

Half Yearly Report

EMBELTON LIMITED

ABN 51 004 401 496

For Half Year Ended 31 December 2021

<u>Results for Announcement to the Market</u>					<u>\$A'000</u>
Revenue from ordinary activities	Down	7.6%	to	32,470	
Profit from ordinary activities after income tax attributable to members	Down	61.0%	to	331	
Net profit for the period attributable to members	Down	61.0%	to	331	
Dividends per Share		Amount per share	Franked amount per share at 30% tax		
Interim		15.0 cents	15.0 cents		
Record date for determining entitlements to dividends			18 March 2022		

Results for Announcement to the Market (Continued)

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset per ordinary share	8.67	8.65

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

Dividends

	Amount per share	Franked amount per share at 30% tax	Amount per share of foreign source dividend
a) Dividends per Share			
Interim			
- current period	15.0 cents	15.0 cents	0 cents
- previous corresponding period	20.0 cents	20.0 cents	0 cents

	Current Period A\$ '000	Previous Corresponding Period A\$ '000
b) Total Dividends		
Interim dividend - payable on 8 April 2022	324	432
Final June 2021 dividend paid on 15 October 2021	<u>432</u> <u>756</u>	<u>432</u> <u>864</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 December 2021

		Half Year Ended	
	Note	31 Dec 2021 (\$'000)	31 Dec 2020 (\$'000)
Revenue		32,470	35,140
Cost of Sales		<u>(24,854)</u>	<u>(25,501)</u>
Gross Profit		7,616	9,639
Other Income		10	6
Less Expenses:			
Manufacturing Expenses		(83)	(105)
Sales and Marketing Expenses		(2,736)	(3,354)
Storage and Distribution Expenses		(970)	(1,095)
Administration and Other Expenses		<u>(3,354)</u>	<u>(3,825)</u>
Profit before income tax expense	2	483	1,266
Income tax expense		<u>(152)</u>	<u>(418)</u>
Net Profit for the period		331	848
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>331</u>	<u>848</u>
Profit attributable to:			
Owners of the company		331	848
Non-controlling interest		<u>-</u>	<u>-</u>
Total comprehensive income		<u>331</u>	<u>848</u>
Earnings per share			
From continuing operations:			
Basic (cents per share)		15.3c	39.3c
Diluted (cents per share)		15.3c	39.3c

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

**Condensed Consolidated Statement of Financial Position
As at 31 December 2021**

	31 Dec 2021 (\$'000)	30 June 2021 (\$'000)
Current Assets		
Cash and cash equivalents	20	86
Trade and other receivables	8,744	8,855
Inventories	16,662	12,448
Other	553	633
Total Current Assets	25,979	22,022
Non-Current Assets		
Property, plant and equipment	9,007	9,211
Right of use assets	302	434
Intangibles	330	330
Deferred tax assets	625	685
Total Non-Current Assets	10,264	10,660
TOTAL ASSETS	36,243	32,682
Current Liabilities		
Trade and other payables	10,217	10,406
Lease liabilities	195	389
Provisions	1,480	1,423
Total Current Liabilities	11,892	12,218
Non-Current Liabilities		
Deferred tax liabilities	83	75
Borrowings	5,000	1,000
Lease liabilities	60	59
Provisions	160	181
Total Non-Current Liabilities	5,303	1,315
TOTAL LIABILITIES	17,195	13,533
NET ASSETS	19,048	19,149
Equity		
Issued Capital	1,156	1,156
Reserves	3	3
Retained earnings	17,889	17,990
TOTAL EQUITY	19,048	19,149

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

**Condensed Consolidated Statement of Cash Flows
for the Half-Year Ended 31 December 2021**

	Consolidated Entity	
	Half Year Ended	
	31 Dec	31 Dec
	2021	2020
	(\$'000)	(\$'000)
Cash flows from operating activities		
Receipts from customers	36,018	44,686
Payments to suppliers and employees	(39,217)	(35,098)
Interest paid	(11)	(30)
Income taxes paid	(114)	(323)
Net cash (used in)/provided by operating activities	(3,324)	9,235
Cash flows from investing activities		
Payments for property, plant and equipment	(127)	(286)
Proceeds from sale of equipment	12	6
Net cash used in investing activities	(115)	(280)
Cash flows from financing activities		
Proceeds/(Repayment) of borrowings	4,000	(5,623)
Repayment of lease liabilities	(195)	(222)
Dividends paid	(432)	(432)
Net cash provided by/(used in) financing activities	3,373	(6,277)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(66)	2,678
Cash and cash equivalents at beginning of period	86	25
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20	2,703

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

**Condensed Consolidated Statement of Changes in Equity
for the Half-Year Ended 31 December 2021**

	Issued capital \$'000	Foreign Curr. Trans. Reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 July 2020	1,156	1	17,414	18,571
Profit for the period	-	-	848	848
Dividends paid	-	-	(432)	(432)
At 31 December 2020	1,156	1	17,830	18,987
Profit for the period	-	2	591	593
Dividends paid	-	-	(431)	(431)
At 30 June 2021	1,156	3	17,990	19,149
Profit for the period	-	-	331	331
Dividends paid	-	-	(432)	(432)
At 31 December 2021	1,156	3	17,889	19,048

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

**Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2021**

1. Significant Accounting Policies

Statement of compliance

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

Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2021 annual financial report for the financial year ended 30 June 2021

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

Amendments to Accounting Standards that a mandatorily effective for the current reporting period

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

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

- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
- AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021

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

**Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2021**

1. Significant Accounting Policies (Continued)

Amendments to Accounting Standards that are mandatorily effective for future reporting periods

At the date of authorisation of the half-year financial report, the Group has not applied the following new and revised Accounting Standards, Interpretations and Amendments that have been issued but are not yet effective:

Standards/amendment	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-3 Amendments to Australian Accounting Standards- Annual Improvements 2018-2020 and Other Amendments	1 January 2022	30 June 2023
AASB 2020-1 Amendments to Australian Accounting Standards- Classification of Liabilities as Current or Non-Current	1 January 2023	30 June 2024
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	30 June 2024
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	30 June 2024

The Directors do not expect that the adoption of the Amendments listed above will have a material impact on the financial statements of the Group in future periods.

2. Segment Information

Identification of reportable segments

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

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

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

The reportable segments identified are unchanged from those identified previously.

Reportable segments

Commercial

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

Merchandising

Comprises the sale of various building materials into all other sectors

Manufacturing

Manufacturing operations supply to both market segments

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

Half-year ended 31 December 2021

	Commercial \$'000	Merchandising \$'000	Manufacturing \$'000	Consolidated \$'000
Total Operating Revenue	20,218	12,217	2,772	35,207
Less Elimination on Consolidation	(56)	-	(2,681)	(2,737)
Total External Operating Revenue	20,162	12,217	91	32,470
Segment result	(328)	879	42	593
			Unallocated Expenses	(110)
Total Operating Profit before Income Tax Expense				483
			Income Tax Expense	(152)
			Profit for the Period	331

Half-year ended 31 December 2020

Total Operating Revenue	21,910	13,684	3,665	39,259
Less Elimination on Consolidation	(536)	-	(3,583)	(4,119)
Total External Operating Revenue	21,374	13,684	82	35,140
Segment result	1,075	303	(34)	1,344
			Unallocated Expenses	(78)
Total Operating Profit before Income Tax Expense				1,266
			Income Tax Expense	(418)
			Profit for the Period	848

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2021 (cont'd)

3. Dividends

	Half Year Ended	
	2020	2019
	\$'000	\$'000
Recognised amounts		
Fully paid ordinary shares		
Final dividend of 20.0 cents per share (2020 – 20.0 cents)	432	432
	<u>432</u>	<u>432</u>
Unrecognised amounts		
Fully paid ordinary shares		
Interim dividend of 15.0 cents per share (2020 – 20 cents)	<u>324</u>	<u>432</u>

On 27 January 2022, the directors declared a fully franked interim dividend of 15 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2021, to be paid to the shareholders on 08 April 2022. This dividend has not been included as a liability on these financial statements.

4. Contingencies and commitments

There have been no changes in contingent liabilities, contingent assets or commitments since the last annual reporting date 30 June 2021.

6. Subsequent events

Other than the dividend declared on 27 January 2022, there has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

EMBELTON LIMITED and its Controlled Entities

Directors' Report

Your Directors present their report on the consolidated entity of Embelton Limited and controlled entities for the half-year ended 31 December 2021.

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

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

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

Review of Operations

A difficult half to December 31 saw a significant decline in earnings compared to the previous year. Covid related disruption to most Australian construction projects, along with the total shutdown of the Victorian industry in September hampered progress and profitability of most contracts. And in addition to these delays, uncharacteristically high material and labour inflation led to the widespread erosion of margins.

Looking ahead, the Company has an enviable pipeline of contracted works across Australia and it is expected that this activity will result in a stronger second half. That said however, the better outlook is tempered by likely industry-wide disruption arising from the recent Probuild shutdown and continued inflationary supply chain pressures, all against the background of an unchanged and robust competitive environment.

Auditor's Independence Declaration

A copy of the independence declaration by the auditor under Section 307C is included on page 14.

Rounding off of amounts

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

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

On behalf of the Directors



J J Embelton

Director

Melbourne, 28 February 2022

Declaration by Directors

The Directors declare that:

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

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

On behalf of the Directors



J J Embelton
Director

Melbourne, 28 February 2022

28 February 2022

The Board of Directors
Embelton Limited
14-149 Bakers Road
COBURG VIC 3058

Dear Board Members


Auditor's Independence Declaration to Embelton Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Embelton Limited.

As lead audit partner for the review of the half-year financial report of Embelton Limited for the financial half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely


DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants

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

We have reviewed the half-year financial report of Embelton Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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

Directors' Responsibilities for the Half-year Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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


DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants
Melbourne, 28 February 2022