

Half Yearly Report

EMBELTON LIMITED

ABN 51 004 401 496

For Half Year Ended 31 December 2020

<u>Results for Announcement to the Market</u>			
			<u>\$A'000</u>
Revenue from ordinary activities	Up	2.6%	to 35,140
Profit from ordinary activities after income tax attributable to members	Down	10.8%	to 848
Net profit for the period attributable to members	Down	10.8%	to 848
Dividends per Share	Amount per share	Franked amount per share at 30% tax	
Interim	20.0 cents	20.0 cents	
Record date for determining entitlements to dividends		19 March 2021	

Results for Announcement to the Market (Continued)

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset per ordinary share	8.65	8.45

* For the purpose of determining net tangible assets the carrying value of the right of use asset and the related lease liability have been excluded from the net tangible assets at period end as well as other intangible assets

Dividends

a) Dividends per Share	Amount per share	Franked amount per share at 30% tax	Amount per share of foreign source dividend
Interim			
- current period	20.0 cents	20.0 cents	0 cents
- previous corresponding period	20.0 cents	20.0 cents	0 cents

b) Total Dividends	Current Period A\$ '000	Previous Corresponding Period A\$ '000
Interim dividend - payable on 9 April 2021	432	432
Final June 2020 dividend paid on 9 October 2020	<u>432</u> <u>864</u>	<u>432</u> <u>864</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 December 2020

		Half Year Ended	
	Note	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
Revenue		35,140	34,239
Cost of Sales		<u>(25,501)</u>	<u>(24,902)</u>
Gross Profit		9,639	9,337
Other Income		6	3
Less Expenses:			
Manufacturing Expenses		(105)	(94)
Sales and Marketing Expenses		(3,354)	(4,096)
Storage and Distribution Expenses		(1,095)	(709)
Administration and Other Expenses		<u>(3,825)</u>	<u>(3,052)</u>
Profit before income tax expense	2	1,266	1,389
Income tax expense		<u>(418)</u>	<u>(438)</u>
Net Profit for the period		848	951
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u><u>848</u></u>	<u><u>951</u></u>
Profit attributable to:			
Owners of the company		848	951
Non-controlling interest		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>848</u></u>	<u><u>951</u></u>
Earnings per share			
From continuing operations:			
Basic (cents per share)		39.3c	44.1c
Diluted (cents per share)		39.3c	44.1c

The above statement of Profit should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position as at 31 December 2020

	31 Dec 2020 (\$'000)	30 June 2020 (\$'000)
Current Assets		
Cash and cash equivalents	2,703	25
Trade and other receivables	7,832	12,604
Inventories	11,573	12,072
Other	596	156
Total Current Assets	<u>22,704</u>	<u>24,857</u>
Non-Current Assets		
Property, plant and equipment	9,237	9,262
Right of use assets	597	450
Intangibles	364	397
Deferred tax assets	945	982
Total Non-Current Assets	<u>11,143</u>	<u>11,091</u>
TOTAL ASSETS	<u>33,847</u>	<u>35,948</u>
Current Liabilities		
Trade and other payables	11,565	8,713
Borrowings	-	5,623
Lease liabilities	405	333
Current tax liabilities	732	584
Provisions	1,592	1,489
Total Current Liabilities	<u>14,294</u>	<u>16,742</u>
Non-Current Liabilities		
Deferred tax liabilities	71	154
Lease liabilities	227	168
Provisions	268	313
Total Non-Current Liabilities	<u>566</u>	<u>635</u>
TOTAL LIABILITIES	<u>14,860</u>	<u>17,377</u>
NET ASSETS	<u>18,987</u>	<u>18,571</u>
Equity		
Issued Capital	1,156	1,156
Reserves	1	1
Retained earnings	17,830	17,414
TOTAL EQUITY	<u>18,987</u>	<u>18,571</u>

The above statement should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Cash Flows
for the Half-Year Ended 31 December 2020**

	Consolidated Entity	
	Half Year Ended	
	31 Dec	31 Dec
	2020	2019
	(\$'000)	(\$'000)
Cash flows from operating activities		
Receipts from customers	44,686	37,872
Payments to suppliers and employees	(35,098)	(35,002)
Interest paid	(30)	(61)
Income taxes paid	(323)	(280)
	<u>9,235</u>	<u>2,529</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	(286)	(165)
Proceeds from sale of equipment	6	-
	<u>(280)</u>	<u>(165)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Repayment of borrowings	(5,623)	(1,500)
Repayment of lease liabilities	(222)	(241)
Dividends paid	(432)	(432)
	<u>(6,277)</u>	<u>(2,173)</u>
Net cash used in financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,678	191
Cash and cash equivalents at beginning of period	<u>25</u>	<u>35</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,703</u>	<u>226</u>

The above statement should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Changes in Equity
for the Half-Year Ended 31 December 2020**

	Issued capital	Foreign Curr. Trans. Reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2019	1,156	6	16,120	17,282
Profit for the period	-	-	951	951
Dividends paid	-	-	(432)	(432)
At 31 December 2019	1,156	6	16,639	17,801
Profit for the period	-	(5)	1,207	1,202
Dividends paid	-	-	(432)	(432)
At 30 June 2020	1,156	1	17,414	18,571
Profit for the period	-	-	848	848
Dividends paid	-	-	(432)	(432)
At 31 December 2020	1,156	1	17,830	18,987

The above statement should be read in conjunction with the accompanying notes.

**Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2020****1. Significant Accounting Policies****Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2020 annual financial report for the financial year ended 30 June 2020

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The adoption of these amendments does not have a material impact on the financial statements of the Group.

2. Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Managing Director on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

The reportable segments identified are unchanged from those identified previously.

Reportable segments

Commercial

Comprises the supply and installation of various building materials and installation on commercial projects

Merchandising

Comprises the sale of various building materials into all other sectors

Manufacturing

Manufacturing operations supply to both market segments

The following is an analysis of the revenue and results for the half year by reportable segment.

Half-year ended 31 December 2020	Commercial \$'000	Merchandising \$'000	Manufacturing \$'000	Consolidated \$'000
Total Operating Revenue	21,910	13,684	3,665	39,259
Less Elimination on Consolidation	(536)	-	(3,583)	(4,119)
Total External Operating Revenue	21,374	13,684	82	35,140
Segment result	1,075	303	(34)	1,344
			Unallocated Expenses	(78)
			Total Operating Profit before Income Tax Expense	1,266
			Income Tax Expense	(418)
			Profit for the Period	848

Half-year ended 31 December 2019

Total Operating Revenue	19,696	15,523	3,146	38,365
Less Elimination on Consolidation	(1,138)	-	(2,988)	(4,126)
Total External Operating Revenue	18,558	15,523	158	34,239
Segment result	866	526	147	1,539
			Unallocated Expenses	(150)
			Total Operating Profit before Income Tax Expense	1,389
			Income Tax Expense	(438)
			Profit for the Period	951

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2020 (cont'd)

3. Dividends

	Half Year Ended	
	2020	2019
	\$'000	\$'000
<u>Recognised amounts</u>		
Fully paid ordinary shares		
Final dividend of 20.0 cents per share (2019 – 20.0 cents)	432	432
	432	432
	432	432
<u>Unrecognised amounts</u>		
Fully paid ordinary shares		
Interim dividend of 20.0 cents per share (2019 – 20 cents)	432	432
	432	432
	432	432

On 27 January 2021, the directors declared a fully franked interim dividend of 20 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2020, to be paid to the shareholders on 09 April 2021. This dividend has not been included as a liability on these financial statements.

4. Contingencies and commitments

There have been no changes in contingent liabilities, contingent assets or commitments since the last annual reporting date 30 June 2020.

6. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

EMBELTON LIMITED and its Controlled Entities

Directors' Report

Your Directors present their report on the consolidated entity of Embelton Limited and controlled entities for the half-year ended 31 December 2020.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The Directors in office during and since the end of the half-year are:

Mr G R Embelton (Chairman)
Mr J R Baldwin (Non-executive Director)
Mr M S Crabb (Non-executive Director)
Mr J J Embelton (Managing Director)

Review of Operations

Contracts awarded to the Group prior to the pandemic, predominantly for large supply and installation projects, enabled revenue to be maintained during the period. However, the many challenges arising from Covid, especially the constant but unpredictable interruptions to contract works, impaired operating margins and adversely affected first half earnings.

And although the pipeline of further awarded work that has yet to commence remains solid, Covid related building delays are likely to affect the performance of the Group during the second half of this financial year. As such, cost management and continued diversification of the revenue model will remain an important focus.

Auditor's Independence Declaration

A copy of the independence declaration by the auditor under Section 307C is included on page 13.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



J J Embelton

Director

Melbourne, 19 February 2021

Declaration by Directors

The Directors declare that:

1. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
2. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



J J Embelton

Director

Melbourne, 19 February 2021

19 February 2021

The Board of Directors
Embelton Limited
147-149 Bakers Road
COBURG VIC 3058

Dear Board Members

Embelton 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 Embelton Limited.

As lead audit partner for the review of the financial statements of Embelton Limited for the financial half-year ended 31 December 2020, 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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of Embelton Limited

We have reviewed the half-year financial report of Embelton Limited (the "Company"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 3 to 9 and 12.

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's AOES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Company's financial position as at 31 December 2020 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*.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants
Melbourne, 19 February 2021