

SOURCE

SUPPLY

SUPPORT

2020

ANNUAL REPORT



MISSION STATEMENT

Ambertech Limited is an acknowledged leader in the identification, supply and distribution of advanced technologies for the Professional and Consumer audio/visual markets within the Oceania region.

Our purpose is to add significant operational value by developing and strengthening customer relationships, expanding horizons of opportunity and delivering strong and continuous financial growth to stake holders through our proven ability to integrate, implement and commercialise existing and emerging technologies.



CONTENTS

1. LETTER TO SHAREHOLDERS
2. OUR BUSINESS AND BRANDS
3. PROFESSIONAL SEGMENT
4. LIFESTYLE ENTERTAINMENT SEGMENT
5. FINANCIAL REPORT
6. SHAREHOLDERS INFORMATION
7. CORPORATE DIRECTORY

LETTER TO SHAREHOLDERS

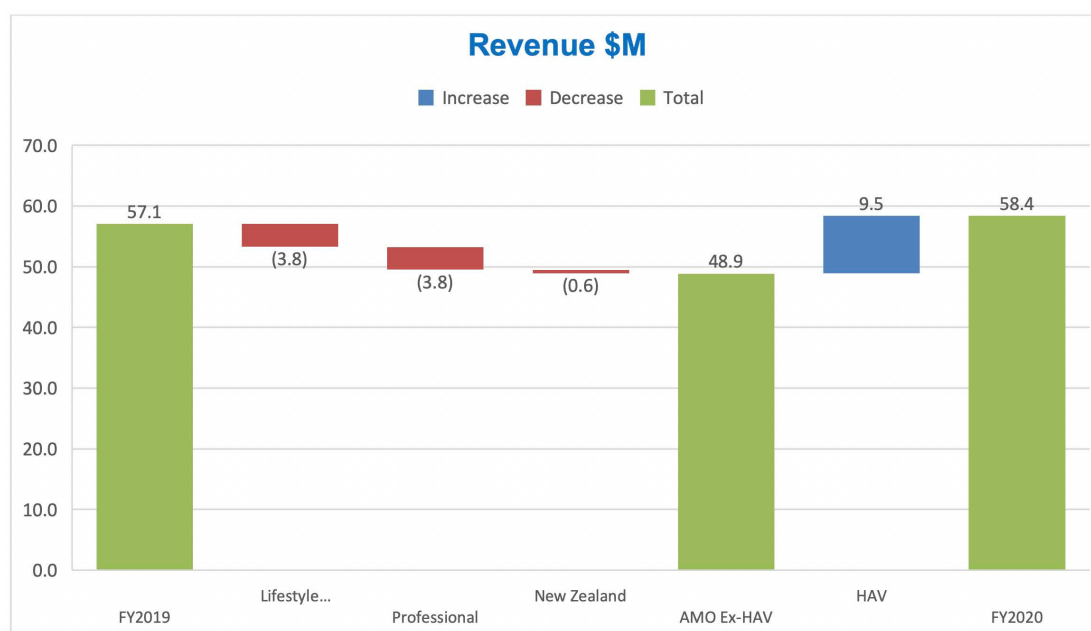
Dear Shareholders,

On behalf of your Board and executive management we would like to present you with your 2020 Annual Report. This past year has represented a period of significant achievement and change to our business, with the second half of the year operating under the formidable shadow that is the COVID-19 pandemic.

Major business achievements during the year included:

- The acquisition of the Audio-Visual business of Hills Limited (“HAV”), supported by a successful capital raising. This business has provided an additional \$9.5M in revenue since mid-December from a substantial new portfolio of brands. We have also successfully integrated 26 new staff into our team across Australia and New Zealand;
- Significant contract wins for our Media Systems and Defence, Law Enforcement and Surveillance (“DLES”) teams, including the announcement in March of a supply and multi-year support contract with the Australian Broadcasting Corporation (“ABC”) valued at over \$5M; and
- Securing new finance facilities with Octet Finance totaling \$10M. These new facilities were completed in September 2020 and complement our continued growth strategy.

The initial trading period after the integration of the HAV business was strong, however the business was impacted by COVID-19 and qualified for the JobKeeper support subsidy. The improvement in annual revenues can be seen in the chart below.



Results in the second half of the financial year were particularly encouraging. Executive management took the appropriate steps in scaling back expenses where appropriate to ensure the ongoing success of the business as COVID-19 affected trading conditions. During this period the underlying EBIT result of the business showed a significant improvement as seen in the table below.

Half on Half Results Comparison

	1st Half \$,000	2nd Half \$,000	FY20 \$,000
Revenue	25,599	33,108	58,707
Underlying EBIT	(325)	1,851	1,526
JobKeeper	-	1,102	1,102
Restructure Costs	(705)	-	(705)
Reported EBIT	(1,030)	2,953	1,923
NPAT	(1,577)	2,361	784

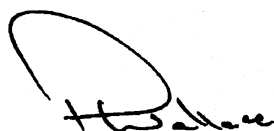
We also farewelled a long-term Director, Mr Ed Goodwin, who retired during the year. We would like to thank Ed once again for his contribution to the Ambertech Board over many years. We also introduced a new Director, Mr Santo Carlini, and we welcome him on behalf of the Board.

Our profit result for the year, combined with strong operating cash flow performance, have allowed the Board to declare a dividend to shareholders payable on 19 October. We are pleased to be once again providing a return to shareholders, and we are looking to improve our shareholder engagement in the coming months.

As we progress into the 2021 financial year, COVID-19 remains, and so our primary concern continues to be contributing to the safety and wellbeing of our staff, customers, suppliers and other business partners. There are many opportunities for business growth despite the difficult economic times, and we are working hard to continue the trajectory shown by the performance of the business this year.

We would like to thank all our dedicated executive management team and their staff who have worked tirelessly during these difficult times, and each of whom took significant temporary pay cuts to assist the business during this time. Your loyalty to the business is inspirational.

On behalf of the Board of Ambertech Limited



Peter Wallace
Chairman



Peter Amos
Managing Director



OUR BUSINESS

Our business segments operate across both the Australian and New Zealand markets.

PROFESSIONAL SEGMENT

MEDIA SYSTEMS

The Media Systems team works with traditional television and radio broadcast industry as well as new media partners in diverse industries such as law enforcement and defence, sport, large scale events and education. From content creation and acquisition, delivery, processing and asset management, Amber Technology can offer turnkey packages for creating, delivering and managing all types of media content.

PROFESSIONAL PRODUCTS

Amber's Professional Products group has a strong reputation as a preferred supplier of high technology equipment for live sound in many different industry segments, including touring artists, live stage shows, film and television productions, broadcast news and sports, through to smaller sound installations in education facilities, houses of worship and smaller venues.

LIFESTYLE ENTERTAINMENT SEGMENT

INTEGRATED SOLUTIONS

The Integrated Solutions team offers cohesive systems for the custom installation and professional installation markets, with a portfolio of high end audio visual and infrastructure brands for residential and commercial installation projects. Customers typically engage the services of a professional installer for a full turnkey solution.

MAJOR RETAIL

The Major Retail division works with home electronics retailers nationally, mass markets retail chains and independent specialist outlets to supply home entertainment solutions for consumers in the residential market. Our focus is on offering a comprehensive selection of high end audio visual and accessory brands for end users.

OUR BRANDS

AC Infinity	DALI	LP Morgan	Rockboard
Accent Audio	David Horn	LunaStone	Roland
Accent Visual	Communications	MC2	Sadowsky Guitars
Accent Acoustics	Dell EMC	Middle Atlantic	Silvus Technologies
Advanced Network Telemetry	Denon Pro	MP Antennas	Solid State Logic
Aja	Digital Projection	Neets	Sonance
Ambertec Cables	DNH	Neutrik	Spectra Logic
Apart Audio	DPA Microphones	Newline Interactive	SurgeX
Apogee	Dynaudio Professional	Newtek	T-Rex Effects
Arista	Embrionix	Nexidia	Tannoy
ASL	Emotion Systems	NHT	TC Electronic
Ateme	EVS	Niveo Professional	TC Helicon
AudioQuest	Framus Guitars	NTi Audio	Telestream
Australian Monitor	GB Labs	NuVo	Teradek
Autoscript	Grandview Screens	One For All	Tonebone
AVer	Grass Valley	One Systems	Troll Systems
Avid	Haivision	Onkyo	Van Damme
Aviwest	HDAnywhere	Optoma	Videssence
Avonic	Hitachi and Maxell	Pakedge	Vinten
Barix	Integra	Panasonic	Vipranet
BATS Wireless	iPort	Peavey Media Matrix	Warwick Basses
Blue Lucy	James Loudspeaker	Peterson	Well AV
Canare	Jet City Amplification	Philips Projection	Williams AV
Chiayo Electronics	JTS Microphones	Plura	WolfVision
Cioks	Learning Glass	Primacoustic	WyreStorm
Contacta	Lenco	Proel	Xilica Audio Design
Cordial	Leon Speakers	Radial Engineering	XTA Electronics
CP Cases	Liberty AV	Rean	Yamaha Revolabs
	Litepanels	Renkus Heinz	

PROFESSIONAL SEGMENT

MEDIA SYSTEMS GROUP

The process of consolidation and restructuring within the media industry continued in 2019/20 and accelerated over the last 6 months through the impact of COVID. All terrestrial broadcasters and satellite operators are looking for cost savings through improved efficiencies in operation and the reduction of the services offered.

From a technology point of view this has led to our clients looking to extend the lives of systems significantly beyond their usual refresh cycle. There are, however, still opportunities where an initial investment will provide longer term operational savings.

Despite the challenging market Media Systems has achieved some significant wins during this year including:

- Multimillion-dollar EVS system upgrade and support contract at the ABC;
- Avid storage upgrades at TEN and Nine;
- Embrionix (now Reidel) IP infrastructure to Nine; and
- Vinten camera robotics to the Australian News Channel and Nine.

With a slowing of business in the traditional broadcast market the Media Systems group have sought to diversify, and we have found some success in supplying equipment and system integration services for streaming studios – a significant growth area especially with the ongoing COVID situation. The pursuit of business in this area has stimulated the introduction of new partners and has opened up a new market area, recent projects including:

- Virgin Gyms;
- ING Bank; and
- Ausbiz, a streaming business channel.



Ausbiz

There is a growing number of opportunities to offer the expertise of our Technical Services Group due to our clients reducing their own technical resources. There also continues to be significant revenue from support contracts with substantial agreements in place with the ABC, Seven, Fox Sports, Southern Cross, Sky Racing, NPC and Nine. This includes new revenue through extending our arrangement with EVS to now supply first line support and spares.

Despite the uncertainties, there are a number of key projects that our Media Systems team are targeting in 2020/21 along with continuing to look for new opportunities in 'non-traditional' media areas.



Sky News



NPC Media

DLES GROUP

The terrible fires of Australia's Black Summer proved to be an aggressive testing ground for the newly deployed Silvus data radio systems in the ACT ESA and WA DFES firefighting aircraft. Thankfully they performed to expectation and played key roles in the firefighting efforts in those states – most notably in the ACT, where they were in use against the Snowy Mountain fires on an almost daily basis. We were also honoured to be able to deliver communications support radios to the NSW Telco Authority to act as temporary link replacements for the Government Radio Network, repairing communication services disabled by the fires.

As a result of these successful uses, agencies in West Australia and the ACT are continuing to deploy further systems and capabilities and following the Royal Commission we anticipate an increased uptake in other states.

We have engaged additional specialised resellers in the Emergency Services and Defence areas for both Haivision and Silvus Technologies, which have allowed us to significantly expand our presence in those markets nationally. As a result, we have secured several key contracts for delivery this year (2020/21).

Rollout of systems to Navy continues as planned, with a notable expansion to present the naval systems developed in Australia to the global market. Whilst we await real returns from this effort, the potential is substantial.



Gaz Watkins from Silvus Technologies, Tyler Stephens from Haivision and Ross Caston from Amber Tech at Pacific 2019

Key projects include:

- Communications systems for the SEA1180 Arafura-Class Offshore Patrol Vessel project (4 ship systems, more to come);
- Communications systems for High-Altitude Balloons for the RAAF.
- Multiple systems to assorted UAV manufacturers in Australia, where we have established an excellent track record in this important market.
- Delivery of additional systems to Police, ADF and Emergency Services across the country.



Drone at MILCIS 2019



Silvus Dual Transceiver Unit on One Tree Hill

PRO/MI GROUP

Major brands in the MI retail market, Apogee Electronics, CIOKS, Radial Engineering, TC Electronic, and Warwick continue to provide strong sales growth.

These brands continued to innovate and provide products that the market requires.

Solid State Logic entered the general MI market with product that has a wider customer appeal than their traditional offerings and this has been very well accepted.

Bass Guitar manufacturer, Warwick, has signed a licensing and distribution agreement with Roger Sadowsky, this brings to us another Bass Guitar brand that has a very highly respected reputation.

The MI Retail sector has increased their on-line sales channel with Dealer based ecommerce solutions along-side their bricks and mortar outlets in the COVID era. Those customers that invested prior to lockdowns have increased their sales considerably.

NTi Audio continues to offer ever expanding solutions for test and measurement solutions for acoustics, audio and vibration applications. Consultants are embracing this brand for measurement of Evacuation, Noise Measurement, Building Acoustics and Quality Control.

We are working very closely with our New Zealand operation with Brand Management, Marketing and Logistics resources to enable sales growth in their market.



*Sadowsky
Bass Guitar*



Jay Porter at the JMC Academy, Radial Demo Day



Audio Toolbox winner at ENTECH

LIFESTYLE ENTERTAINMENT SEGMENT

INTEGRATED SOLUTIONS GROUP

Our Integrated Solutions group experienced a tumultuous but ultimately positive year.

During the first half of the financial year, negotiations and due diligence culminated in the acquisition of the AV business from Hills Limited. Our key message to joining staff, manufacturer-partners and customers has been the same: Amber Technology is 100% focussed on the AV market, and will offer new opportunities for (personal and business) growth. This theme has been positively received by most stakeholders.



Amber Technology IS Team

At the completion of the acquisition (on 17 December 2019), our Integrated Solutions business changed in size and shape.

26 new staff joined the team (in Australia and New Zealand). We added substantially to our portfolio of brands, but also chose to part ways with a number of suppliers due to unmanageable conflicts or unfavourable commercial arrangements. A larger-than-expected number of new customers (commercial AV dealers and integrators) were added to the Amber base.

**100% AV
FOCUS**



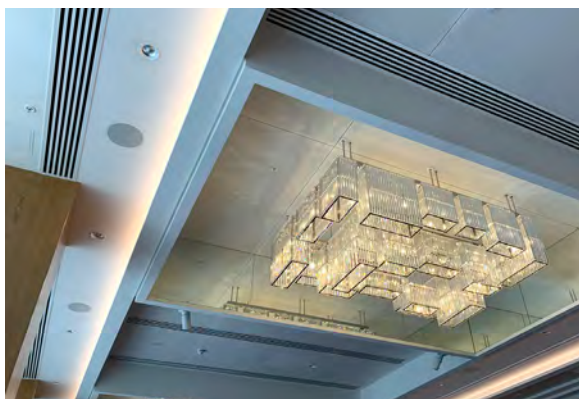
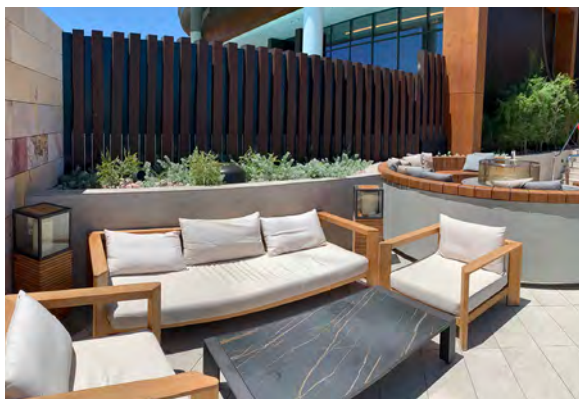
Showcase 2019



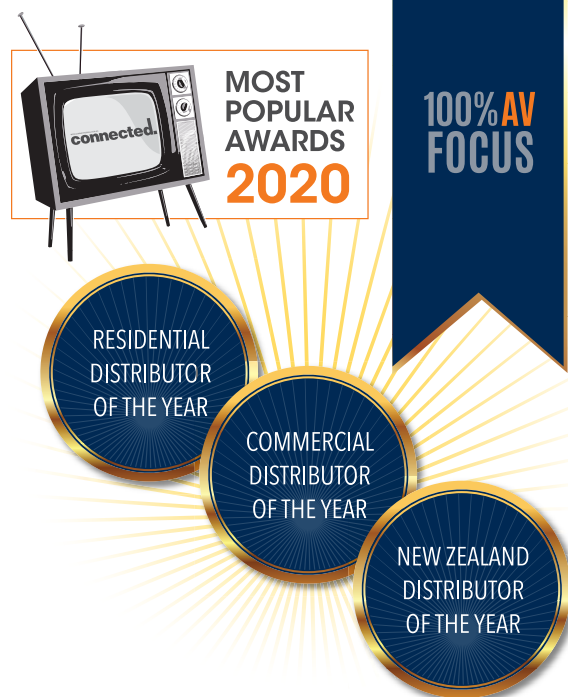
HAV stock arriving at Amber

We entered the second half of the financial year looking forward to a period of consolidation and then growth based on our expanded customer base, strengthened portfolio and greater footprint in the market. We experienced teething challenges during January as we worked through integration issues, adapted systems and processes to the changed dimensions of the business and contended with some late-finishing physical works that were necessary to prepare our warehouse for increased activity.

The entire Integrated Solutions team gathered for a very positive sales conference and training event in early March – and then almost immediately dispersed into lockdown as the COVID-19 pandemic struck Australia and New Zealand. Despite being physically separated, the team worked to maintain engagement with supplier-partners, customers and influencers through the period of great uncertainty.



Ritz Carlton Perth



Impacts of COVID-19 varied widely across the categories served by the Integrated Solutions team. Home theatre products, for example, sold strongly as end users invested in preparing for extended time under confinement, but sales to the tertiary education sector were heavily impacted as universities faced budget challenges wrought by the absence of overseas students (and their fees).

At the end of the financial year, the group was able to turn in a solid result that tends to indicate hope for the new year as the market stabilises and our customers adapt to changed circumstances. We were delighted to be recognised by the readers of Connected Home+Business (a local trade publication) as Most Popular Residential Distributor (Australia), Most Popular Commercial Distributor (Australia) and Most Popular Distributor (New Zealand).

Looking into FY21, our focus will be on continuing to consolidate our position in the Commercial AV market following the Hills AV acquisition, while maintaining our leadership position in the Residential AV market.

MAJOR RETAIL GROUP

During the financial year, the Major Retail group has seen broad changes driven by the impact of COVID19. Bricks and mortar retail has been significantly affected by the impact on foot traffic into stores, whereas retailers with a strong digital presence have been able to take advantage of the consumer requirement for product that relates to an increased amount of time being spent at home.

The impacts of the pandemic have also reached into the international supply chain, where manufacturing and shipping delays have impacted our efforts, as well as those of our competitors.

Despite these difficulties, our Major Retail group was able to deliver on some key objectives during the financial year, including:

- Cementing our relationship with major CE retailers through the expansion and refinement of in store fixtures and merchandising arrangements;
- Expansion of product to meet consumer demand for the “Lifestyle Living Space” such as the new range of TV stands from Universal Electronics; and
- Introduction of new complementary agencies to our portfolio in the new Visual category with Phillips Projection products. The demand for these has been outstanding and we will see benefit in the new financial year from this range.

We continue to provide support and provide new ideas for reinvigorating less dynamic categories whilst development the platform to continue to introduce exciting new products and brands to the market.



OFA TV Stand for JB-HiFi



Philips Projectors



Philips Projectors display for JB-HiFi



AMBERTECH LIMITED AND CONTROLLED ENTITIES

ACN 079 080 158

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The directors present their report together with the financial statements of the consolidated entity consisting of Ambertech Limited and its controlled entities, ("company" or "consolidated entity" or "economic entity") for the year ended 30 June 2020 and the auditor's report thereon.

DIRECTORS

The qualifications, experience and special responsibilities of each person who has been a director of the Company at any time during or since the end of the financial year are listed below, together with the details of the company secretary as at the end of the financial year. All directors were in office during the whole of the financial year and up to the date of this report unless otherwise stated.

Information on directors

Peter Francis Wallace

Chairman - Non Executive Director

Member of the Audit and Risk Management Committee and Chairman of the Remuneration and Nomination Committee.

Peter Wallace is the founder and Managing Director of Endeavour Capital Pty Limited, an independent corporate advisory firm. Prior to establishing Endeavour Capital Pty Limited in 1998, he was an Investment Director with private equity company Hambro-Grantham. Mr Wallace has been a non-executive director of over 30 groups of companies. He was a non-executive director of the listed entities THC Global Limited until 15 March 2018 and Range International Limited until 14 April 2020.

Mr Wallace has a Bachelor of Commerce degree from the University of New South Wales and a Master of Business Administration degree from Macquarie University. He is a member of Chartered Accountants Australia and New Zealand, and a fellow of the Australian Institute of Company Directors.

Mr Wallace has been a director of Ambertech's Group companies since February 2000 and Chairman of Ambertech Limited since October 2002.

Peter Andrew Amos

Managing Director

Peter Amos graduated from Sydney Technical College (now University of Technology, Sydney) with a Radio Trade Certificate and from North Sydney Technical College with an Electronics Engineering Certificate. He joined Rank Electronics, the Company from which Ambertech was formed via a management buyout, as a technician in the mid 1970s, rising from Senior Technician to Service Manager. Upon the formation of Ambertech Limited, Mr Amos became Technical Director of the Ambertech Group. He also served in a senior role as Marketing Director of Quantum Pacific Pty Ltd, another company owned by Ambertech Limited, until it was sold in the mid 1990s.

Mr Amos has served as Managing Director of Ambertech Limited since 1995 and presided over the growth of the Company since that date. Mr Amos has been a director of Ambertech's Group companies since 1987.

Thomas Robert Amos

Non-Executive Director

Chairman of the Audit and Risk Management Committee.

Tom Amos founded telecommunications consultancy Amos Aked Pty Limited in the early 1980s. His career in telecommunications and media spans over 30 years, during which time he has been involved in all facets of the industry. An engineer by profession, Mr Amos holds a B.E. (Electrical Engineering) degree from Sydney University.

Mr Amos has also been prominent in the telecommunication deregulation debate over a period of 15 years as a (former) director and Vice Chairman of Australian Telecommunications Users Group Limited ("ATUG") and as an industry commentator. He is a director of Wave Link Systems Pty Limited and a non executive director of listed entity Big Tin Can Holdings Limited.

Mr Amos has been a director of Ambertech's Group companies since June 1997.

Santo Carlini

Non-Executive Director

Mr Santo Carlini was appointed to the Board as a Non-Executive Director effective 1 March 2020.

Mr Carlini brings to the Ambertech Board key Audio-Visual industry experience in the major professional and installation market segments, with over 20 years dedicated to achieving the best product and service outcomes for customers. Mr Carlini is General Manager at WES Alliance Pty Ltd (WES). The company was founded in 1984 and since 1995 he has successfully grown, first as part of the team and then as General Manager, the WES business from a specialist supplier of Electronic Parts to a leading supplier of audio, visual products and solutions to the domestic and commercial installation market.

Mr Carlini has strong international products and supply experience. This expertise has been built from a business need to match the continuous domestic market demands by sourcing products from around the world that are the best fit audio and visual products to meet the demands of the competitive and evolving Australian marketplace. Mr Carlini's appointment to the Board of Directors will be subject to shareholder approval at the next Company AGM.

David Rostil Swift

Non-Executive Director

Member of the Remuneration and Nomination Committee.

David Swift, who holds a B.E. (Electrical Engineering) degree from the University of NSW, has extensive experience in both the telecommunications and professional electronics industries. Mr Swift, a co-founder of Amos Aked Swift Pty Ltd and the founder of AAS Consulting Pty Ltd, is currently an independent telecommunications management and technology consultant operating in the Australasian Pacific region.

Mr Swift was a Director and the Chairman of the Australian Telecommunications Users Group Limited (ATUG) and a Director of Amos Aked Swift (NZ) Limited. In addition to his consulting experience he has had significant management experience through senior positions with both Westpac Banking Corporation and Telecom Australia. Mr Swift has been a director of Ambertech's Group companies since June 1997.

Company Secretary and Chief Operating Officer

The following person held the position of Company Secretary at the end of the financial year: **Robert John Glasson**

Robert Glasson joined Ambertech Limited on 1 July 2002 and also holds the position of Chief Operating Officer. He previously held the position of Chief Financial Officer up until 30 June 2015. He has a Bachelor of Business degree from the University of Technology, Sydney, and is a member of Chartered Accountants Australia and New Zealand. He was appointed to the role of Company Secretary on 1 November 2004.

CORPORATE INFORMATION

Nature of operations and principal activities

The principal activities of the economic entity during the financial year were the import and distribution of high technology equipment to the professional broadcast, film, recording and sound reinforcement industries; the import and distribution of home theatre products to dealers; distribution and supply of custom installation components for home theatre and commercial installations to dealers and consumers, and the distribution of projection and display products with business and domestic applications.

There have been no significant changes in the nature of these activities since the end of the financial year.

Employees

The economic entity employed 125 employees as at 30 June 2020 (2019: 91 employees).

REVIEW AND RESULTS OF OPERATIONS

The consolidated profit of the economic entity after providing for income tax for the financial year was \$784,000. This was up on the loss after tax of \$1,332,000 in the previous year. Total revenues for the financial year increased by 2.7% to \$58,720,000 (2019: \$57,178,000). Further information on the operations is included in the Chairman's and Managing Director's Report section of the Annual Report, and in the ASX Appendix 4E.

FINANCIAL POSITION

The directors believe the economic entity is in a reasonably strong and stable financial position with the potential to expand and grow its current operations. Whilst borrowings were decreased by \$838,000 during the financial year, the economic entity maintained a healthy working capital ratio.

The economic entity's working capital, being current assets less current liabilities, has increased by \$3,916,000 to \$10,632,000 as at 30 June 2020 (2019: \$6,716,000). The net assets of the economic entity have also increased by \$2,919,000 to \$11,677,000 as at 30 June 2020 (2019: \$8,758,000).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the acquisition of the Audio Visual Division of Hills Limited in December, there were no significant changes in the state of affairs of the economic entity during the financial year.

EVENTS SUBSEQUENT TO REPORTING DATE

On 9 July 2020, the consolidated entity entered into a new financing facility with Octet Finance Pty Ltd (refer Note 14).

The Directors have resolved to pay a dividend of 0.3 cents per share.

Other than the above, there were no matters that have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations or state of affairs of the economic entity in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The 2020-21 financial year has begun well, and as a result the Board of Ambertech Limited ("the Board") is cautiously optimistic that it can deliver on business strategies, which continue to focus on returning positive results for investors in the short term. At this early stage the Board is unable to provide guidance on potential results with any certainty; however expects to be able to update investors by the time of holding the company's AGM.

The board and management remain focused on utilising the traditional strengths of the Ambertech business as a technical distributor to bring new products and brands to market and to redefine the methods and channels in which the business operates. We are continuing to progress these initiatives which are the key drivers of future revenue and profit growth.

ENVIRONMENTAL REGULATION

The company is subject to regulation by the relevant Commonwealth and State legislation. The nature of the company's business does not give rise to any significant environmental issues.

REMUNERATION REPORT (AUDITED)

The information provided below includes remuneration disclosures that are required under the Corporations Act 2001 and its regulations. The disclosures contained within the remuneration report have been audited.

In recent years the remuneration policy of the company has had to take into account competing interests. On one hand, shareholder returns are inadequate, while Directors, faced with their responsibilities to the Company, need to retain an experienced, expert Board and executive management team. Directors are aware that these staff may have opportunities to pursue their careers in less challenging environments with prospects of greater remuneration.

Consistent with this view, there have been no significant changes to the remuneration strategy employed by the Board for the 2020 financial year. There has been no change in the remuneration of non-executive directors since 1 January 2010.

Remuneration Strategy

Non-Executive Director Remuneration

Remuneration of non-executive directors is determined by the Remuneration and Nomination Committee. In determining payments to non-executive directors, consideration is given to market rates for comparable companies for time, commitment and responsibilities. The Remuneration and Nomination Committee reviews the remuneration of non-executive directors annually, based on market practice, duties and accountability.

Remuneration of non-executive directors comprises fees determined having regard to industry practice and the need to obtain appropriately qualified independent persons. Fees do not contain any non-monetary elements. In response to the financial performance of the company the remuneration of non-executive directors has remained unchanged since 1 January 2010.

Executive Remuneration

Managing Director and Chief Operating Officer

Remuneration of the Managing Director and the Chief Operating Officer (COO) is determined by the Remuneration and Nomination Committee. In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility. Remuneration comprises salaries, bonuses, contributions to superannuation funds and options.

The Managing Director and COO receive an incentive element of their salary which is based on achievement of Key Performance Indicators (KPIs) relevant to their responsibilities. This includes a component that is based on the company's profit targets. The total incentive amounts payable are capped at a fixed rate rather than as a percentage of total remuneration, however if paid on target these incentives would have represented approximately 20% of total salary for the Managing Director and 15% of total salary for the COO.

KPIs are set annually by the Remuneration and Nomination Committee and based on company performance targets, and vary according to the roles and responsibilities of the executive. At the same time, these KPIs are aligned to reflect the common corporate goals such as growth in earnings and shareholders' wealth, and achievement of working capital targets.

Performance against the KPIs is assessed annually by the Remuneration and Nomination Committee and recommendations for payments determined following the end of the financial year.

As a result of the financial performance of the company, the Managing Director has foregone the entirety of his short term incentive and KPI salary components for the past ten financial years.

REMUNERATION REPORT (continued)

Other Executives

Remuneration of other key executives is set by the Managing Director and Chief Operating Officer, with reference to guidelines set by the Remuneration and Nomination Committee. In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility. Remuneration comprises salaries, bonuses, contributions to superannuation funds and options.

Approximately 5% of the aggregate remuneration of the senior sales executives comprises an incentive element which is related to the KPIs of those parts of the company's operations which are relevant to the executive's responsibilities. The senior sales executives may also receive a sales commission component, which will vary with the sales performance of those parts of the sales business for which they are responsible.

KPIs are set annually by the Remuneration and Nomination Committee, with a degree of consultation with executives to ensure their commitment. The measures are tailored to the areas of each executive's involvement and over which they have control. They are based on company performance targets, and at the same time, these KPIs are aligned to reflect the common corporate goals such as growth in earnings and shareholders' wealth, and achievement of working capital targets. Performance against the KPIs is assessed annually by the Remuneration and Nomination Committee and recommendations for payments determined following the end of the financial year.

The table below sets out the economic entity's key shareholder indicators for the past 5 financial years:

	2020	2019	2018	2017	2016
Dividends paid (cents per share)	-	-	-	-	-
Closing share price at 30 June (\$)	\$0.055	\$0.10	\$0.16	\$0.15	\$0.125
Net profit/(loss) after tax (\$'000)	784	(1,332)	(143)	(634)	237

Details of Remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the economic entity are set out in the following tables.

The key management personnel of the economic entity includes the following:

Name	Position	Name	Position
P Wallace	Non-Executive Chairman	R Glasson	Group COO, Company Secretary
P Amos	Group Managing Director	R Neale	General Manager, Lifestyle Entertainment
T Amos	Non-Executive Director	R Caston	General Manager, Broadcast & Professional
E Goodwin	Non-Executive Director Resigned: February 2020		
D Swift	Non-Executive Director		
S Carlini	Non-Executive Director Appointed: March 2020		

Key management personnel are those directly accountable to the Managing Director and the Board and responsible for the operational management and strategic direction of the Company.

The nature and amount of each major element of the remuneration of each director of the economic entity and each of the key management personnel of the parent and the economic entity for the financial year are set out in the following tables.

REMUNERATION REPORT (continued)

Elements of Remuneration

	Short-term employment benefits		Post employment benefits	Long-term employment benefits	Share based payments			
2020	Salary fees and leave	Cash Bonus	Superannuation	LSL accrued/ (taken)	Options	Total	% Performance Related	% Relating to Options
Directors	\$	\$	\$	\$	\$	\$		
P Amos	379,027	-	25,000	7,066	1,119	412,212	0.0%	0.3%
P Wallace	53,211	-	5,055	-	-	58,266	0.0%	0.0%
T Amos	31,041	-	2,949	-	-	33,990	0.0%	0.0%
E Goodwin*	24,083	-	2,288	-	-	26,371	0.0%	0.0%
S Carlini**	6,957	-	661	-	-	7,618	0.0%	0.0%
D Swift	9,782	-	25,193	-	-	34,975	0.0%	0.0%
	504,101	-	61,146	7,066	1,119	573,432	0.0%	0.2%
Executives								
R Glasson	190,689	50,000	22,443	3,709	-	266,841	18.7%	0.0%
R Caston	203,494	24,700	24,875	3,517	-	256,586	9.6%	0.0%
R Neale	253,151	19,500	23,026	3,103	-	298,780	6.5%	0.0%
	647,334	94,200	70,344	10,329	-	822,207	11.5%	0.0%

(1) On 15 March 2020, a cash bonus of \$50,000 was paid to Mr Glasson relating to performance against KPI's. The bonus is 58.8% of the total available to Mr Glasson under his KPI scheme.

(1) On 15 August 2019, a cash bonus of \$24,700 was paid to Mr Caston relating to performance against KPI's. The bonus is 98.8% of the total available to Mr Caston under his KPI scheme.

(2) Quarterly cash bonuses totalling \$19,500 were paid to Mr Neale relating to performance against KPI's. The bonuses are 97.5% of the total available to Mr Neale under his KPI scheme.

* E Goodwin resigned February 2020.

** S Carlini appointed March 2020.

	Short-term employment benefits		Post employment benefits	Long-term employment benefits	Share based payments			
2019	Salary fees and leave	Cash Bonus	Superannuation	LSL accrued/ (taken)	Options	Total	% Performance Related	% Relating to Options
Directors	\$	\$	\$	\$	\$	\$		
P Amos	360,250	-	25,000	3,797	2,553	391,600	0.0%	0.7%
P Wallace	55,046	-	5,229	-	-	60,275	0.0%	0.0%
T Amos	32,111	-	3,051	-	-	35,162	0.0%	0.0%
E Goodwin	32,111	-	3,051	-	-	35,162	0.0%	0.0%
D Swift	10,119	-	24,961	-	-	35,080	0.0%	0.0%
	489,637	-	61,292	3,797	2,553	557,279	0.0%	0.5%
Executives								
R Glasson	190,949	-	18,303	1,141	-	210,393	0.0%	0.0%
R Caston	222,585	9,200	22,174	3,516	-	257,475	3.6%	0.0%
R Neale	254,673	20,000	24,908	2,382	-	301,963	6.6%	0.0%
N Lee*	43,480	-	3,331	-	-	46,811	0.0%	0.0%
	711,687	29,200	68,716	7,039	-	816,642	3.6%	0.0%

(1) On 15 September 2018, a cash bonus of \$9,200 was paid to Mr Caston relating to performance against KPI's. The bonus is 92% of the total available to Mr Caston under his KPI scheme.

(2) Quarterly cash bonuses totalling \$20,000 were paid to Mr Neale relating to performance against KPI's. The bonuses are 100% of the total available to Mr Neale under his KPI scheme.

* N Lee resigned December 2018.

REMUNERATION REPORT (continued)

Service agreements

An executive agreement exists between Peter Amos, the Managing Director, and Amber Technology Limited. This agreement provides that Mr Amos, for a period of 12 months from the date of termination, will not engage in activities in competition with the Amber Group. There is a notice period by either party of 12 months.

The agreement commenced on 31 May 1999 and continues indefinitely. In the event that the company was to exercise its right to terminate the contract, the current payout value would be \$380,000 (2019: \$380,000).

Share based compensation

The company has adopted an Employee Share Option Plan (ESOP). The Board of Directors may determine the executives and eligible employees who are entitled to participate in the ESOP.

The options issued under the ESOP will expire 5 years after the issue date, or earlier on any of the following events:

- a the eligible employee is dismissed with cause or has breached a restriction contained in his/her employment contract;
- b the eligible employee dies while in the employ of the Company;
- c the eligible employee is made redundant by the Company;
- d the eligible employee's employment with the Company is voluntarily terminated by the eligible employee; or
- e the eligible employee's employment terminates by reason of normal retirement.

The total number of shares reserved for issuance under the ESOP, together with shares reserved for issuance under any other Option Plan, shall not exceed 5% of the diluted ordinary share capital in the Company (comprising all Shares, all Options issued under the ESOP and under any other Option Plan, and all other convertible issued securities).

The ESOP provides the Board with the ability to determine the exercise price of the options, the periods within which the options may be exercised, and the conditions to be satisfied before the option can be exercised.

The ESOP provides for adjustments in accordance with ASX Listing Rules if there is a capital reconstruction, a rights issue or a bonus issue.

Options previously granted as remuneration which remain exercisable at year end are set out below.

	Balance at beginning	Balance at end of year
P Amos	166,666	166,666

During the financial year, nil options vested with key management personnel (2019: Nil). None of these options were exercised (2019: Nil).

In relation to bonus issues, each outstanding option confers on the option holder the right to receive, on exercise of those outstanding options, not only one share for each of the outstanding options exercised but also the additional shares the option holder would have received had the option holder participated in that bonus issue as a holder of ordinary shares.

REMUNERATION REPORT (continued)

Interests of Directors

At the date of this report the following interests were held by directors:

Director	Ordinary Shares	
	2020	2019
P Wallace	2,341,878	486,528
P Amos	4,768,388	4,313,843
T Amos	7,214,925	5,484,625
D Swift	3,086,735	2,995,826
S Carlini	28,065,287	-

Voting and Comments made at the Company's 2019 Annual General Meeting ('AGM')

The Company received 92% of "for" votes in relation to its remuneration report for the year ended 30 June 2019. No issues were raised with Directors concerning the Report.

This concludes the Remuneration Report which has been audited.

DIVIDENDS

On 31 August 2020 the Board of Ambertech resolved to pay a final dividend of 0.3 cents per share, fully franked. The record date for the dividend is 1 October 2020, with a payment date of 19 October 2020.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit and Risk Management Committee Meetings		Nomination and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
P Wallace	10	10	3	3	2	2
P Amos	10	10	-	-	-	-
T Amos	10	10	-	-	-	-
E Goodwin	5	7	3	3	-	-
D Swift	8	10	-	-	2	2
S Carlini	3	3	-	-	-	-

NON-AUDIT SERVICES

BDO continues in office in accordance with section 327 of the *Corporations Act 2001*. The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 17 July 2020.

It is the economic entity's policy to employ BDO East Coast Partnership, BDO Audit Pty Ltd and their respective related entities (BDO) for assignments additional to their annual audit duties, when BDO's expertise and experience with the economic entity are important. During the year these assignments comprised primarily tax compliance assignments. The Board of Directors is satisfied that the auditors' independence is not compromised as a result of providing these services because:

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- None of the services undermines the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditors' own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing economic risks and rewards.

During the year fees that were paid or payable for services provided by the auditor of the parent entity and its related practices are disclosed at note 29.

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

INDEMNIFICATION OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

ROUNDING

The company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that *Corporations Instrument* to the nearest thousand dollars, or in certain cases, the nearest dollar.

Signed in accordance with a resolution of directors.



Director:

P F Wallace



P A Amos

Dated this 31st day of August 2020.

Sydney

DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF AMBERTECH LIMITED

As lead auditor of Ambertech Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ambertech Limited and the entities it controlled during the financial year.



Martin Coyle
Director

BDO Audit Pty Ltd

Sydney, 31 August 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Ambertech Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ambertech Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 report, 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 2020 and of its financial performance for the year ended on that date; 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 in 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 of 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.

Going concern

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
Note 2 of the financial report outlines the basis of preparation of the financial statements which indicates being prepared on a going concern basis which contemplates that the Group will continue to meet its commitments in the ordinary course of business. The going concern assessment is largely based on forecasts which include assumptions about future cash flows which are uncertain in timing and amounts. Due to this factor and the continued uncertainty caused by the COVID-19 pandemic, we considered this area to be a key audit matter.	Our audit procedures for addressing this key audit matter included, but were not limited to, the following: • Obtaining and evaluating management's assessment of the Group's ability to continue as a going concern. • Reviewing management's assumptions in the cash flow forecasts to assess whether current cash levels along with expected cash inflows and expenditure can sustain the operations of the Group for a period of at least 12 months from the date of authorisation of the financial report. • Performing sensitivity analysis on the assumptions within the cash flow forecasts.

Revenue recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
As disclosed in Note 3, the Group recognised revenue of \$58,720,000 during the financial year ended 30 June 2020 (2019: \$57,178,000). The recognition of revenue was considered a key audit matter as it's a key performance indicator to the Group's management and of high interest to the users of the financial report.	Our audit procedures for addressing this key audit matter included, but were not limited to, the following: • Assessing the revenue recognition policies for all material sources of revenue to ensure compliance with AASB 15: <i>Revenue from Contracts with Customers</i>. • Analysing revenues and gross margins by segment and by product group in comparison to the prior period, budget and our expectations.

- Testing the operating effectiveness of internal controls surrounding the existence and occurrence of revenues including performing substantive testing on the appropriate recognition of customer rebates.
- Performing detailed cut-off testing to ensure that revenue transactions around the year end had been recorded in the correct period.

Valuation of inventory

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
As at 30 June 2020, the Group held inventory of \$16,916,000 (2019: \$13,629,000), as disclosed in Note 7. Due to the nature of the industry in which the Group operates and the judgements applied by Management in assessing net realisable value ('NRV') along with the significance of the inventory balance in the Consolidated Statement of Financial Position, we considered this area to be a key audit matter.	Our audit procedures for addressing this key audit matter included, but were not limited to, the following: • Agreeing a sample of inventory items on hand to initial purchase invoices and subsequent sales invoices to ascertain whether inventory was being recognised at the lower of cost and NRV. • Assessing the assumptions applied by Management in determining the provision for obsolescence in comparison to recent sales experience and the ageing of inventory. • Analysing inventory turnover by product group in comparison to prior period and to expectations. • Performing inventory turnover and gross margin analysis by product group in comparison to prior periods and our expectations. • Attending cyclical inventory counts and assessing, by inspection, whether there was any evidence of damaged or obsolete inventory.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Annual Report to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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 ability of the Group 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 has no realistic alternative but to do so.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report under the heading 'Remuneration Report' for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Ambertech Limited, for the year ended 30 June 2020, 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.

BDO Audit Pty Ltd



Martin Coyle
Director

Sydney, 31 August 2020

AMBERTECH LIMITED AND CONTROLLED ENTITIES
ACN 079 080 158
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

		Economic Entity	
	Note	2020 \$'000	2019 \$'000
Revenue	3	58,720	57,178
Cost of sales	4	(40,478)	(41,618)
Gross profit		18,242	15,560
Other income	3	369	-
Employee benefits expense	4	(10,926)	(10,283)
Distribution costs		(1,408)	(1,405)
Marketing costs		(388)	(528)
Premises costs		(367)	(1,982)
Depreciation and amortisation expenses	4	(1,358)	(447)
Finance costs	4	(1,467)	(592)
Travel costs		(391)	(535)
Other expenses		(1,132)	(1,085)
Acquisition and restructure costs		(705)	-
Profit/(loss) before income tax	4	469	(1,297)
Income tax benefit/(expense)	5	315	(35)
Profit/(loss) after income tax		784	(1,332)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(61)	66
Other comprehensive income for the year, net of tax		(61)	66
Total comprehensive income for the year		723	(1,266)
Earnings per share			
Basic earnings/(loss) per share (cents)	27	1.4	(4.4)
Diluted earnings/(loss) per share (cents)	27	1.4	(4.4)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

AMBERTECH LIMITED AND CONTROLLED ENTITIES
ACN 079 080 158
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		Economic Entity	
	Note	2020 \$'000	2019 \$'000
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	25	989	1,207
Trade and other receivables	6	14,397	11,249
Inventories	7	16,916	13,629
TOTAL CURRENT ASSETS		32,302	26,085
NON-CURRENT ASSETS			
Plant and equipment	9	717	875
Right-of-use assets	10	6,407	-
Intangible assets	11	1,068	61
Deferred tax assets	5	2,652	1,213
TOTAL NON-CURRENT ASSETS		10,844	2,149
TOTAL ASSETS		43,146	28,234
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Trade and other payables	12	10,437	10,417
Other financial liabilities	14	4,770	5,608
Contract Liabilities	13	3,331	1,580
Lease liabilities	15	938	-
Provisions	16	2,194	1,764
TOTAL CURRENT LIABILITIES		21,670	19,369
NON-CURRENT LIABILITIES			
Contract Liabilities	13	174	-
Provisions	16	179	88
Lease liabilities	15	9,408	-
Deferred tax liabilities	5	38	19
TOTAL NON-CURRENT LIABILITIES		9,799	107
TOTAL LIABILITIES		31,469	19,476
NET ASSETS		11,677	8,758
<u>EQUITY</u>			
Share capital	17	15,915	11,138
Reserves	18	(2)	58
Accumulated losses		(4,236)	(2,438)
TOTAL EQUITY		11,677	8,758

The consolidated statement of financial position is to be read in conjunction with the attached notes.

AMBERTECH LIMITED AND CONTROLLED ENTITIES
ACN 079 080 158
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Note	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Share Based Payments Reserve \$'000	Accumulated losses \$'000	Total Equity \$'000
Economic Entity						
Balance as at 30 June 2018		11,138	(14)	4	(1,106)	10,022
Loss for the year		-	-	-	(1,332)	(1,332)
Exchange differences on translation of foreign operations		-	66	-	-	66
Total comprehensive income for the year		-	66	-	(1,332)	(1,266)
Transactions with equity holders:						
Costs of share based payments		-	-	2	-	2
Balance as at 30 June 2019		11,138	52	6	(2,438)	8,758
Restatement on adoption of AASB 16 leases	2	-	-	-	(2,582)	(2,582)
Balance after adjustment 1 July 2019		11,138	52	6	(5,020)	6,176
Profit for the year		-	-	-	784	784
Exchange differences on translation of foreign operations		-	(61)	-	-	(61)
Total comprehensive income for the year		-	(61)	-	784	723
Transactions with equity holders:						
Share issue net of transaction cost	17	4,777	-	-	-	4,777
Costs of share based payments		-	-	1	-	1
Balance as at 30 June 2020		15,915	(9)	7	(4,236)	11,677

The consolidated statement of changes in equity is to be read in conjunction with the attached notes.

AMBERTECH LIMITED AND CONTROLLED ENTITIES
ACN 079 080 158
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		Economic Entity	
		2020	2019
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		63,783	60,703
Receipts from government grants		678	-
Payments to suppliers and employees		(57,189)	(56,181)
Interest received		13	16
Interest and other costs of finance paid		(1,467)	(592)
Goods and services tax remitted		(4,491)	(4,426)
Net cash provided by/(used in) operating activities	25	<u>1,327</u>	<u>(480)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(200)	(51)
Payment for the acquisition of business	31	<u>(4,611)</u>	<u>-</u>
Net cash used in investing activities		<u>(4,811)</u>	<u>(51)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		24	1,221
Repayment of borrowings		(861)	(346)
Repayment of leases		(656)	-
Proceeds from share issue		<u>4,777</u>	<u>-</u>
Net cash provided by financing activities		<u>3,284</u>	<u>875</u>
Net (decrease)/increase in cash and cash equivalents held		(200)	344
Cash and cash equivalents at beginning of year		1,207	859
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies at the beginning of the financial year		<u>(18)</u>	<u>4</u>
Cash and cash equivalents at end of year	25	<u>989</u>	<u>1,207</u>

The consolidated statement of cash flows is to be read in conjunction with the attached notes.

NOTE 1: INTRODUCTION

The financial statements cover the economic entity consisting of Ambertech Limited and its controlled entities. Ambertech Limited is a company limited by shares, incorporated and domiciled in Australia.

Operations and principal activities

Ambertech Limited is a distributor of high technology equipment to the professional broadcast, film, recording and sound reinforcement industries and of consumer audio and video products in Australia and New Zealand.

Currency

The financial statements are presented in Australian dollars and rounded to the nearest one thousand dollars.

Registered office

Unit 1, 2 Daydream Street, Warriewood NSW 2102.

Authorisation of financial statements

The financial statements were authorised for issue on 31 August 2020 by the Directors. The company has the power to amend the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Overall Policy

The principal accounting policies adopted in the preparation of these consolidated financial statements are stated in order to assist in a general understanding of the financial statements. These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for profit oriented entities. The financial statements have been prepared under the historic cost convention.

Statement of Compliance

The financial statements comply with Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the economic entity comply with International Financial Reporting Standards (IFRS).

Going Concern

The consolidated financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

During the financial year, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus outbreak (COVID-19) and the risks to the international community as the virus spread globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The COVID-19 pandemic has caused large scale disruption and adverse economic conditions, the impact of which continues to evolve as at the date of authorisation of the Group's financial statements. Whilst the pandemic has impacted most sectors of the economy in different ways (both positive and negative), the Group's operations were most notably effected by a reduction in sales over the last quarter of the financial year. Despite this reduction in turnover, Management were able to successfully implement various operating efficiencies and manage the working capital position of the Group, the impact of which resulted in the Group recognising profit after income tax of \$784,000 (2019: loss of \$1,332,000) and net operating cash inflows of \$1,327,000 (2019: cash outflows of \$480,000).

Notwithstanding the degree of uncertainty that the COVID-19 pandemic continues to pose on the national economy, the Directors believe that there are reasonable grounds to conclude that the Group will continue as a going concern, after consideration of the following factors:

- Management have prepared forecasts for the 12 months following date of approval of the financial report, which indicate that the Group can continue to pay its debts as and when they become due and payable;
- On 9 July 2020, the Group successfully entered into a new agreement in relation to a two year finance facility for up to \$9,000,000 in invoice discounting and \$1,000,000 in trade finance as disclosed in note 14;

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- The Group is expecting to achieve additional positive future cash flows following the acquisition of the Hills Audio Visual business during the year;
- Whilst COVID-19 impacted on sales in the last quarter of the year, trading has since returned to more normal levels;
- In the event of continuing business challenges associated with the COVID-19 pandemic, management are confident in being able to manage working capital through the pursuit of operating efficiencies, re-negotiating financing facilities and accessing JobKeeper extensions where eligible.

New, revised or amending Accounting Standards and Interpretations adopted

The economic entity has adopted all of the new, revised or amending Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following new Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

	1 July 2019 \$'000
Operating lease commitments as at 1 July 2019 (AASB 117)	5,519
Lease option extension (AASB 16)	8,906
Operating lease commitments discount based on the weighted average incremental borrowing rate of 6.45% (AASB 16)	(3,429)
Short-term leases not recognised as a right-of-use asset (AASB 16)	(12)
Accumulated depreciation as at 1 July 2019 (AASB 16)	(3,689)
Right-of-use assets (AASB 16)	<u>7,295</u>
Lease liabilities - current (AASB 16)	(834)
Lease liabilities - non-current (AASB 16)	(10,150)
Tax effect on the above adjustments	<u>1,107</u>
Reduction in opening retained earnings as at 1 July 2019	<u><u>(2,582)</u></u>

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A) Overall Policy (continued)

The impact on the adoption of AASB 16 on profit or loss for the period was an increase in finance costs of \$680,000 and depreciation charges of \$906,000, offset by a reduction in operating rental expenses of \$1,336,000. The impact on the statement of cash flows was a \$656,000 increase in operating cash inflows relating to the principal component of lease payments now disclosed in financing cash flows.

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

Other new accounting standards that have been published but are not mandatory for the 30 June 2020 reporting period are as set out below:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

B) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

C) Government Grants

Government grants are recognised as income when it is reasonably certain that the Group complies the conditions attached to them and when the right to receive payment is established. The Group has elected to recognise grant income as an offset to the directly attributable expenditure in the financial statements.

Economic Entity	
2020	2019
\$'000	\$'000

NOTE 3: REVENUE

A) Revenue

- Sale of goods	54,549	53,930
- Rendering of services	4,158	3,232
- Interest received	13	16
	<u>58,720</u>	<u>57,178</u>

Revenue Recognition

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of goods and services to entities outside the economic entity.

Sale of goods

Revenue from the sale of goods is recognised at a point in time when control transfers to the customer. In most cases this coincides with the transfer of legal title, or the passing of possession to the customer. In arrangements whereby the consolidated entity is required to meet contractually agreed upon specifications, control over the goods generally occurs when the customer has confirmed acceptance.

Rendering of services

Revenue from the rendering of services is recognised at the point in time in which the service is provided to the customer. Maintenance and support contracts usually extend for one year. Revenue in respect to these services are generally recognised overtime as the customer simultaneously receives and consumes the benefits of the services as the Group provides the services. Where amounts are invoiced before revenue is earned, a deferred revenue liability is brought to account. These contract liabilities reflect the consideration received in respect of unsatisfied performance obligations.

Interest revenue

Interest revenue is recognised as it accrues using the effective interest method.

B) Other income

- Net foreign exchange gains	<u>369</u>	<u>-</u>
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NOTE 4: EXPENSES

Additional information on the nature of expenses

A) Inventories

Cost of sales	<u>40,478</u>	<u>41,618</u>
Movement in provision for inventory obsolescence	<u>288</u>	<u>(132)</u>

B) Employee benefits expense

Salaries and wages*	10,006	9,156
Defined contribution superannuation expense	862	778
Employee termination expense	57	346
Share-based payments expense	<u>1</u>	<u>3</u>
	<u>10,926</u>	<u>10,283</u>

* Salaries and wages for the year is net of \$1,101,750 in Government grants which was provided as a result of the COVID-19 pandemic.

	Economic Entity	
	2020	2019
	\$'000	\$'000
NOTE 4: EXPENSES (continued)		
C) Depreciation		
Plant and equipment	95	95
Furniture and fittings	166	180
Leasehold improvements	143	139
Leased property plant and equipment	15	16
Buildings right-of-use assets	875	-
Plant and equipment right-of-use assets	31	-
	<u>1,325</u>	<u>430</u>
D) Amortisation		
Website costs	17	17
Customer/Supplier Relationships	16	-
	<u>33</u>	<u>17</u>
E) Bad debts and expected credit losses	<u>31</u>	<u>(1)</u>
F) Rental expense on operating leases:		
Minimum lease payments	<u>12</u>	<u>1,503</u>
G) Finance costs		
Interest and finance charges paid/payable on borrowings	787	592
Interest and finance charges paid/payable on lease liabilities	680	-
	<u>1,467</u>	<u>592</u>
NOTE 5: INCOME TAX		
A) Major components of income tax		
Deferred tax	(315)	35
Income tax (benefit)/expense	<u>(315)</u>	<u>35</u>
B) Reconciliation between income tax and prima facie tax on accounting profit/(loss)		
profit/(loss) before income tax	<u>469</u>	<u>(1,297)</u>
Tax at 30% (2019:30%)	141	(389)
Tax effect of non deductible expenses/non assessable income		
- Entertainment	12	15
- Other items	(7)	2
Recognition of movements in deferred tax	(307)	-
Unused tax losses not recognised as deferred tax assets	(154)	407
Income tax (benefit)/expense	<u>(315)</u>	<u>35</u>
C) Applicable tax rate		
The applicable tax rate is the national tax rate in Australia of 30%.		

Economic Entity	
2020	2019
\$'000	\$'000

NOTE 5: INCOME TAX (continued)

D) Analysis of deferred tax assets

Employee benefits	623	459
Plant and equipment	352	297
Right-of-use assets	(1,921)	-
Lease Liability	3,103	-
Accrued expenses	23	104
Provision for impairment of receivables	27	18
Provision for obsolescence	277	190
Provision for warranty	51	46
Inventory	80	63
Other	37	36
	<u>2,652</u>	<u>1,213</u>

E) Analysis of deferred tax liabilities

Unrealised foreign currency gain	34	11
Other	4	8
	<u>38</u>	<u>19</u>

F) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

G) Tax consolidated group

Ambertech Limited and its Australian wholly owned controlled entities have implemented the tax consolidation legislation.

The head entity, Ambertech Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a 'stand-alone taxpayer' in its own right.

NOTE 5: INCOME TAX (continued)

Current tax liabilities/assets and deferred tax assets arising from unused tax losses and tax credits are immediately transferred to the head entity. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement will be recognised as either a contribution by, or distribution to the head entity.

H) Tax Losses

In order to recognise a deferred tax asset relating to tax losses, the Directors must be satisfied that forecast results provide sufficient evidence that the economic entity will be able to utilise tax losses against future taxable profits of the economic entity. As a general rule, Directors will consider forecast results over a three year period as a guide to determining the recoverability of the asset.

In 2015 the board determined that it could no longer justify the recognition of a deferred tax asset resulting from accumulated tax losses. At balance date, total Australian unused tax losses available amounted to \$1,070,784 (2019: \$1,419,434). The potential tax benefit of these losses at 30% is \$321,235 (2019: \$425,830).

Economic Entity	
2020	2019
\$'000	\$'000

NOTE 6: TRADE AND OTHER RECEIVABLES

Current

Trade receivables	11,490	10,009
Allowance for expected credit losses	(90)	(61)
	<u>11,400</u>	<u>9,948</u>
Other receivables	1,942	1,088
Prepayments	373	213
Deposits paid on goods to be delivered	682	-
	<u>14,397</u>	<u>11,249</u>

A) Current trade receivables are non-interest bearing loans, generally between 30 and 60 day terms.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit loss.

B) An allowance for expected credit losses (ECLs) is required when a difference arises between the contracted cashflows and the amount expected to be received, discounted at the original effective interest rate.

For trade receivables, a simplified approach is applied in calculating the ECLs. Loss allowances recognised are based on lifetime ECLs at each reporting date. This is established from historical credit losses, adjusted for forward looking factors specific to the receivable.

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the amount of expected credit losses has increased since the previous corresponding period.

C) Movement in the allowance for expected credit losses is as follows:

Current trade receivables

Opening balance	61	101
Charge for the year	31	(2)
Amounts written off	(2)	(38)
Closing balance	<u>90</u>	<u>61</u>

D) The economic entity's exposure to credit risk and impairment losses related to trade and other receivables is disclosed at note 26.

	Economic Entity	
	2020 \$'000	2019 \$'000
NOTE 7: INVENTORIES		
Current		
Finished goods	15,826	12,641
Stock in transit	2,016	1,628
	<u>17,842</u>	<u>14,269</u>
Provision for obsolescence	(926)	(640)
	<u>16,916</u>	<u>13,629</u>

A) Inventories

Inventories include finished goods and stock in transit and are measured at the lower of weighted average cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

B) Provision for impairment of inventories

Movement in the provision for obsolescence is as follows:

Opening balance	640	772
Charge for the year	873	352
Amounts written off	<u>(587)</u>	<u>(484)</u>
Closing balance	<u>926</u>	<u>640</u>

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

NOTE 8: CONTROLLED ENTITIES

Entity	Country of Incorporation	Percentage Owned	
		2020	2019
Parent Entity			
- Ambertech Limited	Australia		
Subsidiaries of Ambertech Limited			
- Amber Technology Limited	Australia	100%	100%
Subsidiaries of Amber Technology Limited			
- Alphan Pty Limited	Australia	100%	100%
- Amber Technology (NZ) Limited	New Zealand	100%	100%

A controlled entity is any entity controlled by Ambertech Limited. Control exists where Ambertech Limited is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity so that the other entity operates with Ambertech Limited to achieve the objectives of Ambertech Limited.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

NOTE 9: PLANT AND EQUIPMENT

Non-Current

A) Carrying amounts

	Cost		Accumulated depreciation		Net carrying amount	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Economic Entity						
Plant and equipment	1,628	1,487	(1,402)	(1,332)	226	155
Furniture and fittings	937	943	(820)	(661)	117	282
Leasehold improvements	1,499	1,416	(1,154)	(1,022)	345	394
Leased plant and equipment	171	171	(142)	(127)	29	44
Total plant and equipment	<u>4,235</u>	<u>4,017</u>	<u>(3,518)</u>	<u>(3,142)</u>	<u>717</u>	<u>875</u>

B) Reconciliation of carrying amounts:

	Plant and equipment	Furniture and fittings	Leasehold improvements	Leased plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2020					
Balance at the beginning of the year	155	282	394	44	875
Additions	106	1	94	-	201
Additions on acquisition of HAV	60	-	-	-	60
Depreciation and amortisation expense	(95)	(166)	(143)	(15)	(419)
Carrying amount at the end of the year	<u>226</u>	<u>117</u>	<u>345</u>	<u>29</u>	<u>717</u>
2019					
Balance at the beginning of the year	200	464	531	59	1,254
Additions	50	-	1	-	51
Depreciation and amortisation expense	(95)	(182)	(138)	(15)	(430)
Carrying amount at the end of the year	<u>155</u>	<u>282</u>	<u>394</u>	<u>44</u>	<u>875</u>

C) Recognition and measurement

Plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

D) Depreciation of property, plant and equipment

Plant and equipment is depreciated over its estimated useful life taking into account estimated residual values. The straight line method is used.

NOTE 9: PLANT AND EQUIPMENT

Non-Current (continued)

D) Depreciation of property, plant and equipment (continued)

Plant and equipment is depreciated from the date of acquisition or, in respect of leasehold improvements, from the time the asset is completed and ready for use. The depreciation rates used for each class of plant and equipment remain unchanged from the previous year and are as follows:

<u>Class of Asset</u>	<u>Useful life</u>
Plant and equipment	3-8 years
Furniture and fittings	3-8 years
Leasehold improvements	Term of the lease
Leased plant and equipment	Term of the lease

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the plant and equipment or cash generating units to which the plant and equipment belong are written down to their recoverable amount.

NOTE 10: RIGHT-OF-USE ASSETS

Non-Current

	Economic Entity	
	2020 \$'000	2019 \$'000
Land and buildings - right-of-use	7,216	-
Less: Accumulated amortisation	(875)	-
	<u>6,341</u>	<u>-</u>
Plant and equipment - right-of-use	97	-
Less: Accumulated amortisation	(31)	-
	<u>66</u>	<u>-</u>
	<u>6,407</u>	<u>-</u>

2020	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Balance on adoption of AASB 16 (note 2A)	7,239	56	7,295
Additions	-	41	41
Modifications	(23)	-	(23)
Amortisation	<u>(875)</u>	<u>(31)</u>	<u>(906)</u>
Balance at the end of the year	<u>6,341</u>	<u>66</u>	<u>6,407</u>

Land and buildings – right-of-use

The land and buildings right of use asset related to a lease for the consolidated entities property lease for its premises at Unit 1, 2 Daydream Street, Warriewood NSW 2102. The lease has a lease term of 10 years and 9 months commencing 14 April 2012 with rent payable monthly. An option exists to renew the lease at the end of this time for an additional term of 5 years with a final expiry date being 13 January 2028. As at 30 June 2020 it is reasonably certain that the consolidated entity will exercise this option to extend the lease and this has been included in the lease term. The lease has rent increases by 3.75% each year and has a market rent increase in April each year.

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

NOTE 10: RIGHT-OF-USE ASSETS

Non-Current (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Key Estimate and Judgement: Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date.

Factors considered may include the importance of the asset to the Groups operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

NOTE 11: INTANGIBLE ASSETS

Non-Current

Net carrying amounts and movements during the year

	Economic Entity	
	2020	2019
	\$'000	\$'000
Goodwill at cost	3,760	2,970
Less impairment	(2,970)	(2,970)
	<u>790</u>	<u>-</u>
Website at cost	85	85
Less accumulated amortisation	(41)	(24)
	<u>44</u>	<u>61</u>
Brand name	100	-
Less impairment	-	-
	<u>100</u>	<u>-</u>
Customer/Supplier relationships	150	-
Less accumulated amortisation	(16)	-
	<u>134</u>	<u>-</u>
	<u>1,068</u>	<u>61</u>

Reconciliation of written down values:	Goodwill	Website	Brand name	Customer/Supplier relationships	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2019	-	61	-	-	61
Additions	790	-	100	150	1,040
Impairment	-	-	-	-	-
Amortisation expense	-	(17)	-	(16)	(33)
Closing balance at 30 June 2020	<u>790</u>	<u>44</u>	<u>100</u>	<u>134</u>	<u>1,068</u>

NOTE 11: INTANGIBLE ASSETS

Non-Current (continued)

Recognition and measurement

A) Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment. Goodwill is allocated to cash generating units and is not subject to amortisation, but tested annually for impairment.

Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

B) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The consolidated entity determined the recoverable amount of assets based on a value-in-use calculation, using cash flow projections based on financial budgets approved by management covering a five-year period. The following assumptions have been applied by management in the 30 June 2020 calculation of value-in-use based on past performance and expectations for the future:

- Annual sales growth of between 5% - 8% over the five-year forecast period
- Terminal value factor of 1.78
- Post-tax discount rate of 12.20%

Management have performed sensitivity analysis and assessed reasonable changes for key assumptions and have not identified any instances that could cause the carrying amount of the consolidated entity's assets to exceed its recoverable amount.

If there is evidence of impairment for any of the company's assets, the loss is measured as the difference between the asset's carrying amount and the recoverable amount. The loss is recognised in the statement of profit or loss and other comprehensive income.

C) Website Costs

Significant costs associated with website costs are deferred and amortised on a straight-line basis over the period of their expected benefit, being a finite life of 5 years.

D) Customer/Supplier Relationships

Significant costs associated with customer/supplier costs on acquisition are deferred and amortised on a straight-line basis over the period of their expected benefit, being a finite life of 5 years.

E) Brand Names

Brand names have an indefinite useful life and are not subject to amortisation but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

	Economic Entity	
	2020	2019
	\$'000	\$'000
NOTE 12: TRADE AND OTHER PAYABLES		
Current		
Trade accounts payable	7,984	7,167
Other accounts payable	2,453	3,250
	<u>10,437</u>	<u>10,417</u>

These amounts represent liabilities for goods and services provided to the economic entity prior to the end of financial year which are unpaid. Due to their short term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Amounts payable in foreign currencies:

Trade accounts payable:		
- US Dollars	3,020	4,432
- British Pounds	227	583
- Euro	378	405
- Swiss Francs	552	558
- New Zealand Dollars	465	581
	<u>4,642</u>	<u>6,559</u>

NOTE 13: CONTRACT LIABILITIES

Current		
Deferred Revenue	3,331	1,580
Non Current		
Deferred Revenue	174	-
	<u>3,505</u>	<u>1,580</u>

NOTE 14: OTHER FINANCIAL LIABILITIES

Current		
Debtor finance	4,538	5,414
Business transaction facility	232	194
	<u>4,770</u>	<u>5,608</u>

Details of the economic entity's exposure to interest rate changes on other financial liabilities is outlined in note 26. The fair value of the financial liabilities approximates their carrying value.

A) Debtor finance

On 9 July 2020, the economic entity entered into an agreement with Octet finance Pty Ltd in relation to a new two year invoice discounting solution. The facility has approval up to \$9,000,000. The Scottish Pacific Business Finance Facility will be paid out using funds from this new facility in September 2020. The economic entity did not breach any covenants during the financial year.

B) Business transaction facility

On 9 July 2020 the economic entity entered into an agreement with Octet Finance Pty Ltd to extend the Business Transaction Facility with an increased limit of \$1,000,000 with no fixed term. As at 30 June 2020, the amount drawn under this facility was \$231,653.

C) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are expensed.

AMBERTECH LIMITED AND CONTROLLED ENTITIES
ACN 079 080 158
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: LEASE LIABILITIES

	Economic Entity	
	2020	2019
	\$'000	\$'000
Current		
Lease liabilities	938	-
Non Current		
Lease liabilities	9,408	-

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Key Estimate and Judgement: Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

NOTE 16: PROVISIONS

Current

Service warranty	297	321
Employee benefits	1,897	1,443
	<u>2,194</u>	<u>1,764</u>

Non Current

Employee benefits	179	88
	<u>179</u>	<u>88</u>

A) Service warranty

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at balance date. These claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

In determining the level of provision required for warranties, the economic entity has made judgements in respect of the expected performance of the product, expected customer claims and costs of fulfilling the conditions of warranty. The provision is based on estimates made from historical warranty costs associated with similar products.

NOTE 16: PROVISIONS (continued)

A) Service warranty (continued)

Movements in provisions, other than employee benefits are set out below:

	Service warranty \$'000
Opening balance at 1 July 2019	321
Additional provision recognised	211
Reductions resulting from payments	(235)
Closing balance at 30 June 2020	<u>297</u>

B) Employee benefits

Short term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due wholly within 12 months after the end of the period in which employee services are rendered. They comprise wages, salaries, commissions, social security obligations, short-term compensation absences and bonuses payable within 12 months and non-mandatory benefits such as car allowances.

The undiscounted amount of short-term employee benefits expected to be paid is recognised as an expense.

Other long-term employee benefits include long-service leave payable 12 months or more after the end of the financial year.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

C) Amounts not expected to be settled within the next twelve months:

The current provisions for annual leave and long service leave include all unconditional entitlements where employees have completed the required period of service. The entire amount is presented as current, since the economic entity does not have an unconditional right to defer settlement. However, based on past experience, the economic entity does not expect all employees to take the full amount of accrued leave or require payment within the next twelve months.

The following amounts reflect leave that is not expected to be taken within the next twelve months:

	Economic Entity	
	2020 \$'000	2019 \$'000
Current annual leave obligation expected to be settled after 12 months	<u>383</u>	<u>268</u>
Current long service leave obligation expected to be settled after 12 months	<u>432</u>	<u>418</u>

NOTE 17: SHARE CAPITAL

	Economic Entity		Economic Entity	
	2020	2019	2020	2019
	Shares	Shares	\$'000	\$'000
A) Ordinary Shares fully paid (no par value)	76,454,995	30,573,181	15,915	11,138
Details	No of shares		\$'000	
Balance 30 June 2019		30,573,181		11,138
Issue of Shares (a)		45,881,814		5,047
Less: Transaction costs in relation to the capital raising (b)				(270)
Balance 30 June 2020		<u>76,454,995</u>		<u>15,915</u>

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Movements in share capital	Date	Shares	Issue Price	Total
		No.	\$	\$
Balance at the start of the financial year		<u>30,573,181</u>		<u>11,138,019</u>
Share capital issued (a)	14/11/2019	4,585,977	0.11	504,457
Share capital issued (a)	16/12/2019	27,204,933	0.11	2,992,543
Share capital issued (a)	16/12/2019	14,090,904	0.11	1,549,999
Less: capital raising costs (b)				<u>(269,835)</u>
Balance at the end of the financial year		<u>76,454,995</u>		<u>15,915,183</u>

(a) On 8 November 2019 Ambertech Limited announced an equity raising in relation to the acquisition of the Audio Visual division of Hills Limited. The raising was done with a combination of a Share Placement and a fully underwritten Share Purchase Plan. Institutional and sophisticated investors, as well as existing shareholders participated in the issue of 45,881,814 shares at an issue price of 11c per share.

(b) Transaction costs deducted from issued capital relating directly to the capital raising.

B) Voting Rights

On a show of hands, one vote for every registered shareholder, and for a poll, one vote for every share held by a registered shareholder.

C) Options

At reporting date, there were 166,666 ordinary shares reserved for issue under options (2019: 500,000)

D) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the year but not distributed at balance date.

	Economic Entity	
	2020	2019
	\$'000	\$'000
NOTE 18: RESERVES		
Foreign currency translation reserve	(9)	52
Share base payments reserve	7	6
	<u>(2)</u>	<u>58</u>

For an explanation of movements in reserve accounts refer to the Statement of Changes in Equity.

Nature and purpose of reserves

A) Foreign currency translation reserve

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at exchange rates prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the exchange rates prevailing at the dates of the transactions.

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment is disposed of.

B) Share Base Payments Reserve

The share based payments reserve is used to recognise the fair value of options issued but not exercised.

NOTE 19: CAPITAL

Capital Commitments

The economic entity had no commitments for capital expenditure as at 30 June 2020 (2019: Nil)

NOTE 20: CONTINGENT LIABILITIES

Estimates of the maximum amounts of contingent liabilities that may become payable:

- Bank guarantee by Amber Technology Limited in respect of Sydney property lease

	Economic Entity	
	2020	2019
	\$'000	\$'000
	612	612
	<u>612</u>	<u>612</u>

No material losses are anticipated in respect of any of the above contingent liabilities.

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

On 9 July 2020, the consolidated entity entered into a new financing facility with Octet Finance Pty Ltd (refer Note 14).

The Directors have resolved to pay a dividend of 0.30 cents per share.

Other than the above, there were no matters that have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations or state of affairs of the economic entity in future financial years.

NOTE 22: RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management personnel comprises directors and other persons having authority and responsibility for planning, directing and controlling the activities of the economic entity.

	Economic Entity	
	2020	2019
	\$	\$
Summary		
- Short term employee benefits	1,245,635	1,230,524
- Post employment benefits	131,490	130,008
- Long term employee benefits	17,395	10,836
- Share-based employee benefits	1,119	2,553
	<u>1,395,639</u>	<u>1,373,921</u>

NOTE 23: SHARE BASED PAYMENT ARRANGEMENTS

On 24 November 2016, 500,000 share options were granted to Managing Director, Peter Amos under the Ambertech Limited Executive Share Option Scheme to take up ordinary shares at an exercise price of \$0.15 each. The options are exercisable on or before 30 November 2021. The options hold no voting or dividend rights and are not transferable.

These options vest as follows:

- (i) One third of the options have vested (tranche 1)
- (ii) Two thirds have lapsed due to failed performance hurdles (tranches 2 and 3)

Vesting subsequent to grant date is also subject to key management personnel meeting specified performance criteria. Further details of these options are provided in the directors' report. The options hold no voting or dividend rights but have been listed. The options lapse when a director ceases their employment with the Group. During the financial year, nil options vested with key management personnel (2019: Nil).

The consolidated entity established the Ambertech Limited Employee Share Option Plan on 5 November 2004 as a long-term incentive scheme to strive for improved group performance. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Group. The number available to be granted is determined by the Board and is based on performance measures including profitability, return on capital employed and dividends.

The options are issued with a strike price representing a discount of 6% to the average market price of the underlying shares determined at the time the shares were granted.

A summary of the movements of all options issued is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 1 July 2019	166,666	\$0.15
Granted	-	-
Foreited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2020	166,666	\$0.15
Options exercisable as at 30 June 2020	166,666	\$0.15
Options exercisable as at 30 June 2019	-	-

The weighted average remaining contractual life of options outstanding at year-end was 0 years. The exercise price of outstanding shares at the end of the reporting period was \$0.15.

The fair value of the options granted to key management personnel is considered to represent the value of the employee services received over the vesting period.

Options issued over ordinary shares are valued using the Black-Scholes pricing model which takes into account the option exercise price, the current level and volatility of the underlying share price, the risk free interest rate, the expected dividends on the underlying share, the current market price of the underlying share and the expected life of the option.

NOTE 23: SHARE BASED PAYMENT ARRANGEMENTS (continued)

The value of the options is recognised in an option reserve until the options are exercised, forfeited or expire.

The weighted average fair value of options granted during the year was nil (2019: Nil). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

- Weighted average exercise price:	\$0.15
- Weighted average life of the option	5 Years
- Expected share volatility	25%
- Risk free interest rate	2%

Historical share price volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

These shares were issued as compensation to key management personnel of the Group. Further details are provided in the directors’ report.

Included under employee benefits expense in the statement of profit or loss is \$1,119, which relates to equity-settled share-based payment transactions (2019: \$5,419).

NOTE 24: SEGMENT REPORTING

(a) Description of segments

Management has determined the operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The economic entity comprises the following operating segments:

Professional	Distribution of high technology equipment to professional broadcast, film, recording and sound reinforcement industries.
Lifestyle Entertainment	Distribution of home theatre products to dealers, distribution and supply of custom installation components for home theatre and commercial installations to dealers and consumers, and the distribution of projection and display products with business and domestic applications.
New Zealand	Distribution of a wide range of quality products for both professional and consumer markets in New Zealand.

(b) Segment information

2020	Professional \$'000	Lifestyle Entertainment \$'000	New Zealand \$'000	Eliminations \$'000	Economic Entity \$'000
Revenue					
- Total segment revenue	24,543	30,973	3,191	-	58,707
- Inter-segment revenue	58	1,096	20	(1,174)	-
Revenue from external customers	<u>24,601</u>	<u>32,069</u>	<u>3,211</u>	<u>(1,174)</u>	<u>58,707</u>
Result					
- Segment EBIT	582	1,032	1	-	1,615
- Unallocated / corporate result					<u>321</u>
- EBIT					1,936
- Interest and finance costs					<u>(1,467)</u>
- Profit before income tax					469
- Income tax benefit					<u>315</u>
- profit for the year					<u>784</u>
Assets					
- Segment Assets	<u>16,825</u>	<u>21,736</u>	<u>1,950</u>	<u>-</u>	40,511
- Unallocated/corporate assets					<u>2,635</u>
- Total assets					<u>43,146</u>
Liabilities					
- Segment Liabilities	<u>9,359</u>	<u>5,441</u>	<u>611</u>	<u>-</u>	15,411
- Unallocated/corporate liabilities					<u>16,058</u>
- Total liabilities					<u>31,469</u>
Other					
- Acquisition of non current segment assets	499	748	95	-	<u>1,342</u>
					<u>1,342</u>
- Depreciation and amortisation of segment assets	474	863	21	-	<u>1,358</u>
					<u>1,358</u>

NOTE 24: SEGMENT REPORTING (continued)

2019	Professional \$'000	Lifestyle Entertainment \$'000	New Zealand \$'000	Eliminations \$'000	Economic Entity \$'000
Revenue					
- Total segment revenue	28,359	25,300	3,503	-	57,162
- Inter-segment revenue	3	798	46	(847)	-
Revenue from external customers	<u>28,362</u>	<u>26,098</u>	<u>3,549</u>	<u>(847)</u>	<u>57,162</u>
Result					
- Segment EBIT	1,139	(1,521)	(80)	-	(462)
- Unallocated / corporate result					(259)
- EBIT					(721)
- Interest revenue					16
- Interest and finance costs					(592)
- Loss before income tax					(1,297)
- Income tax expense					(35)
- Loss for the year					<u>(1,332)</u>
Assets					
- Segment Assets	<u>11,857</u>	<u>12,486</u>	<u>1,631</u>	<u>-</u>	25,974
- Unallocated/corporate assets					2,260
- Total assets					<u>28,234</u>
Liabilities					
- Segment Liabilities	<u>7,475</u>	<u>5,149</u>	<u>513</u>	<u>-</u>	13,137
- Unallocated/corporate liabilities					6,339
- Total liabilities					<u>19,476</u>
Other					
- Acquisition of non current segment assets	18	26	7	-	51
					<u>51</u>
- Depreciation and amortisation of segment assets	115	326	6	-	447
					<u>447</u>

NOTE 24: SEGMENT REPORTING (continued)

(c) Segment information on geographical region

	Segment Revenues from Sales to External Customers		Carrying Amount of Segment Non Current Assets		Acquisition of Non- Current Assets	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Geographical Location						
- Australia	55,516	53,659	8,102	926	1,247	44
- New Zealand	3,191	3,503	90	10	95	7
	<u>58,707</u>	<u>57,162</u>	<u>8,192</u>	<u>936</u>	<u>1,342</u>	<u>51</u>

(i) Carrying amount of segment non current assets

These amounts include all non current assets other than deferred tax assets located in the country of domicile.

(d) Other segment information

(i) Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenues and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories and property, plant and equipment and goodwill. All remaining assets of the economic entity are considered to be unallocated assets. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings.

Segment assets and liabilities do not include income taxes.

(ii) Intersegment Transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity. These transfers are eliminated on consolidation.

(iii) Major Customers

During the year ended 30 June 2020, \$3,752,021 or 6% (2019: \$5,165,810 or 9%) of the consolidated entity's external revenue was derived from sales to a major Australian retailer through the Lifestyle Entertainment segment.

Economic Entity
2020 2019
\$'000 \$'000

NOTE 25: CASH FLOW INFORMATION

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

Cash on hand	3	3
At call deposits with financial institutions	986	1,204
	<u>989</u>	<u>1,207</u>

(ii) Reconciliation of net cash provided by operating activities to (loss) after income tax

Profit/(loss) for the year	784	(1,332)
Depreciation and amortisation	1,358	447
Foreign exchange (gain)/loss	(369)	24
Non-cash share based payments	1	3
Changes in operating assets and liabilities		
Increase in trade and other receivables	(1,978)	(1,419)
Increase in prepayments	(842)	(57)
Increase in inventories	(803)	(288)
Increase in trade and other payables	(538)	581
Increase in contract liabilities	3,505	1,580
Increase/(decrease) in provisions	525	(53)
(Increase)/decrease in deferred taxes	(316)	34
Net cash provided by/(used in) operating activities	<u>1,327</u>	<u>(480)</u>

(iii) Non Cash Financing and Investing Activities

There were no non-cash financing or investing activities during the financial year.

A) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits at call with banks or financial institutions, investments in money market instruments maturing within three months, and bank overdrafts.

NOTE 26: FINANCIAL RISK MANAGEMENT

The economic entity's financial risk management policies are established to identify and analyse the risks faced by the business, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the economic entity's activities.

The economic entity's activities expose it to a wide variety of financial risks, including the following:

- credit risk
- liquidity risk
- market risk (including foreign currency risk and interest rate risk)

This note presents information about the economic entity's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and how the economic entity manages capital.

Liquidity and market risk management is carried out by a central treasury department (Group Treasury) in accordance with risk management policies. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board, through the Audit and Risk Management Committee, oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks.

The economic entity uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes. The economic entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

A) Credit Risk

Credit risk is the risk of financial loss to the economic entity if a customer or the counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the economic entity's receivables from customers. The maximum exposure to credit risk is the carrying amount of the financial assets.

Trade and other receivables

Exposure to credit risk is influenced mainly by the individual characteristics of each customer. The customer base consists of a wide variety of customer profiles. New customers are analysed individually for creditworthiness, taking into account credit ratings where available, financial position, past experience and other factors. This includes major contracts and tenders approved by executive management. Customers that do not meet the credit policy guidelines may only purchase using cash or recognised credit cards. The general terms of trade for the economic entity are between 30 and 60 days.

In monitoring credit risk, customers are grouped by their debtor ageing profile. Monitoring of receivable balances on an ongoing basis minimises the exposure to bad debts.

Expected credit loss allowance

The expected credit loss allowance relates to specific customers, identified as being in trading difficulties, or where specific debts are in dispute. The expected credit loss allowance does not include debts past due relating to customers with a good credit history, or where payments of amounts due under a contract for such customers are delayed due to works in dispute and previous experience indicates that the amount will be paid in due course.

Economic Entity
2020 2019
\$'000 \$'000

NOTE 26: FINANCIAL RISK MANAGEMENT (continued)

The ageing of trade receivables at the reporting date was:

Not past due	6,489	4,615
Past due up to 30 days	3,181	3,032
Past due 31-60 days	750	566
Past due 61 days and over	980	1,735
Total trade receivables not impaired	11,400	9,948
Trade receivables impaired	90	61
Total trade receivables	11,490	10,009

The economic entity does not have other receivables which are past due (2019: Nil).

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the amount of expected credit losses has increased since the previous corresponding period.

B) Liquidity Risk

Liquidity risk is the risk that the economic entity will not be able to meet its financial obligations as they fall due. The economic entity's policy for managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity (cash reserves and finance facilities) to meet its liabilities when due, under both normal and stressed conditions. The objective of the policy is to maintain a balance between continuity of funding and flexibility through the use of finance facilities.

The economic entity monitors liquidity risk by maintaining adequate cash reserves and financing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The table below summarises the maturity profile of the economic entity's financial liabilities based on contractual undiscounted payments:

Contractual Cash Flows

	Within 1 Year \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
2020				
Financial liabilities due for payment				
Trade payable	7,984	-	-	7,984
Other accounts payable	2,453			2,453
Other financial liabilities	5,079	-	-	5,079
Lease liability	1,573	8,639	2,911	13,123
Total expected outflows	17,089	8,639	2,911	28,639
Financial assets - cash flows realisable				
Trade receivables	11,400	-	-	11,400
Total anticipated inflows	11,400	-	-	11,400
Net outflow on financial instruments	(5,689)	(8,639)	(2,911)	(17,239)

NOTE 26: FINANCIAL RISK MANAGEMENT (continued)

	Contractual Cash Flows			
	Within 1 Year \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
2019				
Financial liabilities due for payment				
Trade payable	7,167	-	-	7,167
Other accounts payable	3,250			3,250
Other financial liabilities	5,971	-	-	5,971
Total expected outflows	<u>16,388</u>	<u>-</u>	<u>-</u>	<u>16,388</u>
Financial assets - cash flows realisable				
Trade receivables	9,948	-	-	9,948
Total anticipated inflows	<u>9,948</u>	<u>-</u>	<u>-</u>	<u>9,948</u>
Net outflow on financial instruments	<u>(6,440)</u>	<u>-</u>	<u>-</u>	<u>(6,440)</u>

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short term nature.

The fair value of debtor finance and lease liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

C) Market Risk

Market risk is the risk that changes in market prices will affect the economic entity's income or the value of its holdings of financial instruments. The activities of the economic entity expose it primarily to the financial risks of changes in foreign currency rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the returns.

Foreign Currency Risk

The following table demonstrates the impact on the profit and equity of the economic entity, if the Australian Dollar weakened/strengthened by 10%, which management consider to be reasonably possible at balance date against the respective foreign currencies, with all other variables remaining constant:

	Weakening of 10%		Strengthening of 10%	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Impact on profit/(loss)	<u>(516)</u>	<u>(729)</u>	<u>422</u>	<u>596</u>
Impact on equity	<u>(516)</u>	<u>(729)</u>	<u>422</u>	<u>596</u>

NOTE 26: FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

The economic entity has a debtor financing facility. The use of the facility exposes the economic entity to cash flow interest rate risk.

As at the reporting date, the economic entity had the following fixed and variable rate borrowings:

	Note	Weighted average interest rate		Balance	
		2020	2019	2020	2019
		%	%	\$'000	\$'000
Debtor finance	13	6.49%	6.45%	4,538	5,414
Business transaction facility	13	6.29%	7.33%	232	194
Other financial liabilities		6.48%	6.48%	4,770	5,608

The following table demonstrates the impact on the profit and equity of the economic entity if the average interest rate on the borrowing facility had either increased or decreased by 1%, which management consider to be reasonably possible over the whole year ending 30 June 2020, with all other variables remaining constant:

	Increase of 1% of average interest rate		Decrease of 1% of average interest rate	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Impact on profit/(loss)	(48)	(56)	48	56
Impact on equity	(48)	(56)	48	56

D) Net Fair Values

The net fair values of assets and liabilities approximate their carrying values. No financial assets or liabilities are readily traded on organised markets.

E) Capital Management

The Board's aim is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Total capital is defined as shareholders' equity. The Board monitors the return on capital, which is defined as net operating income divided by total shareholders' equity. The Board also establishes a dividend payout policy which is targeted as being greater than 50% of earnings, subject to a number of factors, including the capital expenditure requirements and the company's financial and taxation position. Dividends paid for the year ended 30 June 2020 were nil (2019: nil).

There were no changes to the economic entity's approach to capital management during the financial year.

Economic Entity
2020 2019

NOTE 27: EARNINGS PER SHARE

A) Basic earnings/(loss) per share (cents)

	1.4	(4.4)
Weighted average number of ordinary shares (number)	55,738,848	30,573,181
Earnings/(loss) used to calculate basic earnings/(loss) per share (\$)	784,000	(1,332,000)

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

B) Diluted earnings per share (cents)

	1.4	(4.4)
Weighted average number of ordinary shares (number)	55,738,848	30,573,181
Earnings/(loss) used to calculate diluted earnings/(loss) per share (\$)	784,000	(1,332,000)

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 28: DIVIDEND FRANKING CREDITS

Tax rate	30%	30%
Amount of franking credits available for subsequent reporting periods (\$'000)	6,139	6,139

NOTE 29: AUDITORS' REMUNERATION

The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 17 July 2020. The disclosures include amounts received or due and receivable by BDO East Coast Partnership, BDO Audit Pty Ltd and their respective related entities.

Audit services

BDO Audit Pty Ltd	\$	\$
Audit and review of financial reports under the Corporations Act 2001.	122,000	115,000
Total remuneration for audit services	122,000	115,000

Non-audit services

BDO Audit Pty Ltd		
Tax compliance services, including review of company income tax returns	20,000	19,450
Other practices - BDO Auckland		
Tax compliance services, including review of company income tax returns	5,812	5,731
Total remuneration for non-audit services	25,812	25,181

It is the economic entity's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the economic entity are important. These assignments are principally tax compliance assignments.

Parent Entity	
2020	2019
\$'000	\$'000

NOTE 30: PARENT ENTITY INFORMATION

Information relating to Ambertech Limited (parent entity):

- Current Assets	15,933	11,048
- Total Assets	20,490	15,606
- Current Liabilities	1,587	1,462
- Total Liabilities	1,587	1,462
- Share capital	15,915	11,138
- Share issue cost reserve	7	6
- Retained earnings	<u>2,981</u>	<u>3,000</u>
Loss of the parent entity	(19)	(7)
Total comprehensive income of the parent entity	<u>(19)</u>	<u>(7)</u>

Contingent Liabilities

The parent entity had no contingent liabilities as at 30 June 2020 (2019: Nil).

Capital Commitments

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 (2019: Nil)

Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1 and throughout the notes.

NOTE 31: BUSINESS COMBINATIONS

On 17 December 2019, Ambertech Limited acquired the Audio Visual Division of Hills Limited.

Details of the acquisition are as follows:

	Fair Value \$'000
Consideration	
- Contract sum	4,736
- Deferred cash payments	(125)
Total Cash Consideration	<u>4,611</u>
Net identifiable assets acquired	
- Inventory on hand	3,713
- Fixed Assets	60
- Other assets	100
- Customer Relationships and other intangible assets	250
- Employee provisions	(302)
Net identifiable assets acquired	<u>3,821</u>
Goodwill on acquisition	<u>790</u>

Transaction costs of \$255,000 and restructure costs of \$450,000 were recognised in respect to this acquisition for the financial year and are included in the consolidated statement of profit or loss and other comprehensive income.

Impact of acquisition on the results of the Group

AASB 3 Business Combinations requires disclosure of both the revenue and profit and loss of the acquired business from the date of acquisition, and disclosure of revenue and profit and loss for the current reporting period as though the acquisition date had been as of the commencement of the financial period. Since the acquisition date, the Hills Audio Visual business has contributed \$9,492,000 of revenue to the group for the financial reporting period. Management has however determined that disclosure of the profit and loss of the acquired business from date of acquisition is impracticable, given it has now consolidated with the existing business of Ambertech Limited.

Management has also determined that it is impractical to determine the revenue and profit and loss of the combined entity for the current reporting period as though the acquisition date occurred at the beginning of the reporting period, as the acquired business was not separately reported within the business of the acquiree.

AMBERTECH LIMITED AND CONTROLLED ENTITIES
ACN 079 080 158
DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001* ; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. 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.
4. The directors have been given the declarations by the chief executive officer and chief operating officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to section 295(5)(a) of the Corporations Act 2001, and is signed for and on behalf of the directors by:



P F Wallace

Director



P A Amos

Director

Dated this 31st day of August 2020.

Sydney

SHAREHOLDERS INFORMATION

The following information is required by the Australian Securities Exchange Limited.

Distribution of equity security by size of holding:

			Number of shareholders	Number of Ordinary Shares	% of total capital
1	-	1,000	74	63,218	0.08
1,001	-	5,000	51	191,734	0.25
5,001	-	10,000	30	270,132	0.35
10,001	-	100,000	53	1,849,025	2.42
100,001	and	over	52	74,080,886	96.90
Total			260	76,454,995	100.00

The number of security investors holding less than a marketable parcel of 4,167 securities is 103 and they hold 145,900 securities.

Equity Security Holders

The twenty largest shareholders as at 28 September 2020 were:

Rank	Twenty largest holders	Number of shares	% of total capital
1	Appwam Pty Limited	26,207,404	34.28
2	BT Portfolio Services Limited (Amos Super Fund)	4,768,388	6.24
3	Wavelink Systems Pty Ltd (Employee Superannuation Fund)	4,380,350	5.73
4	Horrie Pty Ltd (Horrie Superannuation A/C)	4,325,879	5.66
5	Merrill Lynch (Australia) Nominees Pty Limited	4,106,304	5.37
6	Mr Nathan Carlini	3,300,000	4.31
7	Mr Edwin Goodwin & Ms Julia Griffith (EFG Investments A/C)	2,883,556	3.77
8	Wavelink Systems Pty Ltd	2,784,625	3.64
9	Wallace Capital Pty Ltd (Super Fund A/C)	2,189,278	2.86
10	Ironwood Investments Pty Limited (Phillips Super Fund A/C)	1,764,874	2.31
11	Wygrin Pty Ltd (Wygrin Pension Fund)	1,579,179	2.07
12	SI Corporation Pty Ltd (Santo Carlini DT A/C)	1,552,735	2.03
13	Wygrin Pty Ltd	1,507,556	1.97
14	Dr Stephanie Phillips	821,260	1.07
15	Mr Michael Carman	712,426	0.93
16	Liaison Super Pty Ltd (liaison S/F A/C)	645,454	0.84
17	Jeslands Investments Pty Ltd (Jerusalem Retirement A/C)	604,519	0.79
18	J Anderson Investments Pty Ltd (M&G Anderson S/Fund A/C)	455,000	0.60
19	Roffey Superannuation No1 Pty Ltd (SI & EM Roffey No1 S/F)	455,000	0.60
20	Breuer Investments Pty Ltd (Mark Breuer Family A/C)	455,000	0.60
		28,948,892	85.67

Source: Boardroom Pty Limited



SUBSTANTIAL SHAREHOLDERS

Substantial shareholders with a relevant interest of 5% or more of total issued shares, based on notifications provided to the company under the Corporations Act 2001 include:

Shareholder	Number of shares	% of total capital
Appwam Pty Limited	26,207,404	34.28
Wavelink Systems Pty Ltd	7,214,925	9.44
Crowton Pty Limited	4,768,338	6.24
Greig & Harrison Pty Ltd	4,325,879	5.66
Regal Funds Management Pty Ltd	4,106,304	5.37

On-Market Buy Back

On 2 September 2005, the company lodged an Appendix 3C announcing an on-market buy-back of up to 1,543,150 ordinary shares on issue. On 28 September 2006 the company lodged an Appendix 3D amending the buy-back duration to unlimited. The company has not lodged an Appendix 3F to finalise the buy back as at 28 September 2020.

The buy back is a part of the company's capital management and is designed to improve shareholder returns. During the year ended 30 June 2020 no shares were bought back by the company.

Voting rights

On a show of hands, one vote for every registered shareholder, and for a poll, one vote for every share held by a registered shareholder.

CORPORATE DIRECTORY

Directors

Peter F Wallace
Chairman

Peter A Amos
Managing Director

Tom R Amos

David R Swift

Santo Carlini

Company Secretary

Robert J Glasson

Share Registry

Boardroom Pty Limited

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Sydney NSW 2001

Or

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T: 1300 737 760

Corporate Governance Statement

www.ambertech.com.au/investors/corporate-governance

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Auditors

BDO

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