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EMBELTON
2019 ANNUAL REPORT

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EMBELTON LIMITED

ACN 004 401 496

REGISTERED OFFICE

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DIRECTORS

G R Embelton, Chairman

J J Embelton, Managing Director

J R Baldwin

M S Crabb

AUDITORS

Deloitte Touche Tohmatsu

SECRETARY

E P Galgano

STOCK EXCHANGE

Embelton Limited shares are quoted on the
Australian Stock Exchange

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DIRECTORS'
REPORT

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LUCENT GASWORKS APARTMENTS, BRISBANE
European Oak Flooring

DIRECTORS' REPORT TO SHAREHOLDERS

The Group faced a challenging year, particularly in the second half as the market for construction materials slowed across Australia. Higher material costs brought on by a declining Australian currency combined with late cycle competition, adversely affected margins making satisfactory investment returns difficult to achieve. After five consecutive years of profit growth, earnings for the financial year decreased by 54% on a small decline in revenue.

Summary	2019	2018
	(\$'000s)	(\$'000s)
Sales Revenue	58,028	59,328
Operating Profit	1,832	4,026
Company Tax	560	1,224
Net Profit after Tax	1,270	2,802
Earnings per Share	59c	130c
<hr/>		
Net Tangible Assets per Share		
before declared final dividend		
	\$7.62	\$7.54
after declared final dividend		
	\$7.42	\$7.24

DIVIDEND

A final ordinary dividend of 20 cents per share has been declared which, added to the 20 cents interim dividend, makes a total of 40 cents for the year – equivalent to 67.9% of net earnings after tax. This represents an decrease of 20% on the 50 cent ordinary dividend declared in the 2018 financial year which was 38.5% of earnings for that period.

OPERATIONS

Flooring

With the pronounced slowdown in residential and commercial construction across Australia, especially in the second six months, the Flooring Division has encountered one of the most difficult environments for many years.

Typical of a late cycle market, competition has intensified, compressing margins and limiting opportunities for revenue growth. As a supplier to the retail flooring groups these conditions have had a significant impact on our wholesale flooring business, and that of our competitors.

But whilst the slowdown has also affected high rise apartment construction, we are holding a pipeline of committed contracts on the Eastern seaboard which should underpin revenue growth in our commercial projects business. Managing these contracts efficiently will be vital to ensuring that budgeted returns are maintained as work is delivered in the months ahead.

Engineering

During this reporting period, the Engineering Division, driven by new competitor activity, has been offering contract installation services to complement our traditional solutions for the isolation of vibration and structure-borne noise. This initiative, coupled with innovation in design and development by the company's strong engineering team has ensured that revenues have been maintained during a period when construction activity has slowed around Australia.

Further technical innovation is planned for the period ahead, both in design enhancements for our existing range and development of new products in adjacent construction markets where control of unwanted noise is an increasing priority.

With the arrival of new market entrants adding to an already competitive environment, continuing emphasis on design and product refinement will underpin the Company's position as an engineering leader in this field.

Manufacturing

Contribution of manufacturing activity to Group revenue has declined in recent years, but support of the Metals Division in fabricating components and facilitating product development continues to be an essential element in forward progress of the Engineering Division.

A contract to sell the Taree timber mill has been finalised, representing an end to the Group's involvement with local manufacture of timber flooring.

Staff

With the Group's move into contracting, a key focus during the year has been the development of a capable team to deliver commercial flooring and engineering projects. This has required adding new experience into the business, capable of managing our increasing contract obligations, resulting in a number of new staff joining the team to sit alongside others who have been offered new responsibilities to better suit the changing operational requirements.

Staff have adapted well to these changes and are, in great measure, excited at the new opportunities which have emerged.

The rapid change in numbers of permanent and contract staff underlines the importance of ensuring that team and corporate goals are aligned, calling for clear and effective communication of strategy across the employee group.

During this difficult period, the diligence and commitment of staff has not faltered, for which the Board and Executive Team are certainly grateful. Reflecting this, the provision of career opportunity and remuneration commensurate with both individual and team performance remains a focus for management.

Outlook

Despite the slowdown in residential construction activity, a strong backlog of contracted commercial flooring and engineering work will support revenue as the current year progresses. This commercial project segment represents an accretive diversification from our wholesaling activities and without its contribution, ongoing softness in our traditional markets would have led to a marked decline in Group revenues in the period ahead.

Across all Group activities, greater competition and increasing material costs will continue to exert pressure on margins which makes prediction of a full year result uncertain at this stage.

CORPORATE GOVERNANCE

Management and oversight

The Board of Embelton Limited takes seriously its accountability for the performance of the Company and is responsible for corporate governance practices.

The Board's principal objective is to maintain and increase shareholder returns within a business and governance setting that provides proper and effective management of the Company's business activities and future strategic direction.

Strategy is set by the Board through approval of corporate activities and direction, establishment of management guidelines, and development of appropriate governance and management practices.

Management oversight is provided at Board level, and the Board is responsible for appointing each of the Managing Director, the Company Secretary, and approving the provision of services by the Group Commercial Manager. The Board approves capital expenditure commitments, acquisitions and divestments, and monitors the financial performance and reporting of the Company.

Day-to-day operational and administrative management of the Company is delegated to the Managing Director. Within this setting, the Managing Director and, as necessary, senior staff including the Group Commercial Manager, regularly report to the Board on all operational and financial matters affecting the Company's operations.

Performance of the Company's senior management is regularly reviewed by the Managing Director against individual and area performance targets and compliance with the Company's overall objectives.

The Company has an established policy for determining the nature and amount of emoluments of Board Members and Senior Executives of the Company to align remuneration with the creation of shareholder value. The remuneration structure for Senior Executives, including the Chief Executive Officer, seeks to emphasise payment for results. Objectives of the reward scheme include both reinforcement of short and long term corporate goals and provision of a common interest between management and shareholders.

The Board considers the remuneration of key management personnel to be appropriate given the results for the year.

Remuneration for Senior Executives and staff is reviewed annually by the Managing Director, using a formal performance appraisal process.

A performance evaluation for senior executives was undertaken during the year in accordance with the above policy.

Structure of the Board

The Board of Embelton Limited is composed of four Directors, including the Chairman, Managing Director and two non-executive Directors. The Board acknowledges that there is a requirement to monitor the Company's long-term approach to Board independence.

The Board believes that the current directors provide an adequate range of skills in relation to the size, geographic concentration and the business of the Company.

Mr G R Embelton has remained Chairman of the Board during the year and Mr James Embelton has remained the Managing Director.

Mr Ross Baldwin and Mr Martin Crabb remain as independent Directors of the Company. In considering whether an independent non-executive Director of the Company can be considered to be independent, regard has been given to whether or not that Director holds an interest in more than 2% of the Company's shares, and whether that same Director has an interest in any form of contractual relationship with the Company other

than by virtue of their continuing service as a Non-Executive Director of the Company.

Details of Directors in office at the date of this report, together with their experience and qualifications are set out in the Statutory Directors' Report.

The Board does not have a formal Nominations Committee but is responsible for establishing criteria for Board membership, for accepting appropriate recommendations for appointment of Board members and for management of any changes.

When the need arises to make changes to the structure of the Board, the process is managed by the Chairman and other Board members. As a smaller Company, evaluation of Board performance is not subject to formal process but is considered to be important and is regularly reviewed by the Board as a whole.

So that non-Executive Directors may be competently advised on any matter in relation to their responsibilities, they have the right to seek, at the Company's expense, independent professional advice in furtherance of their Directors' duties. The prior approval of the Board is required for such expenditure.

Ethical decision-making

As a guide to all employees and directors, the Board has formalised a Code of Conduct to reflect practices which, for many years, have formed the ethical framework upon which our business operations have been based.

The Code provides guidance as to how the Company should conduct its business affairs and all employees, directors and officers will be expected to comply with this Code.

Above all, the Code requires that all directors and employees conduct themselves with honesty and integrity. Subjects covered by this Code include, inter alia, promotion of a safe working environment, dealing with conflicts or potential conflicts of interest, responsible use of company property, guidelines for trading in Company shares and the regular monitoring and active reporting of any unseemly or unethical practices which might arise or be seen to arise. Integrity in financial reporting

Because of its relatively small size, the Company has not established an audit committee but the responsibilities which would ordinarily be exercised by such a committee have been accepted by the Board.

The Company's auditor is requested to attend the AGM and be available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report.

Timely and balanced disclosure

The Company maintains an appropriate and responsive continuous disclosure regime, which is intended to support the timely and balanced disclosure of all matters concerning the Company. The Company Secretary is responsible, on the Board's behalf, for communicating issues to the ASX.

The disclosure management framework provides for:

- compliance with the Corporations Law, and the ASX Listing Rules;
- timely disclosure to the market of all price sensitive Company information;
- a conservative approach to the release and dissemination of price or event sensitive information; and
- avoidance of selective or differential disclosure to selected individuals or groups or in selected situations.

Respect for shareholder rights

The Company supports an investor relations management regime, which is intended to provide appropriate communication and/or dissemination of information to, shareholders.

The primary source of information disclosure to shareholders, under the ASX Corporate Governance Guidelines, comprises the Half Yearly, and Annual Reports of the Company.

The Company releases, as necessary, information to ensure that investors and members of the public are kept informed about new developments concerning the Company and its business operations.

Recognition and management of risk

As part of its role, the Board accept responsibility for identification of significant areas of business risk, implementation of procedures to manage such risks and development of policies regarding the establishment and maintenance of appropriate ethical standards.

Its specific role in this area is to:

- ensure compliance with both formal and informal standards in legal, statutory and ethical matters
- monitor the business environment
- identify business opportunities; and
- monitor procedures to ensure that responses to shareholder enquiries and/or complaints are appropriate and prompt
- responsibilities which might ordinarily be exercised by a Risk Management Committee in larger corporations have been accepted by the Board. The Managing Director and Group Commercial Manager report regularly to the Board on all matters of financial integrity and risk management.

Fair and responsible remuneration

All Board members are responsible for determining and reviewing compensation arrangements for Directors, Managing Director and Senior Executives.

The Board annually assesses the appropriateness of the nature and the amount of remuneration received by Directors and Senior Executives by reference to relevant employment market conditions and, with an overall objective of ensuring maximum stakeholder return, seeking to ensure the retention of a high quality board and executive team. Professional advice is taken when appropriate.

Each director receives a fee for being a Director of the Company but no additional fees for additional work undertaken in Board committees.

The Non-executive directors are remunerated by way of cash payments or superannuation contributions. Remuneration does not include any retirement benefits other than contributions to his nominated superannuation fund.

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FINANCIAL
REPORTS



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CAULFIELD GRAMMAR SCHOOL, MELBOURNE - ACOUSTIC PANELS
Arcoustic® Vivid Panels

EMBELTON LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Sales Revenue	3	58,027,620	59,327,891
Cost of Sales		(39,663,442)	(39,904,044)
Gross Profit		18,364,178	19,423,847
Other Income	3	28,151	25,769
Less Expenses:			
Manufacturing Expenses		(250,351)	(416,384)
Marketing Expenses		(8,120,037)	(7,449,572)
Storage and Distribution Expenses		(1,517,776)	(1,313,406)
Administration and Other Expenses		(6,671,958)	(6,243,864)
Profit before income tax expense	4	1,832,207	4,026,390
Income tax expense	6	(560,703)	(1,224,281)
Profit for the year		1,271,504	2,802,109
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(1,320)	110
Total comprehensive income for the year		1,270,184	2,802,219
Profit attributable to:			
Owners of the company		1,270,184	2,802,109
Non-controlling interests		-	-
		1,270,184	2,802,109
Total comprehensive income attributable to:			
Owners of the company		1,270,184	2,802,219
Non-controlling interests		-	-
		1,270,184	2,802,219
Basic earnings per share	9	59 cents	130 cents
Diluted earnings per share	9	59 cents	130 cents

The accompanying notes form part of the financial statements.

EMBELTON LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	24(i)	34,642	58,696
Trade receivables	10	7,970,145	10,461,984
Inventories	11	13,028,575	13,279,207
Current tax assets	6	29,865	-
Other	12	397,897	190,645
TOTAL CURRENT ASSETS		21,461,124	23,990,532
NON-CURRENT ASSETS			
Property, plant and equipment	14	9,064,712	9,172,462
Goodwill	22	830,154	830,154
Deferred tax assets	6	718,647	774,631
TOTAL NON-CURRENT ASSETS		10,613,513	10,777,247
TOTAL ASSETS		32,074,637	34,767,779
CURRENT LIABILITIES			
Trade and other payables	15	7,031,507	8,285,919
Borrowings	15	107,864	714,881
Current tax liabilities	6	-	71,757
Provisions	16	1,473,178	1,414,157
TOTAL CURRENT LIABILITIES		8,612,549	10,486,714
NON-CURRENT LIABILITIES			
Deferred tax liabilities	6	41,942	15,803
Borrowings	15	6,000,000	7,000,000
Provisions	16	137,822	174,192
TOTAL NON-CURRENT LIABILITIES		6,179,764	7,189,995
TOTAL LIABILITIES		14,792,313	17,676,709
NET ASSETS		17,282,324	17,091,070
EQUITY			
Issued capital	8	1,155,970	1,155,970
Reserves	13(ii)	5,808	7,128
Retained earnings	13(i)	16,120,546	15,927,972
TOTAL EQUITY		17,282,324	17,091,070

The accompanying notes form part of the financial statements.

EMBELTON LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		66,599,772	58,842,581
Payments to suppliers and employees		(62,654,654)	(56,916,160)
Interest received		1,753	234
Finance costs		(390,854)	(348,365)
Income taxes paid		(530,670)	(1,588,855)
Net cash provided by/(used in) by operating activities	24(ii)	3,025,347	(10,565)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,364	8,454
Acquisition of Business		(37,500)	(800,000)
Payment for property, plant and equipment		(328,320)	(3,142,020)
Net cash used in investing activities		(363,456)	(3,933,566)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of)/Proceeds from Borrowings		(1,607,017)	4,961,093
Dividends paid		(1,078,928)	(1,014,192)
Net cash (used in)/provided by financing activities		(2,685,945)	3,946,901
Net (Decrease)/Increase in cash and cash equivalents		(24,054)	2,770
Cash and cash equivalents at the beginning of the financial year		58,696	55,926
Cash and cash equivalents at the end of the financial year	24(i)	34,642	58,696

The accompanying notes form part of the financial statements.

EMBELTON LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Total \$
At 30 June 2017	1,155,970	7,018	14,140,055	15,303,043
Profit for the period	-	110	2,802,109	2,802,219
Total comprehensive income for the period	-	110	2,802,109	2,802,219
Dividends paid	-	-	(1,014,192)	(1,014,192)
At 30 June 2018	1,155,970	7,128	15,927,972	17,091,070
Profit for the period	-	(1,320)	1,271,504	1,270,184
Total comprehensive income for the period	-	(1,320)	1,271,504	1,270,184
Dividends paid	-	-	(1,078,930)	(1,078,930)
At 30 June 2019	1,155,970	5,808	16,120,546	17,282,324

ABOUT EMBELTON GROUP

Since the Company's establishment in 1925, Embelton has maintained a bias towards the building and construction sector - leading to its current product range which comprises a comprehensive collection of flooring materials and accessories, noise and vibration isolation technology and manufacturing facilities for the precision bending and fabrication of specialised metal alloys.

The Group has long been recognised as an engineering and product innovator with a reputation for quality and service.

EMBELTON CORE VALUES

- 1 Act with integrity and professionalism
- 2 Promote Initiative
- 3 Focus on Growth
- 4 Deliver Quality, Expertise and Value
- 5 Develop People to Succeed

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NOTES

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HEDGELEY APARTMENTS, MELBOURNE

European Oak Flooring

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

1. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group has adopted all of the new and revised standards and interpretations issued by the revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2018.

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

(i) Amendments to AASBs and the new interpretations that are mandatorily effective for the current year

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

AASB 15 'Revenue from Contracts with Customers'

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended April 2016) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

The Group's accounting policies for its revenue streams are disclosed in detail in note 2d. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of AASB 15 has not had a material impact on the financial position and/or financial performance of the Group.

AASB 9 'Financial Instruments'

The Group has adopted AASB 9 'Financial Instruments' from 1 July 2018 which replaced AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, a new model for calculating the provision for doubtful debts (now termed the expected credit loss allowance), and new hedge accounting requirements.

The impact on the Group from the adoption of AASB 9 is set out below:

Classification of financial instruments

Trade receivables that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost. This basis of classification is consistent with that under AASB 139.

Credit losses on trade receivables

The Group has elected to apply the simplified approach to measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group.

The difference between the credit loss allowances calculated under AASB 9 compared to the incurred loss calculated under AASB 139 is not material to the group.

(ii) Standards and Interpretations in issue not yet adopted

New and revised Standards and amendments thereof and Interpretations that are not yet effective for the current year that are relevant to the group include:

Standards/Amendment	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 January 2019	30 June 2020
Interpretation 23 - Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020
AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business	1 January 2020	30 June 2021
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

AASB 16 'Leases'

General impact of AASB 16 Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019.

The Group has chosen the modified retrospective application of AASB 16. Consequently, the Group will not restate comparative information.

Impact of new definition of a lease

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and IFRIC 4 will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019. In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition of AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on lease accounting

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except noted below), the Group will:

- a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss.
- c) Separate the total amount of cash paid into a principal portion (presented within financing activities) interest (presented within operating activities) in the consolidated cash flow statement.

The Group routinely receives lease incentives in the form of rent-free periods or capital fit-out contributions. Under AASB 16 these incentives will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expense on a straight-line basis (see current accounting policy in note 2k).

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirements to recognise an onerous lease contract.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis in accordance with its existing accounting policy, which is permitted under AASB 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of \$843,815 (see note 19).

The Group's impact assessment indicates that 1 premise lease, 12 motor vehicle leases and a lease on printers relate to leases other than short-term leases and leases of low-value assets, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all of these leases. The impact on profit or loss for the leases in place as at 30 June 2019 is to decrease occupancy expenses by \$171,000, decrease motor vehicle lease cost by \$148,000 and to increase amortisation and interest expenses by approximately this amount. The group is yet to determine the lease liability which will be required to be recognised at the transition date.

The Group's assessment indicates that 3 premises and 4 motor vehicles relate to short-term leases and leases of low-value assets.

Under AASB 117, all lease payments on operating leases are presented as part of the cash flows from operating activities. The impact of the changes under AASB 16 would be to reduce the cash generated by operating activities by \$324,000 and to increase net cash used in financing activities by the same amount.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of these financial statements are:-

Statement of compliance

These financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Group is a for profit entity. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 23 September 2019.

a. Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

b. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

c. Foreign Currencies

The functional and presentation currency of Embelton Limited and its Australian subsidiaries is Australian dollars (A\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing on the reporting date. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the profit or loss.

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from the functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

d. Revenue Recognition

The Group recognises revenue from the sale of flooring and related products and services to Merchandising and Commercial customers. The majority of sales to Commercial customers are subject to contracts of supply with commercial construction companies. Revenue derived from sales to Merchandising customers is subject to purchase orders or trade showroom sales.

Sales of products

The Group sells flooring and related products to the wholesale market. Revenue is recognised at a point-in time when the control of the goods has transferred, being when the goods have been either collected by the customer or delivered to the customer's specific location. Following delivery, the customer has full discretion over the manner of use of the flooring and products and bears the risks of loss in relation to the products. The Group recognises a receivable when the goods are collected by or delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Sales of services

The Group provides a service of installation of flooring and related products. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these installation services based on the stage of completion of the contract.

e. Income Tax

The income tax expense represents the sum of the tax currently payable and the deferred tax.

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them stem from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

Embelton Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Embelton Limited is the head entity in the tax consolidated group. The separate taxpayer within a group approach has been used to allocate current income tax expense and deferred tax balances to wholly-owned subsidiaries that form part of the tax consolidated group. Embelton Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole financial year. Refer to note 6 for further disclosure on Tax Consolidated Group.

f. Impairment of Assets excluding Goodwill

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where an individual asset does not generate cash flows that are independent from other assets, recoverable amount is determined for the cash-generating unit to which the asset belongs.

g. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are included within borrowings in the statement of financial position.

h. Financial Instruments

The Group classifies its financial assets in the following categories, depending on their nature (i.e. their contractual cash flow characteristics) and how they are managed.

Financial assets subsequently measured at amortised cost

These financial assets are initially recognised at fair value plus directly attributable costs.

They are classified as subsequently measured at amortised cost if they meet both of the following criteria:

- The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date.

Impairment of financial assets

At each reporting date, the Group performs impairments tests using a forward-looking expected credit loss (ECL) model.

The amount of impairment to be recognised as expected credit losses (ECL) at each reporting date as well as the amount of interest revenue to be recorded in future periods are determined through a three-stage impairment model based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition:

- **Stage 1:** When the credit risk has not increased significantly since initial recognition, the Group accounts expected losses over next 12 months and recognises interest on a gross basis;
- **Stage 2:** When the credit risk has increased significantly since initial recognition and is not considered as low, the Group accounts expected losses over the lifetime of the asset and recognises interest on a gross basis;
- **Stage 3:** In case of a credit deterioration that threatens its recoverability, the Group accounts expected losses over the lifetime of the asset and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

i. Inventories

Raw Materials, Work in Progress and Finished Goods

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventory using either the weighted average cost or first-in-first-out basis, whichever is more appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

j. Property, Plant and Equipment

Buildings are measured at cost less accumulated depreciation.

All other plant and equipment is stated at cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings	2%
- Plant and Machinery	10% - 17%
- Motor Vehicles	15% - 25%
- Fixtures and Fittings	10% - 33%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the profit or loss in the year that the item is disposed of.

k. Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

l. Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

m. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic resources will be required to settle the obligation and when the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n. Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution plans - Contributions to defined contribution superannuation plans are expensed when employees have rendered services entitling them to the contribution.

o. Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

p. Dividends Payable

Provision is made for dividends declared and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at reporting date.

q. Earnings Per Share

Basic earnings per share - Basic earnings per share is calculated by dividing the profit attributable to members of Embelton Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share - Earnings used to calculate diluted earnings per share are the same as basic earnings per share as there are no diluting potential ordinary shares.

r. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. or receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is not included.

s. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described above, the directors are required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Long service leave

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at reporting date:

- future increases in salaries and wages;
- future on-cost rates; and
- experience of employee departures and period of service.

Property, plant and equipment

Judgement is applied in determining the useful lives of property, plant and equipment. Any reassessment of useful lives and residual value in a particular year will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.

Provision for obsolete stock

Management's judgement is applied in determining the provision for inventories obsolescence factors taken into account would include stock turnover, age and cost.

Provision for doubtful debts

Management's judgement is applied in determining the provision for doubtful debts. A specific provision is maintained and management reviews this provision to ensure adequacy at year end.

Impairment - General

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions, where indicators of impairment are identified.

No impairment has been recognised for the year ended 30 June 2019.

Carrying value of goodwill and estimation of future performance

The group is required to annually assess the carrying value of goodwill. This is performed through a value-in-use discounted cash flow model. The value in use calculation includes key assumptions and judgments in the calculation of the recoverable amounts, namely forecast future cash flows, the long term growth rate and discount rate assumptions.

t. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB12 Income Taxes and AASB119 Employee Benefits respectively;

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

u. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note t. above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

	2019	2018
	\$	\$
3. INCOME		
Revenue from the sale of goods and provision of services	58,027,620	59,327,891
Other Income		
Interest income	1,753	234
Sundry income	24,035	17,990
Gain on disposal of property, plant and equipment	2,363	7,545
Total other income	28,151	25,769
Total Revenue	58,055,771	59,353,660
4. PROFIT BEFORE TAX		
Profit before tax has been determined after:		
Expenses:		
Finance costs	390,854	348,365
Depreciation of non-current assets:		
Buildings	119,976	94,963
Plant and equipment	309,928	288,122
Total depreciation	429,904	383,085
Bad debts written off – trade debtors	38,651	31,874
Operating lease rentals	853,864	646,976
Employee benefits	8,434,664	8,362,218
Payments made to Defined Contribution Plans on behalf of employees	735,421	626,330
Total Employee Benefits	9,170,085	8,988,548
5. AUDITORS' REMUNERATION		
Remuneration of the auditor for:		
Auditing or reviewing the financial report	73,175	76,000
Preparation of the tax return and other services	12,808	27,378
	85,983	103,378
Remuneration of other auditors of subsidiaries for:		
Auditing or reviewing the financial report	2,432	2,953

The auditor of Embelton Limited is Deloitte Touche Tohmatsu. The auditors did not receive any other benefits.

6. TAXATION

a) Income tax expense recognised in profit

Tax expense comprises

	2019 \$	2018 \$
- current tax expense	478,580	1,306,525
- deferred tax expense relating to the origination and reversal of temporary differences	82,123	(82,244)
	<u>560,703</u>	<u>1,224,281</u>

The prima facie income tax expense on pre tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from operations	<u>1,832,207</u>	<u>4,026,390</u>
Income tax expense calculated at 30%	549,662	1,207,925
Depreciation on property, plant and equipment not deductible for tax	1,052	3,362
Sundry items	1,883	(2,607)
Under provision prior year tax	<u>8,106</u>	<u>15,601</u>
Income tax expense recognised in profit	<u>560,703</u>	<u>1,224,281</u>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

b) Current tax assets/(liabilities)

Current tax receivable/(payable)		
Income tax attributable to:		
Parent entity	3,687	(3,514)
Entities in tax consolidated group	<u>26,178</u>	<u>(68,243)</u>
	<u>29,865</u>	<u>(71,757)</u>

c) Deferred tax balances

Deferred tax assets comprise:		
Temporary differences	<u>718,647</u>	<u>774,631</u>
Deferred tax liabilities comprise:		
Temporary differences	<u>41,942</u>	<u>15,803</u>
	<u>676,705</u>	<u>758,828</u>

6. TAXATION (CONTINUED)

d) Taxable and deductible temporary differences arise from the following:

	Opening balance	Recog. Business. Combin.	Charged to Income	Charged to equity	Closing balance
	\$	\$	\$	\$	\$
As at 30 June 2019					
Gross deferred tax assets					
Receivables	13,500	-	-	-	13,500
Provisions	714,365		(70,083)	-	644,282
Property, plant and equipment	46,766	-	14,099	-	60,865
	<u>774,631</u>		<u>(55,984)</u>	<u>-</u>	<u>718,647</u>
Gross deferred tax liability					
Property, plant and equipment	(15,803)	-	(26,139)	-	(41,942)
	<u>758,828</u>		<u>(82,123)</u>	<u>-</u>	<u>676,705</u>
As at 30 June 2018					
Gross deferred tax assets					
Receivables	13,500	-	-	-	13,500
Provisions	639,253	20,796	54,316	-	714,365
Property, plant and equipment	44,650	-	2,116	-	46,766
	<u>697,403</u>	<u>20,796</u>	<u>56,432</u>	<u>-</u>	<u>774,631</u>
Gross deferred tax liability					
Property, plant and equipment	(20,819)	-	5,016	-	(15,803)
	<u>676,587</u>	<u>20,796</u>	<u>61,448</u>	<u>-</u>	<u>758,828</u>

Tax Consolidation

Relevance of tax consolidation to the consolidated entity

The Company and its wholly owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date or dates subsequent when new entities have joined the Group. The head entity within the tax-consolidated group is Embelton Limited. The members of the tax-consolidated group are identified at Note 17.

Under the tax law, the taxable profit made by a tax-consolidated group in relation to an entity leaving the group depends on a range of factors, including the tax values and/or carrying values of the assets and liabilities of the leaving entities, which vary in line with the transactions and events recognised in each entity. The taxable profit or loss ultimately made on any disposal of the investments within the tax-consolidated group will therefore depend upon when each entity leaves the tax-consolidated group and the assets and liabilities that the leaving entity holds at that time.

The consolidated entity considers the effects of entities entering or leaving the tax-consolidated group to be a change of tax status that is only recognised when those events occur. As a result, temporary differences and deferred tax liability have not been measured or recognised in relation to investments within the tax-consolidated group.

Nature of tax funding arrangements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Embelton Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

7. DIVIDENDS PROVIDED FOR OR PAID

Dividends paid by the Company are:

	2019 \$	2018 \$
(i) A final fully franked ordinary dividend of 30.0 cents (2017 – 27.0 cents) was declared for the 2018 financial year and was paid on 5 October 2018 (6 October 2017)	647,359	582,621
(ii) An interim fully franked ordinary dividend of 20.0 cents (2018 – 20.0 cents) for the 2018/19 financial year was declared on 19 February 2019 (2018 – 19 February) and paid on 5 April 2019 (2018 – 6 April)	431,571	431,571
	<u>1,078,930</u>	<u>1,014,192</u>

UNRECOGNISED AMOUNTS

A fully franked ordinary dividend of 20.0 cents per share was declared by the Directors on 19 August 2019, but this has not been provided for in the financial statements as at 30 June 2019.

The total estimated dividend to be paid is \$431,571.

FRANKING ACCOUNT BALANCE

Franking account balance	6,722,653	6,654,381
Franking account balance after payment of unrecognised dividends	6,537,694	6,460,174

8. ISSUED CAPITAL

2,157,857 (2018 - 2,157,857 shares) fully paid ordinary shares	1,155,970	1,155,970
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Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion of the number of shares held.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

9. EARNINGS PER SHARE

Basic and diluted earnings per share	59 cents	130 cents
Net Profit used in calculation	1,271,504	2,802,109
Weighted average number of ordinary shares	2,157,857	2,157,857

10. TRADE RECEIVABLES CURRENT

	2019 \$	2018 \$
Trade receivables	8,015,145	10,506,984
Less provision for doubtful debts	(45,000)	(45,000)
	<u>7,970,145</u>	<u>10,461,984</u>
Ageing of past due but not impaired:		
30 – 60 days	220,359	326,943
Over 60 days	9,234	227,237
	<u>229,593</u>	<u>554,180</u>

The average credit period on sales of goods is 38 days (2018 – 40.0 days). No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods at an amount equal to lifetime expected credit losses, determined by reference to past default experience and economic conditions. The estimation technique and changed from the acquired period as required by the adoption of AASB9 'Financial Instruments' as disclosed in note 1(i).

Movement in allowance for doubtful debts

Balance at the beginning of the year	45,000	45,000
Amounts provided for during the year	38,651	31,874
Amounts written off during the year as uncollectable	(38,651)	(31,874)
Balance at the end of the year	<u>45,000</u>	<u>45,000</u>

11. INVENTORIES

CURRENT

Raw materials - at cost	53,125	49,932
Work in progress - at cost	1,157,319	1,198,982
Finished goods - at cost	12,259,361	12,637,225
	<u>13,469,805</u>	<u>13,886,139</u>
Less provision for stock write down	(441,230)	(606,932)
	<u>13,028,575</u>	<u>13,279,207</u>

12. OTHER CURRENT ASSETS

Prepayments and sundry debtors	<u>397,897</u>	<u>190,645</u>
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13. (i) RETAINED PROFITS

Retained profits at beginning of year	15,927,972	14,140,055
Net profit attributable to members of the parent entity	1,271,504	2,802,109
Dividends paid (Note 7)	(1,078,930)	(1,014,192)
Retained profits at the end of the year	<u>16,120,546</u>	<u>15,927,972</u>

(ii) FOREIGN CURRENCY TRANSLATION RESERVE

Balance at beginning of year	7,128	7,018
Exchange differences arising on translating foreign operations	(1,320)	110
Balance at the end of the year	<u>5,808</u>	<u>7,128</u>

The reserve arises out of the translation of foreign operations functional currencies into the consolidated entity presentation currency of AUD\$

	2019	2018
	\$	\$
14. PROPERTY, PLANT AND EQUIPMENT		
LAND - At cost	2,834,082	2,834,082
BUILDINGS – At cost	5,786,423	5,786,423
- Accumulated depreciation	(669,421)	(549,445)
	<u>5,117,002</u>	<u>5,236,978</u>
TOTAL LAND AND BUILDINGS	<u>7,951,084</u>	<u>8,071,060</u>
PLANT & MACHINERY – At cost	947,596	933,532
- Accumulated depreciation	(796,753)	(761,242)
	<u>150,843</u>	<u>172,290</u>
FIXTURES AND FITTINGS – At cost	2,702,824	2,400,289
- Accumulated depreciation	(1,815,971)	(1,580,985)
	<u>886,853</u>	<u>819,304</u>
MOTOR VEHICLES – At cost	350,578	372,294
- Accumulated depreciation	(274,646)	(262,486)
	<u>75,932</u>	<u>109,808</u>
TOTAL – Cost	12,621,503	12,326,620
- Accumulated depreciation	(3,556,791)	(3,154,158)
NET BOOK VALUE	<u>9,064,712</u>	<u>9,172,462</u>

MOVEMENT IN CARRYING AMOUNTS

	Freehold Land	Buildings	Plant & Machinery	Fixtures & Fittings	Motor Vehicles	TOTAL
	\$	\$	\$	\$	\$	\$
2019						
Balance at beginning of year	2,834,082	5,236,978	172,290	819,304	109,808	9,172,462
Additions	-	-	18,364	309,956	-	328,320
Disposals	-	-	-	(6,166)	-	(6,166)
Depreciation expense	-	(119,976)	(39,811)	(236,241)	(33,876)	(429,904)
Carrying amount at end of year	<u>2,834,082</u>	<u>5,117,002</u>	<u>150,843</u>	<u>886,853</u>	<u>75,932</u>	<u>9,064,712</u>
2018						
Balance at beginning of year	2,834,082	3,125,304	45,874	331,767	79,426	6,416,453
Additions	-	2,206,637	76,652	673,709	35,972	2,992,970
Additions - Business Combination	-	-	80,550	19,000	49,500	149,050
Disposals	-	-	-	-	(2,926)	(2,926)
Transfer	-	-	(622)	622	-	-
Depreciation expense	-	(94,963)	(30,164)	(205,794)	(52,164)	(383,085)
Carrying amount at end of year	<u>2,834,082</u>	<u>5,236,978</u>	<u>172,290</u>	<u>819,304</u>	<u>109,808</u>	<u>9,172,462</u>

15. TRADE AND OTHER PAYABLES

CURRENT

	2019 \$	2018 \$
Trade Payables	4,683,719	4,612,905
Sundry Payables and accrued expenses	2,347,788	3,673,014
	<u>7,031,507</u>	<u>8,285,919</u>

The average credit period on purchases of goods is 45 days. No interest is charged on trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

BORROWINGS

CURRENT

Bank Loans (secured)	107,864	714,881
	<u>107,864</u>	<u>714,881</u>

NON CURRENT

Bank Loans (secured)	6,000,000	7,000,000
	<u>6,000,000</u>	<u>7,000,000</u>
Total Borrowings	<u>6,107,864</u>	<u>7,714,881</u>

Refer Note 24(iii) for details of financing arrangements.

16. PROVISIONS

CURRENT

Employee benefits	1,473,178	1,414,157
	<u>1,473,178</u>	<u>1,414,157</u>

NON-CURRENT

Employee benefits	137,822	174,192
	<u>137,822</u>	<u>174,192</u>

Aggregate liability for employee entitlements	<u>1,611,000</u>	<u>1,588,349</u>
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17. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows

	Notes	Ownership Interest	
		2019	2018
		%	%
EMBELTON LIMITED			
CONTROLLED ENTITIES			
G. P. Embelton & Co. Pty. Ltd.	a	100	100
Windolite (Australia) Pty. Ltd.	a	100	100
Wood Flooring Wholesale Pty. Ltd. as trustee for Wood Flooring Unit Trust	a	100	100
Embelton Contracting Pty. Ltd.	a	100	100
Embelton Engineering Pty. Ltd.	a	100	100
Modern Commercial Projects Pty. Ltd.	a	100	100
Embelton Singapore Pte. Ltd.	a,b	100	100
Embelton (Malaysia) Sdn. Bhd.	a,b	100	100
Embelton Timber Services Pty. Ltd.	a	100	100
Embelton (Shanghai) Trading Co. Ltd.	a,b	100	100
Embelton UK Ltd.	a,b	100	100
Embelton-Grail Inc.	a,b,c	54.5	54.5

- With respect to controlled entities, the only class of share issued is ordinary. All controlled entities are incorporated in Australia and operate in Australia, with the exception of Embelton Singapore Pte Ltd, Embelton (Malaysia) Sdn Bhd, Embelton (Shanghai) Trading Co. Ltd, Embelton UK Ltd. and Embelton-Grail Inc, which are incorporated in Singapore, Malaysia, China, United Kingdom, and USA respectively. All controlled entities are included in the tax consolidated group referred to in Notes 2d and 6, with the exception of Embelton Singapore Pte Ltd, Embelton (Malaysia) Sdn Bhd, Embelton (Shanghai) Trading Co. Ltd, Embelton UK Ltd. and Embelton-Grail Inc.
- Embelton Singapore Pte Ltd, Embelton (Malaysia) Sdn Bhd, Embelton (Shanghai) Trading Co. Ltd, Embelton UK Ltd. and Embelton-Grail Inc are not audited by Deloitte Touche Tohmatsu.
- Embelton Limited has a 54.5% interest in Embelton-Grail Inc. which is incorporated in the USA. The investment in and advances to Embelton-Grail Inc. by Embelton Limited have been written off in the Company's accounts and consolidated accounts in prior years. The Directors of Embelton Limited do not intend to provide any financial support to enable any amounts which may be due by Embelton-Grail Inc. to be repaid. Non-controlling interest is not disclosed as the company is dormant.

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of Embelton Limited during the year were:

G R Embelton	Chairman
J J Embelton	Managing Director
J R Baldwin	Non-executive Director
M S Crabb	Non-executive Director
E P Galgano	Company Secretary

The aggregate compensation of key management personnel of the consolidated entity and company is as follows:

	2019	2018
	\$	\$
Short term employment benefits	747,955	813,100
Post-employment benefits	52,454	47,270
	800,409	860,370

Details of key management personnel compensation are disclosed in the Remuneration Report that forms part of the Directors' Report.

19. COMMITMENTS AND CONTINGENCIES

OPERATING LEASE RENTAL COMMITMENTS

	2019	2018
	\$	\$
Future operating lease rentals of buildings and motor vehicles, not provided for in the financial statements and payable:		
Lease commitments due		
Not later than one year	640,246	628,150
Later than one but not later than five years	205,069	393,444
	843,315	1,021,594

Operating leases relate to properties used by the Group and motor vehicle leases with lease terms between 1 to 4 years, with some property leases having further options to extend. Some property operating lease contracts contain market review clauses. The lessee does not have an option to purchase the property at the expiry of the lease period.

20. RELATED PARTIES

KEY MANAGEMENT PERSONNEL

The names of each person holding the position of Director of Embelton Limited during the financial year are - Messrs G R Embelton, J R Baldwin, J J Embelton and M S Crabb

Details of key management personnel compensation, superannuation and retirement payments are set out in the Remuneration Report that forms part of the Directors' Report.

No Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interest existing at year end.

The interests of each key management person and their related parties in the share capital of the Company during the year are set out in the remuneration report.

Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Loans to and from related parties

No loans have been received or provided to key management personnel.

21. SEGMENTAL 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 allocation of resources.

The operating segments are identified by management based on the geographical segmentation. 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 have not changed from those identified previously.

Reportable segments

Merchandising

Comprises the sale of flooring and accessory products, various vibration control devices, building materials, industrial cork, rubber products and metal fabrications.

Commercial

Comprises the sale of flooring and accessory products on commercial projects.

Manufacturing

Manufacturing operations supply to both market segments.

21. SEGMENTAL INFORMATION (CONTINUED)

Business Segments

	Merchandising	Commercial	Manufacturing	Consolidated
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
(i) 2019				
Revenue				
Sale of Goods and Commission Received	35,823	23,054	8,850	67,727
Elimination on Consolidation	-	(1,301)	(8,398)	(9,699)
Total Segment Revenue	35,823	21,753	452	58,028
Results				
Segment results	1,524	497	348	2,369
Unallocated expenses				(537)
Total Operating Profit before income tax				1,832
Income tax expense				561
Total Operating Profit after income tax				1,272
Assets				
Segment assets	18,625	9,802	2,900	31,327
Unallocated assets				748
Total Assets				32,075
Liabilities				
Segment Liabilities	8,242	4,411	2,050	14,703
Unallocated Liabilities				89
Total Liabilities				14,792
Other				
Acquisition of non-current assets	234	93	1	328
Depreciation of non-current assets	269	141	20	430
(ii) 2018				
Revenue				
Sale of Goods and Commission Received	37,415	22,768	7,598	67,781
Elimination on Consolidation	-	(1,612)	(6,841)	(8,453)
Total Segment Revenue	37,415	21,156	757	59,328
Results				
Segment results	2,740	1,406	419	4,565
Unallocated expenses				(539)
Total Operating Profit before income tax				4,026
Income tax expense				1,224
Total Operating Profit after income tax				2,802
Assets				
Segment assets	20,076	11,388	2,589	33,993
Unallocated assets				775
Total Assets				34,768
Liabilities				
Segment Liabilities	10,881	4,503	2,276	17,660
Unallocated Liabilities				17
Total Liabilities				17,677
Other				
Acquisition of Segment Assets	2,375	767	-	3,142
Depreciation of Segment Assets	268	84	31	383

22. GOODWILL

	2019	2018
	\$	\$
Cost	830,154	830,154
Provision for impairment loss	-	-
	<u>830,154</u>	<u>830,154</u>
Cost		
Balance at beginning of year	830,154	-
Amounts recognised from business combinations accruing during the year	-	830,154
Balance at end of year	<u><u>830,154</u></u>	<u><u>830,154</u></u>

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the Modern Commercial Flooring cash-generating unit defined as a business operation representing the lowest level within the entity at which the goodwill is monitored for internal management purposes and not a reportable segment.

Before recognition of impairment losses, the carrying amount of goodwill was;

Modern Commercial Flooring	<u>830,154</u>	<u>830,154</u>
-----------------------------------	-----------------------	----------------

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a post tax discount rate of 12% per annum.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate which is the projected long-term average growth rate for the international leisure goods market. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Acquisition of the Modern Commercial Flooring

In the prior year, the Entity acquired business and certain assets of Modern Commercial Flooring ('MCF')

2018
\$

Consideration transferred

The following table summarises the fair value of consideration transferred/transferrable as at acquisition date.

Cash	600,000
Contingent consideration ^(a)	330,600
Total consideration transferred/transferable	<u>930,600</u>

(a) Contingent consideration

Under the terms of the Business Sale agreement there is contingent consideration payable on the achievement of certain future performance hurdles over a 3 year period.

Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of MCF as at the date of acquisition were:

	Fair Value
Property, plant & equipment	149,050
Deferred tax asset	20,796
Employee liabilities	(69,320)
Total fair value	<u>100,526</u>
Goodwill arising on acquisition	
Consideration transferred/transferable	930,600
Less: fair value of identifiable net assets	(100,526)
Goodwill arising on acquisition	<u>830,154</u>

Transaction costs of \$136,032 have been expensed and are included in Professional fees in the statement of profit or loss and are part of investing cash flows in the statement of cash flows.

Impact of acquisition on the historical results of the Entity

As a result of the group only acquiring the business of MCF it is impracticable to quantify the revenue and profit of the business if the Transaction has occurred on 1 July 2017. The pre tax loss of MCF for the period 1 November 2017 to 30 June 2018 was approx. \$95,000 in line with management's expectations.

23. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group adopts a conservative capital management approach by financing its operating activities through cash generating operations and by controlling debt.

The Group's overall strategy remains unchanged from 2018.

Operating cash flows are used to maintain and expand the Group's operations as well as to manage the routine outflows of tax and dividends. The Group's principal financial instruments comprise cash, deposits at call, receivables, other financial assets, external debt and payables.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market price risk (currency risk and interest rate risk).

a. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprises two types of risk: market interest rates (interest rate risk) and foreign exchange rates (currency risk). There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

b. Credit risk

The Group and Company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying value of those assets as indicated in the balance sheet.

Credit risk in trade receivables is minimised by:

- having 30 day payment terms,
- close monitoring of all overdue balances by senior management, and
- providing credit insurance for all accounts over \$5,000.

Cash balances and short term deposits are maintained with the Commonwealth Bank.

The carrying amount of financial assets in this financial report represents the Group and Company's maximum exposure to credit risk at reporting date.

c. Categories of financial instruments

	2019	2018
	\$'000	\$'000
Financial Assets at amortised cost		
Cash and cash equivalents	35	58
Trade receivables	7,970	10,462
Other receivables	398	191
Financial Liabilities at amortised cost		
Trade and sundry payables	7,032	8,286
Borrowings	6,108	7,715

d. Interest rate risk

Interest rate risk is the risk that the market value of the Group's investments will be adversely affected by fluctuations in interest rates. The Group's and the Company's exposure to interest rate risk and the effective return on its financial assets and liability is summarised below:

Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year end held constant throughout the reporting period.

At reporting date if interest rates had been 25 basis points higher or lower and all other variables were held constant Group net profit would vary by \$20,543 (2018: \$14,056).

e. Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates within Australia and imports certain inventory items from overseas in transactions dominated in foreign currency. Exchange rate exposure is managed utilising forward foreign exchange contracts. The value of the groups foreign currency denominated monetary liabilities at the reporting date are US\$ 2,477,486 (2018-US\$1,948,818) at the reporting date the group has foreign currency of forward contracts outstanding for this amount at an average exchange rate of \$0.7208.

23. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Currency Sensitivity

The Group is mainly exposed to USD and Euro currencies. The following table sets out the Group's sensitivity to a 5% variation in the Australian dollar against the relevant foreign currencies. The analysis includes all trade payables outstanding at year end.

	USD Impact		Euro Impact	
	2019	2018	2019	2018
	\$	\$	\$	\$
Profit would vary by	19,994	13,957	549	624

f. Fair values

There is no material difference between the carrying amounts of financial instruments at amortised cost and the fair values of financial assets and liabilities.

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

g. Liquidity risk

Liquidity risk is the risk that the Group will have insufficient liquidity to meet its obligations as they fall due. All non-related payables are non-interest bearing and standard settlement terms apply. This risk is managed by regularly monitoring liquid reserves and obligations falling due and by holding cash and deposits at call.

The Group and Company manages liquidity risk by maintaining adequate cash reserves sufficient to pay intercompany loans. This is done by continually monitoring forecast and actual cashflows and matching the maturity profiles of financial assets and liabilities classed as financial instruments.

CONSOLIDATED

	Weighted Average Interest Rate	Less than 1 year	1-5 Years	5+ years
	%	\$'000	\$'000	\$'000
2019				
Assets				
Non interest bearing	-	8,403	-	-
Liabilities				
Non interest bearing	-	7,032	-	-
Interest bearing	3.0%	1,108	5,000	-
2018				
Assets				
Non interest bearing	-	10,711	-	-
Liabilities				
Non interest bearing	-	9,962	-	-
Interest bearing	3.77%	715	7,000	-

24. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

For the purposes of the Statement of Cash Flow, cash includes cash and cash equivalents on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2019	2018
	\$	\$
Cash and cash equivalent	7,150	6,400
Cash at Bank	27,492	52,296
	34,642	58,696

(ii) Reconciliation of Profit for the period to Net Cash provided by Operating Activities

Profit for the period	1,271,504	2,802,109
Depreciation	429,904	383,085
Profit on sale of property, plant and equipment	(2,363)	(7,545)
Net bad debts written off	38,651	31,874
Net Cash Provided by Operating Activities before changes in Assets and Liabilities	1,737,696	3,209,523
Change in Assets and Liabilities during the financial year:		
Decrease/(Increase) in assets:		
Trade receivables	2,491,839	(4,943,769)
Inventory	416,334	(1,294,934)
Income tax receivable	(29,865)	-
Other current assets	(207,252)	103,792
Deferred tax asset	55,984	(77,225)
(Decrease)/Increase in liabilities:		
Income taxes payable	(71,757)	(312,234)
Trade payables	70,814	1,961,157
Sundry payables	(132,522)	1,333,335
Provisions	(139,359)	222,390
Deferred tax liability	26,139	(5,016)
Net Cash provided by/(used in) Operating Activities	3,025,347	(10,565)

(iii) FINANCING ARRANGEMENTS

The group has access to bank overdraft, trade and bill facilities to a maximum of \$13,300,000 (2018 - \$10,300,000) and a bank guarantee line of \$2,000,000 (2018 - \$2,000,000) which, after allowing for outstanding Overdraft, Bank Guarantees and Loans, left an unused facility of \$7,192,136 (2018 - \$2,585,119) at year end. The bank overdraft is part of our facility and is subject to annual review. The bank facilities are secured by a registered mortgage over properties situated at 147-149 Bakers Road, Coburg, Victoria and 50 Newton Road, Wetherill Park, NSW, together with a floating charge on receivables and inventory. Freehold land and buildings with a carrying amount of \$4,713,789 (30 June 2018: \$4,713,789) have been pledged to secure borrowings of the Group. The freehold land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

25. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer note 2 for a summary of the significant accounting policies relating to the group.

Financial position	2019	2018
	\$	\$
Assets		
Current assets	35,585	-
Non-current assets	8,163,260	9,216,536
Total assets	<u>8,198,845</u>	<u>9,216,536</u>
Liabilities		
Current liabilities	22,000	71,743
Non-current liabilities	-	-
Total Liabilities	<u>22,000</u>	<u>71,743</u>
Equity		
Issued capital	1,155,970	1,155,970
Retained earnings	7,020,875	7,988,823
Total equity	<u>8,176,845</u>	<u>9,144,793</u>
Financial performance		
Profit for the year	110,981	130,027
Other comprehensive income	-	-
Total comprehensive income	<u>110,981</u>	<u>130,027</u>
Contingent liabilities of the parent entity	<u>-</u>	<u>-</u>
Commitments for the acquisition of property, plant and equipment by the parent entity		
Not longer than one year	-	-
Longer than one but no later than 5 years	-	-
Longer than 5 years	-	-
	<u>-</u>	<u>-</u>

26. SUBSEQUENT EVENTS

No significant events have occurred since the balance date which would impact on the financial position of the Group at 30 June 2019 or the results for the period ended on that date.

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4

STATUTORY
INFORMATION



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Y3, MELBOURNE - ISOLATED STRUCTURAL CONCRETE SPORTS DECK

Embelton BR Beam and Deck Isolation System

DIRECTORS' DECLARATION

The Directors declare that:

- a. 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;
- b. In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;
- c. 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; and
- d. the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



G R Embelton

Chairman

25 September 2019

STATUTORY DIRECTORS' REPORT

Your Directors present their report on the Company and its subsidiaries for the financial year ended 30 June 2019.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Mr G R Embelton
Mr J J Embelton
Mr J R Baldwin
Mr M S Crabb

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Mr E P Galgano

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year comprised the manufacture and distribution of flooring products and services, structural noise and vibration control systems, metal fabrication, rubber and cork sheeting, and other industrial products. There has been no significant change in these activities during the year.

OPERATING RESULTS

The consolidated profit of the consolidated entity after providing for income tax and eliminating outside equity interests amounted to \$1,270,184 (2018: \$2,802,109).

DIVIDENDS

	2019	2018
	\$	\$
Dividends paid or declared for payment in respect of the financial year are as follows:		
An interim fully franked ordinary dividend of 20.0 cents per share (2018 – 20.0 cents) was paid on 5 April 2019	431,571	431,571
A final fully franked ordinary dividend of 20.0 cents per share (2018 – 30.0 cents) has been declared by the Directors	431,571	647,359
	863,142	1,078,930

CHANGE IN STATE OF AFFAIRS

During the financial year, there was no significant change in the state of affairs of the consolidated entity other than those referred to in the financial statements or notes thereto.

EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect operations of the consolidated entity, results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

ENVIRONMENTAL ISSUES

Operations of the consolidated entity are subject to regulation under environmental legislation in many aspects of its businesses. Operating entities monitor compliance with environmental regulations to maintain a safe and healthy working environment at all times.

The directors are not aware of any significant breaches or non-compliance with such regulations during the period covered by this report.

DIRECTORS

The Directors in office at the date of this report, their shareholdings, qualifications and experience are set out below.

George Embelton, BE, FIEAust

Mr Embelton was appointed Chairman in 1984

James Embelton, BA

Appointed Non-Executive Director in April 2008

Appointed Managing Director in November 2010

Prior to joining the company as Managing Director, Mr Embelton had 15 years' experience in financial services most recently with Macquarie Group Limited, where he was a Division Director. Earlier he spent ten years in the North American Financial Services Sector, including time as a Director for Legg Mason in Toronto, responsible for business development with Financial Institutions and Pension Funds. Prior to this Mr Embelton was Associate Vice-President for AIC Mutual Funds. He completed a Bachelor of Arts from Monash University in 1992, has completed the Canadian Securities Institute designation and completed the first level of the Chartered Financial Analyst Program in 2004.

Ross Baldwin, DipCE, FIEAust

Appointed Non-Executive Director in 2002.

Mr Baldwin consults to clients involved in all aspects of development, construction, operation and maintenance of major infrastructure projects. He also specialises in advising on projects in the Asian region, having been resident there for eleven years, during which time he occupied key positions including Director and/or Managing Director with companies which undertook significant infrastructure and mining projects.

He is a director, immediate past Chairman and principal of Flagstaff Consulting Group and a director of Flagstaff PCM. He is also a former Managing Director of John Holland Asia, former Director of the Overseas Projects Corporation of Victoria and the Mayfair Hanoi Joint Venture.

Mr Baldwin is considered an independent director.

Martin Crabb, BA

Appointed Non-Executive Director in October 2014

Mr Crabb is currently a director of and Chief Investment Director at Shaw and Partners. Mr Crabb provides advisers and clients with research insights into global macroeconomics, asset allocation and equity strategy. Prior to Shaw and Partners, Mr Crabb was with Macquarie Group Limited where he was an Executive Director in charge of Dealer Services within the Banking and Financial Services Group. Mr Crabb spent over 20 years at Macquarie in various roles across Wealth Management and Institutional Stockbroking.

Mr Crabb is considered an independent director.

MEETINGS OF DIRECTORS

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

Directors' Meetings

	Meetings attended	Meetings eligible to attend
G R Embelton	6	6
J J Embelton	6	6
J R Baldwin	6	6
M S Crabb	6	6

REMUNERATION REPORT (AUDITED)

This outlines the remuneration arrangements for directors and executives of Embelton Ltd. Remuneration of directors and key management personnel is referred to as compensation as defined in AASB 124 "Related Party Disclosures".

Directors' and executives' relevant shareholdings

	Balance at 30.06.17	Received as Compensation	Other Changes	Balance at 30.06.18	Received as Compensation	Other Changes	Balance at 30.06.19
Directors							
G R Embelton	938,326	-	-	938,326	-	64,500	1,002,826
J J Embelton	31,877	-	-	31,877	-	-	31,877
J R Baldwin	6,535	-	-	6,535	-	-	6,535
M S Crabb	7,694	-	-	7,694	-	-	7,694
Executives							
E P Galgano	-	-	-	-	-	-	-

Remuneration Policy

The Company has an established policy for determining the nature and amount of emoluments of Board Members and Senior Executives of the Company to align remuneration with the creation of shareholder value. The remuneration structure for the Senior Executives, including the Managing Director, seeks to emphasise payment for results. The objective of the reward scheme is both to reinforce the short and long terms goals of the Company and to provide a common interest between management and shareholders.

A review of the Group's operations during the year is included in the Directors' Report. The Board considers the remuneration of key management personnel to be appropriate given the results for the year.

Remuneration Committee

The Remuneration Committee comprises the Chairman and the non-executive Directors of the Company and is responsible for determining and reviewing compensation arrangements for the Directors, Managing Director and Senior Executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of the remuneration of Directors and Senior Executives on an annual basis by reference to the relevant employment market conditions with the overall objective of ensuring maximum stakeholder return from the retention of a high quality board and executive team. Professional advice is taken when appropriate.

Remuneration Structure

In accordance with the ASX Corporate Governance Council Recommendations, the remuneration structure for the non-executive Directors are separate and distinct from that for Senior Executives.

Executive Directors and Senior Executives

The Company aims to reward executives with a remuneration package commensurate with their position and responsibilities with the Company and so as to:

- Reward executives for achievement of pre-determined key performance indicators;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Remuneration for Senior Executives and staff is reviewed annually by the Managing Director, using a formal performance appraisal process.

The remuneration structure is in two parts:

- Fixed remuneration; and
- Variable remuneration.

Fixed Remuneration comprises payroll salary, superannuation and other benefits. Some individuals have also chosen to sacrifice part of their salary to increase payments towards superannuation.

Variable Remuneration is based on a short-term incentive plan which is used to differentiate rewards based on performance and is assessed each year. The principal performance indicator of the short-term incentive plan relates to the Company's financial performance and individual achievement of specified goals, which may, for example, include accomplishment of growth initiatives.

The Remuneration Committee recommends to the Board adjustments to fixed remuneration each year based on the performance of individuals. In addition, the Committee reviews the performance and the remuneration of the Managing Director and recommends to the Board any short-term incentive payments and adjustments to his remuneration.

Non-Executive Directors

The Board seeks to set an aggregate remuneration level which provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting, to be divided between the Directors as the Directors shall determine and, in default of agreement between them, then in equal share.

The Non-Executive Directors receive a fee for being a Director of the Company but no additional fees for sitting on or chairing committees.

Non-Executive Directors are encouraged by the Board to own shares in the Company (purchased by Non-Executive Director on market). It is considered good governance for directors to have an ownership interest in the Company on whose board he or she sits.

Employment Contracts of Directors and Senior Executives

Year ended:	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
	\$	\$	\$	\$	\$
Total Revenue	39,202,641	44,018,265	44,183,337	59,353,660	58,055,771
Net profit before tax	2,191,302	2,910,526	3,306,365	4,026,390	1,832,207
Net profit after tax	1,539,215	2,025,053	2,200,690	2,802,109	1,271,504
Year ended:	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Share price at start of year	\$ 7.35	\$ 7.30	\$8.04	\$12.00	\$13.98
Share price at end of year	\$ 7.30	\$ 8.04	\$12.00	\$13.98	\$10.50
Interim Dividend ¹	14.0 cents	15.5 cents	19.0 cents	20.0 cents	20.0 cents
Special Dividend ¹	-	5.0 cents	4.0 cents	-	-
Final Dividend ¹	20.0 cents	22.0 cents	23.0 cents	30.0 cents	20.0 cents
Basic earnings per share	71 cents	94 cents	102 cents	130 cents	59 cents
Diluted earnings per share	71 cents	94 cents	102 cents	130 cents	59 cents
Total Dividends declared	34.0 cents	42.5 cents	46.0 cents	50.0 cents	45.0 cents

¹Franked to 100% at 30% corporate tax rate

Compensation of Key Management Personnel

Names and positions held of Company Directors and other key management personnel in office at any time during the financial year are:

Company Directors:

Mr G R Embelton	Chairman – appointed Chairman 1984
Mr J J Embelton	Director – appointed Managing Director 2010
Mr J R Baldwin	Director – Non-executive – appointed Director 2002
Mr M S Crabb	Director – Non-executive – appointed Director 2014

Executives:

Mr E P Galgano	Company Secretary - appointed September 2011
----------------	--

Consolidated Entity and Company

	Short Term Employee Benefits					Total	Proportion of Remuneration Performance Related
	Salary & Directors Fees	LSL	Incentive Accrued for Current Period	Non-monetary Benefit	Post Employment Superannuation Benefits		
	\$	\$	\$	\$	\$	\$	
Company Non-Executive Directors' Remuneration Year ending 30 June 2019							
Mr J R Baldwin	-	-	-	-	22,000	22,000	-
Mr M S Crabb	22,000	-	-	-	-	22,000	-
	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>	<u>44,000</u>	<u>-</u>
Year ending 30 June 2018							
Mr J R Baldwin	-	-	-	-	22,000	22,000	-
Mr M S Crabb	22,000	-	-	-	-	22,000	-
	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>	<u>44,000</u>	<u>-</u>
Company Executive Directors and Specified Executives' Remuneration Year ending 30 June 2019							
Mr G R Embelton	90,000	1,502	-	4,022	8,550	104,074	-
Mr J J Embelton	349,517	5,764	75,000	-	20,531	450,812	17%
Mr E P Galgano	185,000	3,083	34,067	-	23,373	245,523	14%
	<u>624,514</u>	<u>10,349</u>	<u>109,067</u>	<u>4,022</u>	<u>52,545</u>	<u>800,409</u>	<u>14%</u>
Year ending 30 June 2018							
Mr G R Embelton	90,000	1,502	-	3,956	8,550	104,008	-
Mr J J Embelton	342,870	8,211	125,000	-	20,369	496,450	25%
Mr E P Galgano	171,838	2,447	52,276	-	18,351	244,912	21%
	<u>604,708</u>	<u>12,160</u>	<u>177,276</u>	<u>3,956</u>	<u>47,270</u>	<u>845,370</u>	<u>21%</u>

For the year under review, bonuses of \$75,000 and \$34,067 have been provided for Mr. J J Embelton and Mr. E P Galgano respectively (2018 – \$125,000 and \$52,576 respectively) following the Group's achievement of specified profit targets and the amount paid may be any amount up to a maximum amount or nil if targets are not achieved. The specified profit target was chosen as a means of aligning executive remuneration with the creation of shareholder value.

INDEMNIFYING OFFICERS OR AUDITORS

During or since the end of the financial year the Company has paid premiums to insure all Directors and officers of the Company against liabilities for costs and expenses incurred by them in defending legal proceedings arising out of their conduct while acting in the capacity of officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$10,397 (2018 - \$8,943).

The Company has not, during or since the end of the financial year, in respect of any person who is or has been the auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an auditor, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an auditor for the costs or expenses to defend legal proceedings; with the exception of the matters mentioned above.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the relevant professional and ethical standards.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2019:

Taxation services - preparation of income tax returns	\$ 9,975
Compliance and consulting services	<u>\$2,833</u>
Total	<u><u>\$12,808</u></u>

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 53.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors



G R Embelton

Chairman

25 September 2019



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25 September 2019

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 audit of the financial statements of Embelton Limited for the financial year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Craig Bryan".

Craig Bryan
Partner
Chartered Accountants

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Independent Auditor's Report to the members of Embelton Limited

Report on the Audit of the Financial Report

Opinion

We have audited the consolidated financial report of Embelton Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be on the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for 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.

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Key Audit Matters

How the scope of our audit responded to the Key Audit Matter

Carrying value of goodwill

As at 30 June 2019, goodwill of \$830,154 has been recognised in the consolidated statement of financial position as disclosed in Note 22.

The goodwill has been allocated to one Cash Generating Unit ("CGU") at the entity level, Modern Commercial Projects, which goodwill is monitored by management.

The Group is required to annually assess the carrying value of goodwill. This is performed through a value-in-use discounted cash flow model. The value in use calculation includes key assumptions and judgements in the calculation of the recoverable amounts, namely forecast future cash flows, the long term growth rate and discount rate assumptions.

Our procedures included, but were not limited to:

- Evaluating the appropriateness of management's identification of a single CGU to which the goodwill is allocated;
- Assessing the reasonableness of cash flow projections and assessing growth rates;
- Engaging our valuation specialists to assess the key assumptions and methodology used by management in the impairment model, in particular the discount rate and the terminal growth rate; and
- Testing the mathematical accuracy of the impairment model.

We have also assessed the appropriateness of the disclosures in Note 22 to the financial statements.

Other Information

The directors are responsible for other information disclosed. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability 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 have no realistic alternative but to do so.

Deloitte.

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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's 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.
- 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.
- 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.

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 directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the 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 42 to 45 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Embelton Limited, for the year ended 30 June 2019, 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.

A handwritten signature in black ink, appearing to read "Craig Bryan".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Craig Bryan".

Craig Bryan
Partner
Chartered Accountants
Melbourne, 25 September 2019

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 30 AUGUST 2019

In accordance with the listing requirements of the Australian Associated Stock Exchange, the Directors state:

- a. The number of holders of fully paid ordinary shares as at 28 August 2019 was 157 of which 42 held less than a marketable parcel.
- b. Distribution of Shareholding

<u>Range</u>	<u>No of Holders of Ordinary Shares</u>	<u>No of Shares</u>
1 – 1,000 shares	71	27,862
1,001 – 5,000 shares	53	124,423
5,001 – 10,000 shares	9	63,770
10,001 – 100,000 shares	20	355,555
100,001 and over	4	1,586,247
	<u>157</u>	<u>2,157,857</u>

- c. Percentage total holdings by or on behalf of the twenty largest shareholders is 87.971%.

<u>Holder Name</u>	<u>Balance as at 30-08-2019</u>	<u>% of total</u>
G R E Nominees Pty Ltd	574,440	26.621%
George Robert Embelton	412,386	19.111%
Mrs Elizabeth Margaretha Montgomery & Mrs Bridget Elizabeth Tomkins (Elizabeth Montgomery S/F A/C)	403,481	18.698%
Mr Ian Peter Alexander	195,940	9.080%
Ms Carolyn Louise Hill	32,307	1.497%
Mr James John Embelton	31,877	1.477%
Treasure Island Hire Boat	30,700	1.423%
Jennifer Mary Shepherd	22,395	1.038%
Geoffrey Weston Cruse	21,105	0.978%
Mr Daniel Lawrence Hall	20,005	0.927%
Gelleka Pty Ltd	18,071	0.837%
Aviation Fuel Associates (Aust) Pty Ltd (The Fraser Super Fund A/C)	16,838	0.780%
Torquinet Pty Ltd (Sallie Super Fund A/C)	16,395	0.760%
Miss Bridget Elizabeth Montgomery	16,107	0.746%
Mrs Maxine Charlotte Stewart	16,000	0.741%
Ms Sallie Christina Hill	15,913	0.737%
Mr David Anthony Embelton	15,875	0.736%
Mrs Pamela Mcqueen	13,512	0.626%
Mr Robert Nicol Fraser	12,838	0.595%
Gotterdamering Pty Ltd	12,104	0.561%
	<u>1,898,289</u>	<u>87.969%</u>
Total of Securities	<u>2,157,857</u>	

The following holdings are those stated in the register of substantial shareholdings GRE Nominees Pty Ltd 567,940, George R Embelton 412,386, Elizabeth Margaretha Montgomery & Bridget Elizabeth Tomkins (Elizabeth Montgomery S/F A/C) 403,481, Ian Peter Alexander 195,940.

THE COMPANIES AND PRODUCTS

EMBELTON LIMITED

147 - 149 Bakers Road

Coburg VIC 3058

DISTRIBUTION AND MERCHANDISING

G P EMBELTON & CO PTY LTD

Distribution of flooring, noise control equipment and industrial products and materials

Flooring and Consumer Products:

- Wooden parquet flooring
- Prefinished and natural strip flooring
- Timber, Bamboo, Laminate and Hybrid Flooring
- Rubber and sports flooring
- Adhesives and finishes
- Other flooring accessories
- Compressed cork sheets, blocks and rolls

Industrial and Construction Products:

- Structural noise and vibration isolation systems
- Anti-vibration mountings - springs and rubber
- Seismic restraints for resiliently mounted equipment
- Recycled and natural rubber sheets
- Spandex cork jointing
- Other jointing media
- Tube and Pipe bending

Melbourne

147-149 Bakers Road
Coburg 3058

Trade Store

1/72 Fenton Street
Huntingdale 3166

Sydney

50 Newton Road
Wetherill Park 2164

Brisbane

361 Fison Avenue East,
Eagle Farm 4009

U2/60 Enterprise Place
Tingalpa 4173

Perth

21 Pearson Way
Osborne Park 6017

MANUFACTURING

EMBELTON ENGINEERING PTY LTD

Manufacture of metal products

- Custom fabricators in steel, stainless steel, copper, aluminum and nickel alloys for high temperature and general industrial use
- Vibration control devices

Factory Irene Street
Coburg VIC 3058

SKINNER BENDING

A Division of Embelton Engineering Pty Ltd

- Tube and pipe bending and rolling

Factory Irene Street
Coburg VIC 3058

OVERSEAS

CHINA

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