sales for the half year.

Business highlights

- Successfully signed a 3 year finance lease for the provision of mining equipment.
- Underlying loss position rapidly improving.
- R&D claim of \$253,351 under the Federal Government's Research and Development (R&D) Tax Incentive program finalised and receipted during the first half of FY20.

The materials handling division has grown its sales by 8.6% during the half year. Some of the highlights for the current reporting period include:

- Record half year revenue for the division of \$1.81 million. Historically, the second half of the financial year is much larger in comparison to the first half.
- Half year profit for the division of \$256K (31 December 2018: \$204K).
- In line with the division's growth strategy, complementary product ranges were added to the existing distribution platform with more product lines anticipated for the second half of FY20.
- A feasibility study was undertaken on an expansion to New Zealand, after receiving the first order from a reseller and management has decided to progress with expansion plans in this region. The division's first overseas' venture is expected to be up and running in Q4 FY20.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

REVIEW OF OPERATIONS (CONTINUED)

The project tendering division expanded its offerings during the period by leveraging its experience in procurement, supplier networking and supply chain management to successfully win a 3 year finance lease agreement, highlights include:

- Supply of various underground mining equipment for a Sierra Leone focused diamond mine development company.
- Will generate up to ~\$AUD\$1.2m in interest income over 3 years, with commencement in first half of FY20.
- Under the contract, the division will provide service and maintenance support for the first 12 months.
- Opportunity to supply consumables for the equipment generating further consistent revenue.

The building materials supply division had a challenging period with sales down 74% during the half year. Some of the explanations for this include:

- Sales and distribution of glass and wood plastic composite products ceased during the half year resulting in a significant variance to the prior comparable period.
- The division established a partnership with a distributor in Queensland; a good pipeline of confirmed orders and opportunities has since been established and is being closely monitored for progress.
- The division is confident of similar arrangements in New South Wales and Victoria before the end of the financial year.

Equipment Rental Division

- There were no further updates in relation to the operator of the glass processing equipment.

Management is executing on its strategy to secure distributorships as evidenced during the first half with complementary product ranges added to the existing distribution platform.

Management is continuing to evaluate synergistic and complementary acquisitions that are a strategic fit with the core focus areas of the business being building materials and materials handling.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters described in Note 17 to the financial statements, there has not arisen in the interval between the end of the half 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.

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 24.

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



Matthew Logan
Executive Director

Dated at Perth this 27th day of February 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 \$	31 December 2018 \$
Revenue and other income			
Sale of goods		2,007,151	2,198,759
Total Revenue		2,007,151	2,198,759
Cost of sales		(1,681,572)	(1,838,485)
Total cost of sales		(1,681,572)	(1,838,485)
Gross profit		325,579	360,274
Other revenue	4(a)	552,624	465,294
Net finance income	4(b)	48,375	2,588
Expenses			
Corporate and administrative expenses		(372,982)	(310,126)
Operational expenses		(89,619)	(105,579)
Occupancy expenses	4(c)	(139,804)	(510,213)
Marketing expenses		(99,344)	(94,604)
Depreciation and amortisation expenses	8 & 9 & 10(c)	(502,297)	(122,735)
Reversal of Impairment of plant & equipment		110,904	110,904
Provision for doubtful debt		(399)	(539,097)
Total expenses		(1,093,541)	(1,571,450)
Loss before income tax		(166,963)	(743,294)
Income tax benefit/(expense)		-	-
Net loss for the half year		(166,963)	(743,294)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the half year, net of tax		-	-
Total comprehensive loss		(166,963)	(743,294)
Loss attributable to:			
Owners of the Company		(166,963)	(743,294)
Non-controlling interests		-	-
		(166,963)	(743,294)
Total comprehensive loss attributable to:			
Owners of the Company		-	(743,294)
Non-controlling interests		-	-
		(166,963)	(743,294)
Basic and diluted loss per share attributable to the ordinary equity holders of the Company			
Basic and diluted loss per share (cents)		(0.12)	(0.51)

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 31 DECEMBER 2019

	Note	31 December 2019 \$	30 June 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		141,785	177,592
Trade and other receivables	5	418,808	1,315,652
Other current assets	7	234,214	21,508
Inventories		475,763	396,386
Accounts finance lease receivable	15	804,241	-
Total current assets		2,074,811	1,911,138
NON-CURRENT ASSETS			
Property, plant and equipment	8	291,543	300,189
Intangibles	9	4,347	5,117
Other assets	12	158,710	158,710
Right of use assets	10(a)	2,658,061	-
Accounts finance lease receivable	15	1,474,338	-
Total non-current assets		4,586,999	464,016
TOTAL ASSETS		6,661,810	2,375,154
CURRENT LIABILITIES			
Trade and other payables	6	2,643,004	897,760
Employee benefits		30,450	25,520
Current tax liabilities		2,943	2,943
Lease liabilities	10(b)	837,900	-
Total current liabilities		3,514,297	926,223
NON-CURRENT LIABILITIES			
Employee benefits		9,290	9,290
Lease liabilities	10(b)	1,865,545	-
Total non-current liabilities		1,874,835	9,290
TOTAL LIABILITIES		5,389,132	935,513
NET ASSETS		1,272,678	1,439,641
EQUITY			
Issued capital	11	8,251,219	8,251,219
Accumulated losses		(6,978,541)	(6,811,578)
TOTAL EQUITY		1,272,678	1,439,641

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 30 June 2019	8,251,219	(6,811,578)	1,439,641
Loss for the half year	-	(166,963)	(166,963)
Total comprehensive loss for the half year	-	(166,963)	(166,963)
Transaction with equity holders, in their capacity as equity holders			
Issue of ordinary shares, net of transaction costs	-	-	-
Balance at 31 December 2019	8,251,219	(6,978,541)	1,272,678
Balance at 30 June 2018	8,251,219	(6,256,440)	1,994,779
Loss for the half year	-	(743,294)	(743,294)
Total comprehensive loss for the half year	-	(743,294)	(743,294)
Transaction with equity holders, in their capacity as equity holders			
Issue of ordinary shares, net of transaction costs	-	-	-
Balance at 31 December 2018	8,251,219	(6,999,734)	1,251,485

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

CONSOLIDATED STATEMENT OF CASH FLOWS **FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Note	31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities			
Receipts in the course of operations		3,294,745	2,176,815
Government grants and tax incentives received	4(a)	253,251	175,247
Payments in the course of operations		(2,984,922)	(2,477,661)
Interest received	4(b)	105,588	2,589
Interest paid	4(c)	(805)	-
Net cash inflow / (outflow) from operating activities		667,857	(123,010)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2,254)	(1,372)
Lease payments received		126,327	-
Deposit on mining-equipment acquired and leased to a third party		(826,117)	-
Net cash (outflow) from investing activities		(702,044)	(1,372)
Net (decrease) in cash and cash equivalents		(34,187)	(124,382)
Cash and cash equivalents as at beginning of the period		177,592	280,819
Effect of movement in exchange rates on cash held		(1,620)	-
Cash and cash equivalents as at end of the period		141,785	156,437

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

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. REPORTING ENTITY

Baumart Holdings Limited (**Baumart** or **Parent Entity**) is a public company limited by shares incorporated in Australia whose shares are traded on the Australian Securities Exchange.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "**Consolidated Entity**" or "**Group**"). They were authorised for issue by the Board of Directors on 27 February 2020.

2. BASIS OF PREPARATION

These general purpose interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Consolidated Entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Baumart Holdings Limited and its controlled entities (referred to as the "Consolidated Entity" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 27 February 2020.

a) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

b) New and revised Accounting Standards and Interpretations adopted 1 July 2019

The adoption of new and amended standards and interpretations has not resulted in a material change to the financial performance or position of the Consolidated Entity.

All new and amended Australian Accounting Standards and Interpretations mandatory as at 1 July 2019 to the Consolidated Entity have been adopted and include:

- **AASB 16 Leases**

The nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

The Group has adopted AASB 16: Leases using the modified retrospective transition approach.

The Group as lessee

At inception of a contract the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a 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.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION (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 index or rate, initially measured using the index or rate at the commencement date; and
- the amount expected to be payable by the lessee under residual value guarantees.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and 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 costs 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.

Initial Application of AASB 16: Leases

The Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised as 1 July 2019. In accordance with AASB 16, the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with exception of short-term and low value leases) recognised as operating leases under AASB 117: Leases where the Group is a lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets were measured at their carrying values as if AASB 16 Leases had been applied since the commencement date but discounted using the Group's incremental borrowing rate per lease term as at 1 July 2019. The right-of-use assets have been recognised in the statement of financial position as at 1 July 2019.

The following practical expedients have been used by the Group in applying AASB 16 Leases for the first time:

- For a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- Leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term lease.
- The use of hindsight to determine lease terms or contracts that have options to extend or terminate.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 5%.

If the impact of adoption of AASB 16 is material, or the client has a number of leases, consider including the Interpretation of AASB 16 as part of critical accounting estimates or judgment given the fact that leases involves the exercise of professional judgment.

The impact of the adoption of AASB 16 on the Consolidated Statement of Financial Position as at 31 December 2019, is an increase in assets (right-of-use asset) of \$2,658,061 and an increase in liabilities (lease liability) of \$2,703,445 (\$837,900 current & \$1,865,545 non-current). The impact on profit from continuing operations for the half year ended would be an increase in depreciation expense of \$379,723 an increase in finance costs of \$56,408 up to the life of the lease and a decrease in operating lease expenses of \$390,746.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial report, the significant judgments made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2019. Critical accounting judgements, estimates and assumptions adopted by management are discussed below.

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

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. The condition of the assets are assessed at least once per year and considered against the remaining useful life.

Carrying value of assets

The glass processing equipment generates rental income from its operator's usage of the equipment, which has a direct effect on the carrying value of the asset. Since 30 June 2018 the equipment has not been generating income and therefore it was fully impaired.

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

Going Concern

The interim 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 loss of \$166,963 during the half year (2018: \$743,294). Included in trade and other receivables at 31 December 2019 is an amount of \$418,808 owed. 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.

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 net working capital deficiency of \$1,439,486 this includes cash reserves of \$300,495 of which \$158,710 is restricted cash as at 31 December 2019;
- The Consolidated Entity has no loans or borrowings;
- The Directors are confident that the trade receivables amounts of \$418,808 referred to in Note 5 are fully recoverable following discussions with the debtors;
- The budgets and forecasts reviewed by the Directors for the next 12 months anticipate that the business will produce improved results;
- The mining-equipment transaction, announced in October 2019, for the 3-year period is expected to begin generating positive cashflow after 12 months; and
- 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.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		31 December 2019	31 December 2018
	Note	\$	\$
4. REVENUE AND EXPENSES			
(a) Other revenue			
Rental from sublet of property		297,220	288,563
R&D refund		253,251	175,247
Miscellaneous		2,153	1,484
		552,624	465,294
(b) Net finance income			
Interest income		3,315	2,588
Interest income from finance lease	15	102,272	-
Interest expense		(804)	-
Interest expense from unwinding of interest	10(d)	(56,408)	-
		48,375	2,588
(c) Occupancy expenses			
Rental expense for warehouse		(102,014)	(471,925)
Rental expense for office premises		(37,790)	(38,288)
		(139,804)	(510,213)
		31 December 2019	30 June 2019
		\$	\$
5. TRADE AND OTHER RECEIVABLES			
Current			
Trade receivables – normal activities		418,808	1,315,652
		418,808	1,315,652
6. TRADE AND OTHER PAYABLES			
Current			
Trade payables – normal activities		919,860	844,707
Other payables – including supplier of mining- equipment and accrued interest	15	1,723,144	53,053
		2,643,004	897,760
7. OTHER CURRENT ASSETS			
Deposits		75,090	8,784
Prepaid insurance		15,832	1,213
Prepaid services		21,191	11,511
Interest yet to be paid		122,101	-
		234,214	21,508

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

8. PROPERTY, PLANT & EQUIPMENT

	Plant & equipment \$	Furniture & fittings \$	Office equipment \$	Pooled Assets \$	Right-of-use asset \$	Total \$
At 31 December 2019						
Cost	2,580,636	22,706	26,668	2,285	3,037,784	5,670,079
Accumulated depreciation	(1,162,053)	(9,782)	(19,922)	(775)	(379,723)	(1,572,255)
Impairment charge	(1,148,220)	-	-	-	-	(1,148,220)
Net book amount	270,363	12,924	6,746	1,510	2,658,061	2,949,604
At 30 June 2019						
Cost	2,580,636	22,706	24,415	2,285	-	2,630,042
Accumulated depreciation	(1,044,879)	(7,964)	(17,341)	(545)	-	(1,070,729)
Impairment charge	(1,259,124)	-	-	-	-	(1,259,124)
Net book amount	276,633	14,742	7,074	1,740	-	300,189

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

	Plant & equipment \$	Furniture & fittings \$	Office equipment \$	Pooled Assets \$	Right-of-use asset \$	Total \$
Half Year ended 31 December 2019						
Opening net book amount	276,633	14,742	7,074	1,740	-	300,189
Additions	-	-	2,254	-	3,037,784	3,040,038
Depreciation charges	(117,174)	(1,818)	(2,582)	(230)	(379,723)	(501,527)
Impairment charge	110,904	-	-	-	-	110,904
Disposals	-	-	-	-	-	-
Closing net book amount	270,363	12,924	6,746	1,510	2,658,061	2,949,604
Year ended 30 June 2019						
Opening net book amount	290,146	17,077	7,533	2,197	-	316,953
Additions	-	1,089	4,621	-	-	5,710
Depreciation charges	(233,513)	(3,424)	(5,080)	(457)	-	(242,474)
Impairment charge	220,000	-	-	-	-	220,000
Disposals	-	-	-	-	-	-
Closing net book amount	276,633	14,742	7,074	1,740	-	300,189

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

9. INTANGIBLES

	Note	31 December 2019 \$	30 June 2019 \$
Trademarks (Net-book-value)			
Carrying amount at the beginning of the year		3,016	3,628
Amortisation		(309)	(612)
Net carrying value		<u>2,707</u>	<u>3,016</u>
Computer Software (Net-book-value)			
Carrying amount at the beginning of the year		2,101	-
Additions		-	2,292
Amortisation		(461)	(191)
Net carrying value		<u>1,640</u>	<u>2,101</u>
Cost		8,412	6,120
Additions		-	2,292
Accumulated amortisation		(4,065)	(3,295)
Net carrying value		<u>4,347</u>	<u>5,117</u>

10. LEASES

(a) Right-of-use assets			
Rental Property		2,658,061	-
		<u>2,658,061</u>	<u>-</u>
(b) Lease liabilities			
Current		837,900	-
Non-current		1,865,545	-
		<u>2,703,445</u>	<u>-</u>
(c) Depreciation charge of right-of-use asset			
Depreciation expense per AASB 16		379,723	-
		<u>379,723</u>	<u>-</u>
(d) Interest expense on lease liabilities (under net finance income)			
Interest expense from the unwinding of interest per AASB 16	4(b)	56,408	-
		<u>56,408</u>	<u>-</u>
Total half-yearly cash outflows for leases		<u>436,131</u>	<u>-</u>

The sublet of the leased property has been treated as an operating lease and as a result of the above, the group receive rental income as per note 4(a).

11. ISSUED CAPITAL

144,744,757 (30 June 2019: 144,744,757) fully paid ordinary shares	<u>8,251,219</u>	<u>8,251,219</u>
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(a) Ordinary shares

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

	31 December 2019 No.	30 June 2019 No.	31 December 2019 \$	30 June 2019 \$
Balance at beginning of the period	144,744,757	144,744,757	8,251,219	8,251,219
Balance at the end of the period	<u>144,744,757</u>	<u>144,744,757</u>	<u>8,251,219</u>	<u>8,251,219</u>

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

11. ISSUED CAPITAL (continued)

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

No options were issued or exercised during the half year.

No options lapsed during the half year.

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

(c) Capital risk management

The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

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

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

12. OTHER NON-CURRENT ASSETS

	31 December 2019 \$	30 June 2019 \$
Security Bond	158,710	158,710

The Consolidated Entity has a security bond in place amounting to \$158,710 in favour of its landlord.

13. CONTINGENCIES

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

14. SUBSIDIARY

Name of entity	Country of incorporation	Equity holding 31 December 2019	Equity holding 30 June 2019	Principal activities
Buildmart Services Pty Ltd	Australia	100%	100%	Project Management Services
BauMax Pty Ltd	Australia	100%	100%	IT related services
Eco Pallets Pty Ltd	Australia	100%	100%	Materials handling product supply

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

15. FINANCE LEASE RECEIVABLE

During the period ended 31 December 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 31 December 2019, Buildmart has a liability to pay to the manufacturer of \$1,601,043 and accrued interest payable of \$122,101 at a rate of 8% on the outstanding balance.

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.

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 \$2,278,579 is comprised of current and non-current assets of \$804,241 and \$1,474,338 respectively. 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 \$102,272 as at 31 December 2019.

16. SEGMENTS 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 based on product category and service offerings since the diversification of the Consolidated Entity's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the products sold and/or services provided by that segment.

Types of products and services by segment

Building Materials Supply

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

Project Tendering

The Project Tendering division is focused on delivering high quality project management services by using procurement expertise and supplier networks to provide end to end services in a broad range of sectors.

Materials Handling Supply

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

Equipment Investments

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

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

16. SEGMENTS INFORMATION (continued)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

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.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

16. SEGMENTS INFORMATION (continued)

Unallocated items

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

	Building Materials Supply		Project Tendering		Materials Handling Supply		Equipment Investments		Corporate & Administrative		Consolidated Entity (Total)	
	31 December 2019 \$	31 December 2018 \$	31 December 2019 \$	31 December 2018 \$	31 December 2019 \$	31 December 2018 \$	31 December 2019 \$	31 December 2018 \$	31 December 2019 \$	31 December 2018 \$	31 December 2019 \$	31 December 2018 \$
Segment revenue	141,088	534,372	159,230	95,077	1,809,106	1,664,387	-	-	555,938	467,882	2,665,362	2,666,641
Segment result	(570,123)	(474,679)	74,111	13,077	76,882	204,004	(5,490)	(14,599)	257,657	(458,020)	(166,963)	(743,294)
	31 December 2019 \$	30 June 2019 \$	31 December 2019 \$	30 June 2019 \$	31 December 2019 \$	30 June 2019 \$	31 December 2019 \$	30 June 2019 \$	31 December 2019 \$	30 June 2019 \$	31 December 2019 \$	30 June 2019 \$
Segment assets	2,946,326	328,631	2,551,460	1,962	1,042,727	1,047,955	63,447	68,937	57,850	929,631	6,661,810	2,375,154
Segment liabilities	2,905,986	183,451	1,754,261	598	725,944	749,121	-	-	2,941	2,941	5,389,132	935,513

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

17. EVENTS SUBSEQUENT TO REPORTING DATE

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

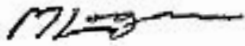
DIRECTORS' DECLARATION

In the opinion of the Directors of Baumart Holdings Limited:

1. the consolidated financial statements and notes, set out on pages 6 to 20, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia this 27th day of February 2020

Signed in accordance with a resolution of the Directors.



Matthew Logan
Executive Director

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Baumart Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Baumart Holdings Limited (the consolidated entity). The consolidated entity comprises both Baumart Holdings Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Baumart Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Baumart Holdings Limited on 27 February 2020.

Conclusion

Based on our review, which is not an audit, we have not become aware of any other matter that makes us believe that the half-year financial report of Baumart Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter Regarding Going Concern

Without qualification to the review conclusion expressed above, attention is drawn to the following matters:

As referred to in Note 3 to the financial statements, the financial statements have been prepared on the going concern basis. At 31 December 2019, the entity had working capital deficiency of \$1,439,486 and had the consolidated entity incurred a loss for the half year end amounting to \$166,963. The ability of the consolidated entity to continue as a going concern is subject to the consolidated entity returning to profitability and achieving the budgeted revenues or raising additional capital. In the event that the consolidated entity is not successful in achieving budgeted revenues and returning to profitability or raising additional capital, the consolidated entity may not be able to meet its liabilities as they fall due and the realisable value of the consolidated entity's assets may be significantly less than book values.

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

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
27 February 2020

27 February 2020

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 review of the financial statements of Baumart Holdings Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD



Martin Michalik
Director