

Half Yearly Report

EMBELTON LIMITED

ABN 51 004 401 496

For Half Year Ended 31 December 2022

| <u>Results for Announcement to the Market</u> | | | | | <u>\$A'000</u> |
|--|------|------------------|-------------------------------------|--------|----------------|
| Revenue from ordinary activities | Up | 21.7% | to | 39,507 | |
| Profit from ordinary activities after income tax attributable to members | Down | 25.1% | to | 248 | |
| Net profit for the period attributable to members | Down | 25.1% | to | 248 | |
| Dividends per Share | | Amount per share | Franked amount per share at 30% tax | | |
| Interim | | 10.0 cents | 10.0 cents | | |
| Record date for determining entitlements to dividends | | | 17 March 2023 | | |

Results for Announcement to the Market (Continued)

NTA Backing

| | Current Period | Previous corresponding period |
|---------------------------------------|----------------|-------------------------------|
| Net tangible asset per ordinary share | 8.76 | 8.83 |

* 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 | 10.0 cents | 10.0 cents | 0 cents |
| - previous corresponding period | 15.0 cents | 15.0 cents | 0 cents |

| | Current Period A\$ '000 | Previous Corresponding Period A\$ '000 |
|--|----------------------------|---|
| b) Total Dividends | | |
| Interim dividend - payable on 14 April 2023 | 216 | 324 |
| Final June 2022 dividend paid on 14 October 2022 | <u>432</u> <u>648</u> | <u>432</u> <u>756</u> |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 December 2022

| | | Half Year Ended | |
|--|------|----------------------------|----------------------------|
| | Note | 31 Dec 2022 (\$'000) | 31 Dec 2021 (\$'000) |
| Revenue | | 39,507 | 32,470 |
| Cost of Sales | | <u>(30,890)</u> | <u>(24,854)</u> |
| Gross Profit | | 8,617 | 7,616 |
| Other Income | | 23 | 10 |
| Less Expenses: | | | |
| Manufacturing Expenses | | (116) | (83) |
| Sales and Marketing Expenses | | (2,838) | (2,736) |
| Storage and Distribution Expenses | | (1,051) | (970) |
| Administration and Other Expenses | | <u>(4,286)</u> | <u>(3,354)</u> |
| Profit before income tax expense | 2 | 349 | 483 |
| Income tax expense | | <u>(101)</u> | <u>(152)</u> |
| Net Profit for the period | | 248 | 331 |
| Other comprehensive income for the period | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the period | | <u>248</u> | <u>331</u> |
| Profit attributable to: | | | |
| Owners of the company | | 248 | 331 |
| Non-controlling interest | | <u>-</u> | <u>-</u> |
| Total comprehensive income | | <u>248</u> | <u>331</u> |
| Earnings per share | | | |
| From continuing operations: | | | |
| Basic (cents per share) | | 11.5c | 15.3c |
| Diluted (cents per share) | | 11.5c | 15.3c |

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

**Condensed Consolidated Statement of Financial Position
As at 31 December 2022**

| | 31 Dec 2022 (\$'000) | 30 June 2022 (\$'000) |
|--------------------------------------|-------------------------------------|--------------------------------------|
| Current Assets | | |
| Cash and cash equivalents | 247 | 56 |
| Trade and other receivables | 9,134 | 8,763 |
| Inventories | 16,828 | 18,613 |
| Current Tax Assets | 43 | - |
| Other | 698 | 1,082 |
| Total Current Assets | 26,950 | 28,514 |
| Non-Current Assets | | |
| Property, plant and equipment | 8,897 | 8,925 |
| Right of use assets | 624 | 830 |
| Intangibles | 330 | 330 |
| Deferred tax assets | 570 | 599 |
| Total Non-Current Assets | 10,421 | 10,684 |
| TOTAL ASSETS | 37,371 | 39,198 |
| Current Liabilities | | |
| Trade and other payables | 7,651 | 8,656 |
| Borrowings | 2,000 | 3,000 |
| Lease liabilities | 330 | 390 |
| Current Tax liabilities | - | 108 |
| Provisions | 1,589 | 1,471 |
| Total Current Liabilities | 11,570 | 13,625 |
| Non-Current Liabilities | | |
| Deferred tax liabilities | 98 | 91 |
| Borrowings | 6,000 | 5,500 |
| Lease liabilities | 320 | 452 |
| Provisions | 186 | 149 |
| Total Non-Current Liabilities | 6,604 | 6,192 |
| TOTAL LIABILITIES | 18,714 | 19,817 |
| NET ASSETS | 19,197 | 19,381 |
| EQUITY | | |
| Issued Capital | 1,156 | 1,156 |
| Reserves | 21 | 21 |
| Retained earnings | 18,020 | 18,204 |
| TOTAL EQUITY | 19,197 | 19,381 |

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 2022**

| | Consolidated Entity | |
|---|----------------------------|-----------------|
| | Half Year Ended | |
| | 31 Dec | 31 Dec |
| | 2022 | 2021 |
| | (\$'000) | (\$'000) |
| Cash flows from operating activities | | |
| Receipts from customers | 43,007 | 36,018 |
| Payments to suppliers and employees | (40,980) | (39,217) |
| Interest paid | (116) | (11) |
| Income taxes paid | (282) | (114) |
| Net cash (used in)/provided by operating activities | 1,629 | (3,324) |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (301) | (127) |
| Proceeds from sale of equipment | 22 | 12 |
| Net cash used in investing activities | (279) | (115) |
| Cash flows from financing activities | | |
| (Repayment)/Proceeds of borrowings | (500) | 4,000 |
| Repayment of lease liabilities | (192) | (195) |
| Dividends paid | (432) | (432) |
| Net cash provided by/(used in) financing activities | (1,124) | 3,373 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 226 | (66) |
| Cash and cash equivalents at beginning of period | 20 | 86 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 246 | 20 |

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 2022**

| | Issued capital \$'000 | Foreign Curr. Trans. Reserve \$'000 | Retained earnings \$'000 | Total \$'000 |
|----------------------------|--------------------------------------|--|---|-------------------------|
| At 1 July 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 |
| Profit for the period | - | 18 | 638 | 656 |
| Dividends paid | - | - | (323) | (323) |
| At 30 June 2022 | 1,156 | 21 | 18,204 | 19,381 |
| Profit for the period | - | - | 248 | 248 |
| Dividends paid | - | - | (432) | (432) |
| At 31 December 2022 | 1,156 | 21 | 18,020 | 19,197 |

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 2022

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 2022 annual financial report for the financial year ended 30 June 2022.

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.

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.

**Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022 (cont'd)**

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 2022 | Commercial \$'000 | Merchandising \$'000 | Manufacturing \$'000 | Consolidated \$'000 |
|---|----------------------|--|-------------------------|------------------------|
| Total Operating Revenue | 26,474 | 12,848 | 2,891 | 42,213 |
| Less Elimination on Consolidation | - | - | (2,706) | (2,706) |
| Total External Operating Revenue | 26,474 | 12,848 | 185 | 39,507 |
| Segment result | (150) | 627 | 5 | 482 |
| | | Unallocated Expenses | | (133) |
| | | Total Operating Profit before Income Tax Expense | | 349 |
| | | Income Tax Expense | | (101) |
| | | Profit for the Period | | 248 |

Half-year ended 31 December 2021

| | | | | |
|-----------------------------------|--------|--|---------|---------|
| 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 |

**Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2022 (cont'd)**

3. Dividends

| | Half Year Ended | |
|--|------------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| <u>Recognised amounts</u> | | |
| Fully paid ordinary shares | | |
| Final dividend of 20.0 cents per share (2021 – 20.0 cents) | 432 | 432 |
| | <u>432</u> | <u>432</u> |
| <u>Unrecognised amounts</u> | | |
| Fully paid ordinary shares | | |
| Interim dividend of 10.0 cents per share (2021 – 15.0 cents) | <u>216</u> | <u>324</u> |

On 24 January 2023, the directors declared a fully franked interim dividend of 10 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2022, to be paid to the shareholders on 14 April 2023. 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 2022.

6. Subsequent events

Other than the dividend declared on 24 January 2023, 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 2022.

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

The increased revenue reflected ongoing recovery from the recent slump in construction activity, but with much of the work during the period related to long dated contracts being completed in an environment of rising costs, ongoing project interruptions and unexpected warranty claims, operating margins were severely impaired.

And whilst most of these unforeseen events are unlikely to be repeated in the second half, the current inflationary conditions, coupled with a lower pipeline of contracted work, continue to reinforce management focus on better control of costs to match the challenges expected during the period ahead.

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, 22 February 2023

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, 22 February 2023

**AUDITOR'S INDEPENDENCE REPORT
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF EMBELTON LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

JTP Assurance

JTP ASSURANCE
Chartered Accountants

W. Tarrant

WAYNE TARRANT
Partner

Signed at Melbourne this 22nd day of February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF EMBELTON LIMITED
ABN 51 004 401 496

Report on the Half-year Financial Report

We have reviewed the accompanying 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 2022, the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Embelton Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Embelton Limited's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Embelton Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

- (i) giving a true and fair view of Embelton Limited 's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

JTP Assurance

JTP ASSURANCE
Chartered Accountants

W. Tarrant

WAYNE TARRANT
Partner

Signed at Melbourne this 22nd day of February 2023