EMBELTON

2008 ANNUAL REPORT

EMBELTON LIMITED

ACN 004 401 496

Registered Office:
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Directors:	G R Embelton, Chairman B R Dunn, Managing Director J R Baldwin W R Mackinnon J J Embelton
Auditors:	Deloitte Touche Tohmatsu
Share Registry:	Link Market Services Limited Securities Registration Services Level 9, 333 Collins Street Melbourne 3000
Secretary:	C H Palm
Stock Exchange:	Embelton Limited shares are quoted on the Australian Stock Exchange.

DIRECTORS REPORT TO SHAREHOLDERS

August 2008 marks the 50th anniversary of the Company's listing as a public entity. Results for the year showed a 23% increase in after tax earnings which was achieved on revenue growth of 15%. The trading divisions performed well with a particularly satisfactory outcome from timber flooring operations which showed a significant improvement over the previous year.

	2008 ($'000s)	2007 ($'000s)
Sales Revenue	24,614	21,442
Operating Profit	1,441	1,164
Company Tax	454	363
Net Profit after Tax	987	801
Earnings per Share	46c	37c

Net Tangible Assets per Share

	2008	2007
• before declared final dividend	$3.79	$3.54
• after declared final dividend	$3.63	$3.43

DIVIDEND

In addition to a final ordinary dividend 11.5 cents per share, a special dividend of 5 cents per share has been declared in recognition of the Company's 50 years as a public entity. Together with the 9.5 cent interim dividend, this 16.5 cent final dividend provides a total annual fully franked payout of 26 cents per share compared with last year's 19 cents.

The dividend is covered 1.77 times by the year's earnings.

OPERATIONS

Flooring

As a distributor of timber flooring and accessories to both trade contractors and specialist retailers, the flooring division achieved significant revenue and earnings growth during the year; growth which resulted from an improved product offering through better sourcing and by a strengthening of division staffing. An increased emphasis in the commercial segment also produced positive returns.

Additionally, the improved distribution facilities that were completed late last year brought operating efficiencies in many aspects of divisional operations

Although the level of residential construction and refurbishment activity varied from state to state, all Company branch offices were able to record solid revenue growth. The continued popularity of timber as a preferred choice of floor covering in both residential markets, and increasingly in commercial development, underpinned demand for the Company's products. Divisional revenues were up 20% and earnings 75% in comparison to last year.

We are confident that the enhanced product range and additional marketing activity have contributed to increased national recognition and acceptance of the Company's brand as a quality supplier of timber flooring materials.

Technical

Commercial building and construction markets remain the principal focus for the Technical Division with much activity centred on provision of solutions for problems of noise and vibration. Another important product group within the division comprises the range of specialised cork and rubber materials, used in both construction and general industrial applications, being a product segment in which the Company has been leader for many years.

The Division remained the major profit contributor for the Company producing growth in revenue and earnings of 8% and 7%

respectively, compared with the previous year.

In addition to our traditional noise and vibration control activities, results were boosted by involvement in several major contracts requiring contribution by the Company of project design and custom product development. Demand for complex engineering work continues to grow and our ability to deliver successful outcomes can be found in several significant projects completed during the year - projects which included noise isolation for a large television production facility in Indonesia and several major commercial buildings in Australia constructed on our rubber isolation bearings.

Manufacturing

The manufacturing division operates to support the trading divisions, both flooring and technical. Facilities include a timber flooring mill in Taree, metals manufacturing, and cork and rubber production. In addition the Metals division has for many years operated separately as a fabricator of high temperature metal alloys, tube bending services and manufacturer of industrial furnace hardware.

Combined operations yielded an increase in revenue of 11% to $5.7m during the year. Most of this increase was achieved on lower margin production for internal transfer to other Company divisions which, coupled with a 5% decline in external income and increased costs particularly for raw metal materials, saw an overall reduction in divisional earnings.

Timber floor production at Taree was affected by unfavourable weather conditions which restricted output during the last quarter.

Improvements to manufacturing facilities continued during the period with an ongoing emphasis on occupational health and safety.

Outlook

Activity for the current period has been steady and although the technical division has received several substantial orders for delivery in the coming months, uncertainty in both construction and retail sales markets makes forecasting of full year results difficult to predict at this juncture.

Directors

Mr John Harrison retired at the end of the June, after 24 years of continuous service as a Director.

The unstinting contribution of wise counsel, based on his extensive business experience and a set of values totally consistent with the traditions of the firm, has served us all well and to him we owe a debt of gratitude.

On behalf of the Company as a whole, the Board records its appreciation for the significant value which John has added in assisting the Company's progress over this period.

Mr James Embelton, son of the current Chairman, joined the Board in April 2008 as a non-executive Director. A graduate of Monash University, Mr Embelton comes with a background in asset management. After approximately 10 years in North America he returned to Australia in 2004 to work with Macquarie Bank where he is currently Divisional Director, Financial Services Group. We welcome him to the Board.

50 years as a Listed Entity

In August 1958, the business which had been founded by Mr G P Embelton in 1925 was listed as a public company on the Melbourne Stock Exchange as it was then known.

Although many changes have occurred in the nature of our operations, there has been little adjustment in the capital structure of the Company and in the intervening period of 50 years the Total Shareholder Return, expressed in terms of dividend and capital growth, has exceeded 12% per annum.

For all this time, the Company is fortunate to have enjoyed the support of a loyal shareholder group, many of whom are directly associated with the founding shareholders. Their constant encouragement has been a source of strength at all stages in our development, encouragement for which management and the Board now record their thanks.

CORPORATE GOVERNANCE

The Board has chosen early adoption of the revised Corporate Governance Principles and Recommendations as set out in the following paragraphs. Although the Company does not have a Corporate section on its website, which is currently being upgraded, consideration is being given to inclusion of an appropriate section as a forum for corporate matters.

Management and oversight

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

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

Strategic direction is set by the Board through approval of corporate activities and direction, establishment of management guidelines, and developing governance and management practices.

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

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

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

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

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

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

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

Structure of the Board

The Board of Embelton Limited is composed of 5 Directors, 3 of whom are considered independent. The Board believes that all non-executive directors are independent and provide an adequate range of skills in relation to the size, geographic concentration and the business of the Company.

Notwithstanding that Principle, in considering whether a Director of the Company can be considered to be independent, regard has been had to whether or not those Directors hold an interest in more than 2% of the Company's shares, and whether those same Directors have an interest in any other form of contractual relationship with the Company other than by virtue of their continuing service as a Non-Executive Director of the Company.

Mr James Embelton, who was appointed to the Board as a Non-executive Director during the year is not a substantial shareholder in his own right and has never been employed by the Company. He is a Divisional Director of Macquarie Group Limited with responsibility for the distribution of certain asset management products and services of that company and despite the fact that he is directly related to the Chairman who is a substantial shareholder, and as such is not an independent Director, the Board considers Mr James Embelton to be independent.

Mr G R Embelton was the Chairman and was not an independent Director throughout the year. The role of chairman is separate to that of Managing Director.

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

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

When the need arises to make changes to the structure of the Board, the process is managed by the Chairman and other Board members.

As a smaller Company, evaluation of Board performance is not subject to formal process but is considered to be important and is regularly reviewed by the Board as a whole.

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

Ethical decision-making

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

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

Above all, the Code requires all directors and employees to conduct themselves with honesty and integrity.

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

Integrity in financial reporting

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

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

Timely and balanced disclosure

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

The disclosure management framework provides for

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

Respect for shareholder rights

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

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

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

Recognition and management of risk

The Board undertakes as part of its role the identification of significant areas of business risk, implementation of procedures to manage such risks and the development of policies regarding the establishment and maintenance of appropriate ethical standards. Its specific role in this area is to:

- ensure compliance with both formal and informal standards in legal, statutory and ethical matters
- monitor the business environment
- identify business opportunities; and
- monitor procedures to ensure that responses to shareholder enquiries and/or complaints are appropriate and prompt

Responsibilities which might ordinarily be exercised by a Risk Management Committee in larger corporations have been accepted by the Board. The Managing Director and Group Commercial Manager report regularly to the Board on all matters of financial integrity and risk management.

Fair and responsible remuneration

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

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

Each non-executive receives a fee for being a Director of the Company but no additional fees for sitting on or chairing committees.

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

EMBELTON LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Company	
		2008	2007	**2008**	2007
		$	$	**$**	$
Sales Revenue	3	**24,614,380**	21,441,960	-	-
Cost of Sales	4	**(15,978,760)**	(13,748,199)	-	-
Gross Profit		**8,635,620**	7,693,761	-	-
Other Income		**38,916**	29,307	**379,568**	2,355,467
Less Expenses:					
Manufacturing Expenses		**(1,519,787)**	(1,541,540)	-	-
Marketing Expenses		**(2,207,108)**	(1,856,488)	-	-
Storage and Distribution Expenses		**(501,973)**	(488,773)	-	-
Administration and Other Expenses		**(3,004,218)**	(2,672,474)	**(204,238)**	(152,297)
Profit before income tax expense		**1,441,450**	1,163,793	**175,330**	2,203,170
Income tax expense	6	**454,659**	362,635	**62,127**	64,086
Profit for the year		**986,791**	801,158	**113,203**	2,139,084
Basic earnings per share	9	**46 cents**	37 cents		
Diluted earnings per share	9	**46 cents**	37 cents		

The accompanying notes form part of the financial statements.

EMBELTON LIMITED AND ITS SUBSIDIARIES

BALANCE SHEET
AS AT 30TH JUNE 2008

	Notes	Consolidated		Company	
		2008	2007	**2008**	2007
		$	$	**$**	$
CURRENT ASSETS					
Cash and cash equivalents	24(i)	**806,238**	592,728	**-**	-
Trade receivables	10	**2,578,183**	2,497,265	**-**	-
Inventories	12	**5,035,818**	4,284,513	**-**	-
Other	13	**172,883**	252,759	**9,418**	26,727
TOTAL CURRENT ASSETS		**8,593,122**	7,627,265	**9,418**	26,727
NON-CURRENT ASSETS					
Other financial assets	11	-	-	**7,438,123**	7,082,207
Property, plant and equipment	15	**3,877,043**	3,777,428	**1,309,825**	1,327,172
Deferred tax assets	6	**436,715**	396,105	-	-
TOTAL NON-CURRENT ASSETS		**4,313,758**	4,173,533	**8,747,948**	8,409,379
TOTAL ASSETS		**12,906,880**	11,800,798	**8,757,366**	8,436,106
CURRENT LIABILITIES					
Trade and other payables	16	**3,356,661**	2,964,366	**924,365**	348,522
Current tax liabilities	6	**152,697**	90,367	**152,697**	90,367
Provisions	17	**1,189,926**	1,086,438	-	-
TOTAL CURRENT LIABILITIES		**4,699,284**	4,141,171	**1,077,062**	438,889
NON-CURRENT LIABILITIES					
Deferred tax liabilities	6	**11,002**	9,546	**11,002**	9,546
Provisions	17	**9,175**	17,881	**-**	-
TOTAL NON-CURRENT LIABILITIES		**20,177**	27,427	**11,002**	9,546
TOTAL LIABILITIES		**4,719,461**	4,168,598	**1,088,064**	448,435
NET ASSETS		**8,187,419**	7,632,200	**7,669,302**	7,987,671
EQUITY					
Issued capital	8	**1,155,970**	1,155,970	**1,155,970**	1,155,970
Retained earnings	14	**7,031,449**	6,476,230	**6,513,332**	6,831,701
TOTAL EQUITY		**8,187,419**	7,632,200	**7,669,302**	7,987,671

The accompanying notes form part of the financial statements.

EMBELTON LIMITED AND ITS SUBSIDIARIES

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Company	
		2008	2007	**2008**	2007
		$	$	**$**	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**24,572,378**	21,461,789	**-**	-
Payments to suppliers and employees		**(23,064,334)**	(20,102,023)	**-**	-
Interest received		**18,530**	24,914	**-**	-
Finance costs		**(37)**	(53)	**-**	-
Income taxes paid		**(431,483)**	(408,386)	**(431,483)**	(408,386)
Net cash inflow/(outflow) from operating activities	24(ii)	**1,095,054**	976,241	**(431,483)**	(408,386)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**-**	21,593	**-**	-
Payment for property, plant and equipment		**(449,972)**	(304,958)	**-**	-
Net cash outflow from investing activities		**(449,972)**	(283,365)	**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid by parent entity		**(431,572)**	(377,626)	**(431,572)**	(377,626)
Advances from subsidiaries		**-**	-	**863,055**	786,012
Net cash (outflow)/inflow from financing activities		**(431,572)**	(377,626)	**431,483**	408,386
Net increase in cash held		**213,510**	315,250	**-**	-
Cash and cash equivalent at the beginning of the financial year		**592,728**	277,478	**-**	-
Cash and cash equivalent at the end of the financial year	24(i)	**806,238**	592,728	**-**	-

The accompanying notes form part of the financial statements.

EMBELTON LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Issued Capital $	Retained Earnings $	Total $
CONSOLIDATED			
As at 1 July 2006	1,155,970	6,052,698	7,208,668
Net income recognised directly in equity	-	-	-
Profit for the period	-	801,158	801,158
Total recognised income and expenditure	-	801,158	801,158
Dividends paid	-	(377,626)	(377,626)
At 30 June 2007	**1,155,970**	**6,476,230**	**7,632,200**
Net income recognised directly in equity	-	-	-
Profit for the period	-	986,791	986,791
Total recognised income and expenditure	-	986,791	986,791
Dividends paid	-	(431,572)	(431,572)
At 30 June 2008	**1,155,970**	**7,031,449**	**8,187,419**
COMPANY			
As at 1 July 2006	**1,155,970**	**5,070,243**	**6,226,213**
Net income recognised directly in equity	-	-	-
Profit for the period	-	2,139,084	2,139,084
Total recognised income and expenditure	-	2,139,084	2,139,084
Dividends paid	-	(377,626)	(377,626)
At 30 June 2007	**1,155,970**	**6,831,701**	**7,987,671**
Net income recognised directly in equity	-	-	-
Profit for the period	-	113,203	113,203
Total recognised income and expenditure	-	113,203	113,203
Dividends paid	-	(431,572)	(431,572)
At 30 June 2008	**1,155,970**	**6,513,332**	**7,669,302**

1. STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

At the date of authorisation of the financial report, the following Standards and Interpretations listed below were in issue but not yet effective:

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the association's financial report:

Standards	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the company:

Standard/Interpretation		
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
AASB Interpretation 12 'Service Concession Arrangements', AASB Interpretation 4 'Determining whether an Arrangement contains a Lease' (revised), AASB Interpretation 129 'Service Concession Arrangements: Disclosure' (revised), AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB Interpretation 12'	1 January 2008	30 June 2009
AASB Interpretation 13 'Customer Loyalty Programmes'	1 July 2008	30 June 2009

The initial application of the expected issue of an Australian equivalent accounting standard to the following standard is not expected to have a material impact on the financial report of the Group and the company:

AASB Interpretation 14 'AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	30 June 2009
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvement Process'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
Interpretation 15 'Agreements for the Construction of Real Estate'	1 January 2009	30 June 2010
Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010

Initial application of the above standards and interpretations will not affect any of the amounts recognised in the financial report, but may change the disclosures presently made in relation to the consolidated entity's Financial Report. Embelton has not yet assessed the possible impact on the financial report of the above.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance
The financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 15 September 2008.

Critical accounts, judgement and key issues of estimation uncertainty
In the application of the group's accounting policy, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of the group's accounting policy that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

a. Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all entities, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 18 to the financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the excess is credited to profit and loss in the period of acquisition. The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

b. Foreign Currency Translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the income statement.

c. Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods - Revenue from sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer.

Interest - Income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Dividends - Dividends from investments are recognised when the shareholders' right to receive payment has been established.

d. Income Tax

Current Tax

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

Deferred Tax

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

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

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

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

Current and deferred tax for the period

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

Tax consolidation

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

e. Impairment of Assets

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

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

f. Cash and Cash Equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

g. Trade Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 60 days. Collectibility of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms.

h. Inventories

Raw Materials, Work in Progress and Finished Goods

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

i. Property, Plant and Equipment

Land and buildings are measured at cost less accumulated depreciation.

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

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

- Buildings	2%
- Plant and Equipment	10% - 17%
- Vehicles	15% - 25%
- Furniture, fittings and equipment	10% - 33%

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

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the income statement in the year that the item is derecognised.

j. Leases

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

k. Trade and Other Payables

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

l. Provisions

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

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

<u>Onerous contracts</u>

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

<u>Warranties</u>

Provisions for warranty costs are recognised when a claim is made.

m. Employee Benefits

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

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

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

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

n. Contributed Equity

Ordinary shares are classified as equity.

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

o. Dividends

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

p. Earnings Per Share

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

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

q. Goods and Services Tax (GST)

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

r. Financial Instruments

Recognition - Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities - Non-derivative financial liabilities are recognised at amortised cost, comprising recognised amount less principal payments and amortisation.

Derivative instruments - Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value - Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

Impairment - At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired.

s. Investments in subsidiaries

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

	Consolidated		Company	
	2008	2007	**2008**	2007
	$	$	**$**	$

3. INCOME

	2008 $	2007 $	**2008 $**	2007 $
Revenue from the sale of goods and commissions	**24,614,380**	21,441,960	**-**	**-**
Other Income				
Interest from:				
Related parties	-	-	**379,568**	355,467
Other parties	**18,530**	24,914	**-**	-
Total interest	**18,530**	24,914	**379,568**	355,467
Net exchange gain	**8,128**	12,392	**-**	-
Dividends received from controlled entities	-	-	**-**	2,000,000
Sundry income	**12,331**	1,097	**-**	-
	38,989	38,403	**379,568**	2,355,467
Loss on sale of property, plant and equipment	**(73)**	(9,096)	**-**	-
	38,916	29,307	**379,568**	2,355,467

4. PROFIT BEFORE TAX

Profit before tax has been determined after:

	2008 $	2007 $	**2008 $**	2007 $
a) Expenses:				
Cost of sales	**15,978,760**	13,748,199	**-**	**-**
Finance costs	**37**	53	-	**-**
Depreciation of non current assets:				
Buildings	**37,929**	35,571	**15,247**	15,247
Plant and equipment	**277,541**	235,663	**2,100**	2,168
Total depreciation	**315,470**	271,234	**17,347**	17,415
Bad debts written off – trade debtors	**9,986**	32,376	**-**	**-**
Impairment of investments	**-**	-	**20,240**	**-**
Operating lease rentals	**420,008**	316,196	**-**	**-**
b) Employee Expense	**3,897,090**	3,691,649	**-**	**-**
Payments to Defined Contribution Plans	**308,220**	292,452	**-**	**-**
	4,205,310	3,984,101	**-**	**-**

5. AUDITORS' REMUNERATION

	2008 $	2007 $	**2008 $**	2007 $
Remuneration of the auditor for:				
Auditing or reviewing the financial report	**35,620**	34,356	**9,982**	9,018
Preparation of the tax return and other services	**8,000**	7,030	**4,000**	3,880
	43,620	41,386	**13,982**	12,898
Remuneration of other auditors of subsidiaries for:				
Auditing or reviewing the financial report	**1,038**	1,442	**1,038**	1,442

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

6. TAXATION

a) Income tax expense recognised in profit

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Tax expense comprises				
- current tax expense	**493,813**	386,250	**63,583**	63,847
- deferred tax expense relating to the origination and reversal of temporary differences	**(39,154)**	(23,615)	**(1,456)**	239
	454,659	362,635	**62,127**	64,086

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

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Profit from operations	**1,441,450**	1,163,793	**175,330**	2,203,170
Income tax expense calculated at 30%	**432,435**	349,137	**52,599**	660,952
Effects of transactions within the tax-consolidated group that are exempt from taxation	**-**	-	**6,071**	(600,000)
Depreciation on property, plant and equipment not deductible for tax	**9,534**	9,534	**2,009**	2,009
Underprovision in prior year	**-**	1,183	**-**	-
Sundry items	**12,690**	2,781	**1,448**	1,125
	454,659	362,635	**62,127**	64,086

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

b) Current tax liabilities

Current tax payable

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Income tax attributable to:				
Parent entity	**20,865**	16,129	**20,865**	16,129
Entities in tax consolidated group	**131,832**	74,238	**131,832**	74,238
	152,697	90,367	**152,697**	90,367

	Consolidated		Company	
	2008	2007	**2008**	2007
	$	$	**$**	$

6. TAXATION - Continued

c) Deferred tax balances

Deferred tax assets comprise:				
Temporary differences	**436,715**	396,105	**-**	-
Deferred tax liabilities comprise:				
Temporary differences	**11,002**	9,546	**11,002**	9,546
Net deferred tax asset/(liability)	**425,713**	386,559	**(11,002)**	(9,546)

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

	Opening balance $	Charged to Income $	Charged to equity $	Closing balance $
CONSOLIDATED				
As at 30 June 2008				
Gross deferred tax assets				
Receivables	13,500	12,943	-	**26,443**
Provisions	331,296	28,434	-	**359,730**
Property, plant and equipment	51,309	(767)	-	**50,542**
	396,105	40,610	-	**436,715**
Gross deferred tax liability				
Property, plant and equipment	(9,546)	(1,456)	-	**(11,002)**
	386,559	39,154	-	**425,713**
As at 30 June 2007				
Gross deferred tax assets				
Receivables	13,500	-	-	13,500
Provisions	291,123	40,173	-	331,296
Property, plant and equipment	67,628	(16,319)	-	51,309
	372,251	23,854	-	396,105
Gross deferred tax liability				
Property, plant and equipment	(9,307)	(239)	-	(9,546)
	362,944	23,615	-	386,559
COMPANY				
As at 30 June 2008				
Gross deferred tax liabilities				
Property, plant and equipment	(9,546)	(1,456)	-	(11,002)
As at 30 June 2007				
Gross deferred tax liabilities				
Property, plant and equipment	(9,307)	(239)	-	(9,546)

TAX CONSOLIDATION

Relevance of tax consolidation to the consolidated entity
The Company and its wholly owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Embelton Limited. The members of the tax-consolidated group are identified at Note 18.

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

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

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

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

	Consolidated		**Company**	
	2008 $	2007 $	**2008 $**	2007 $
7. DIVIDENDS PROVIDED FOR OR PAID				
Dividends paid by the Company are:				
(i) A final fully franked ordinary dividend of 10.5cents (2005/06 - 9 cents) for the 2006/07 financial year was paid on 12 October 2007 (5 October 2006)	**226,575**	194,208	**226,575**	194,208
(ii) An interim fully franked ordinary dividend of 9.5cents (2007 – 8.5cents) for the 2007/08 financial year was declared on 20 February 2008 (2006/07 - 28 March 2007) and paid on 18 April 2008 (2007 – 10 April 2007)	**204,997**	183,418	**204,997**	183,418
	431,572	377,626	**431,572**	377,626

A fully franked ordinary dividend of 11.5cents per share and a special dividend of 5.0cents per share was declared by the Directors on 22 August 2008, but not provided for in the financial statements.

FRANKING ACCOUNT BALANCE

Franking account balance	**2,123,644**	1,877,120	**2,123,644**	1,877,120
Reduction in Franking Account balance which will occur in the current period due to dividends declared 22 August 2008 but not recognised in these financial statements at 30 June 2008	**106,814**	97,104	**106,814**	97,104

	Consolidated		Company	
	2008	2007	**2008**	2007
	$	$	**$**	$
8. ISSUED CAPITAL				
2,157,857 (2007 - 2,157,857) fully paid ordinary shares	**1,155,970**	1,155,970	**1,155,970**	1,155,970

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion of the number of shares held.

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

9. EARNINGS PER SHARE

	2008	2007
Basic and diluted earnings per share	**46 cents**	37 cents
Net Profit used in calculation	**$ 986,791**	$ 801,158
Weighted average number of ordinary shares	**2,157,857**	2,157,857

10. TRADE RECEIVABLES

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
CURRENT				
Trade receivables	**2,623,183**	2,542,265	-	-
Provision for doubtful debts	**(45,000)**	(45,000)	-	-
	2,578,183	2,497,265	-	-
Ageing of past due but not impaired:				
30 – 60 days	**110,929**	86,970	-	-
Over 60 days	**20,263**	39,981	-	-
	131,192	126,951	-	-

The average credit period on sales of goods is 35 days. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and economic conditions. There has been no movement in the provision account in the current year (2007 – reduction of $8,000).

11. OTHER FINANCIAL ASSETS

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
NON-CURRENT				
Investments in controlled entities (Note 18)	**-**	-	**1,647,205**	733,910
Amounts due from controlled entities	-	-	**5,790,918**	6,348,297
	-	-	**7,438,123**	7,082,207

12. INVENTORIES

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
CURRENT				
Raw materials - at cost	**825,181**	562,950	-	-
Work in progress - at cost	**355,021**	174,962	**-**	-
Finished goods - at cost	**3,855,616**	3,546,601	**-**	-
	5,035,818	4,284,513	**-**	-

	Consolidated		Company	
	2008	2007	**2008**	2007
	$	$	**$**	$

13. OTHER CURRENT ASSETS

Prepayments and sundry debtors	**172,883**	252,759	**9,418**	26,727

14. RETAINED PROFITS

Retained profits at beginning of year	**6,476,230**	6,052,698	**6,831,701**	5,070,243
Net profit attributable to members of the parent entity	**986,791**	801,158	**113,203**	2,139,084
Dividends paid (Note 7)	**(431,572)**	(377,626)	**(431,572)**	(377,626)
Retained profits at the end of the year	**7,031,449**	6,476,230	**6,513,332**	6,831,701

15. PROPERTY, PLANT AND EQUIPMENT

LAND - At cost	**1,489,822**	1,489,822	**705,687**	705,687
BUILDINGS – At cost	**1,711,544**	1,683,667	**743,678**	743,678
- Accumulated depreciation	**(368,618)**	(330,689)	**(150,115)**	(134,868)
	1,342,926	1,352,978	**593,563**	608,810
TOTAL LAND AND BUILDINGS	**2,832,748**	2,842,800	**1,299,250**	1,314,497
PLANT & MACHINERY – At cost	**2,778,111**	2,702,071	**45,187**	45,187
- Accumulated depreciation	**(2,274,322)**	(2,208,097)	**(34,612)**	(32,512)
	503,789	493,974	**10,575**	12,675
FIXTURES AND FITTINGS – At cost	**1,128,633**	1,019,213	**-**	-
- Accumulated depreciation	**(823,783)**	(726,047)	**-**	-
	304,850	293,166	**-**	-
MOTOR VEHICLES – At cost	**377,766**	227,398	**-**	-
- Accumulated depreciation	**(142,110)**	(79,910)	**-**	-
	235,656	147,488	**-**	-
TOTAL – Cost	**7,485,876**	7,122,171	**1,494,552**	1,494,552
- Accumulated depreciation	**(3,608,833)**	(3,344,743)	**(184,727)**	(167,380)
NET BOOK VALUE	**3,877,043**	3,777,428	**1,309,825**	1,327,172

15. PROPERTY, PLANT AND EQUIPMENT - Continued
MOVEMENT IN CARRYING AMOUNTS

2008

	Freehold Land	Buildings	Plant & Machinery	Fixtures & Fittings	Motor Vehicles	TOTAL
	$	$	$	$	$	$
Consolidated						
Balance at beginning of year	1,489,822	1,352,978	493,974	293,166	147,488	3,777,428
Additions	-	27,877	149,651	122,076	150,368	449,972
Disposals	-	-	(34,814)	(73)	-	(34,887)
Transfer	-	-	-	-	-	-
Depreciation expense	-	(37,929)	(105,022)	(110,319)	(62,200)	(315,470)
Carrying amount at end of year	1,489,822	1,342,926	503,789	304,850	235,656	3,877,043
Company						
Balance at beginning of year	705,687	608,810	12,675	-	-	1,327,172
Additions	-	-	-	-	-	-
Depreciation expense	-	(15,247)	(2,100)	-	-	(17,347)
Carrying amount at end of year	705,687	593,563	10,575	-	-	1,309,825

2007

	Freehold Land	Buildings	Plant & Machinery	Fixtures & Fittings	Motor Vehicles	TOTAL
	$	$	$	$	$	$
Consolidated						
Balance at beginning of year	1,489,822	1,377,717	541,294	227,345	138,215	3,774,393
Additions	-	10,832	64,370	164,181	65,575	304,958
Disposals	-	-	(2,105)	(2,897)	(25,687)	(30,689)
Transfer	-	-	(455)	455	-	-
Depreciation expense	-	(35,571)	(109,130)	(95,918)	(30,615)	(271,234)
Carrying amount at end of year	1,489,822	1,352,978	493,974	293,166	147,488	3,777,428
Company						
Balance at beginning of year	705,687	624,057	14,843	-	-	1,344,587
Additions	-	-	-	-	-	-
Depreciation expense	-	(15,247)	(2,168)	-	-	(17,415)
Carrying amount at end of year	705,687	608,810	12,675	-	-	1,327,172

16. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2008	2007	**2008**	2007
	$	$	**$**	$
CURRENT				
Trade Payables	**2,525,736**	2,379,687	**-**	-
Sundry Payables	**830,925**	584,679	**22,787**	17,773
Amounts due to controlled entities	**-**	-	**901,578**	330,749
	3,356,661	2,964,366	**924,365**	348,522

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

Amounts due to controlled entities are non-interest bearing and payable on call.

	Consolidated		Company	
	2008	2007	**2008**	2007
	$	$	**$**	$

17. PROVISIONS

CURRENT				
Employee benefits	**1,189,926**	1,086,438	**-**	-
NON-CURRENT				
Employee benefits	**9,175**	17,881	**-**	-
Aggregate liability for employee entitlements	**1,199,101**	1,104,319	**-**	-

18. PARTICULARS IN RELATION TO ITS SUBSIDIARIES

	Notes	Ownership Interest		Amount of Investment	
		2008	2007	**2008**	2007
		%	%	**$**	$
EMBELTON LIMITED					
CONTROLLED ENTITIES					
G. P. Embelton & Co. Pty. Ltd.	a	**100**	100	**654,768**	654,768
Windolite (Australia) Pty. Ltd.	a,b	**100**	100		
Wood Flooring Wholesale Pty. Ltd. as trustee for Wood Flooring Unit Trust	a	**100**	100	**100**	100
Embelton Manufacturing Co. Pty. Ltd.	a	**100**	100	**963,295**	50,000
Embelton Industries Pty. Ltd.	a	**100**	100	**18,750**	18,750
Wood Flooring Pty. Ltd.	a	**100**	100	**1**	1
Embelton Singapore Pte. Ltd.	a,c	**100**	100	**10,288**	10,288
Embelton (Malaysia) Sdn. Bhd.	a,c	**100**	100	**1**	1
Embelton Timber Services Pty. Ltd.	a	**100**	100	**2**	2
Embelton-Grail Inc.	a,c,d	**54.5**	54.5	**-**	-
				1,647,205	733,910

a. With respect to controlled entities, the only class of share issued is ordinary. All controlled entities are incorporated in Australia and operate in Australia, with the exception of Embelton Singapore Pte Ltd, Embelton (Malaysia) Sdn Bhd and Embelton-Grail Inc, which are incorporated, and operate in Singapore, Malaysia and USA respectively. All controlled entities are included in the tax consolidated group referred to in Note 2d, with the exception of Embelton Singapore Pte Ltd, Embelton (Malaysia) Sdn Bhd and Embelton-Grail Inc.

b. All controlled entities are owned by Embelton Limited with the exception of Windolite (Australia) Pty Ltd, which is a wholly owned controlled entity of G P Embelton & Co Pty Ltd in whose books the shares are recorded at a cost of $48,068 (2007 - $48,068).

c. Embelton Singapore Pte Ltd, Embelton (Malaysia) Sdn Bhd and Embelton-Grail Inc are not audited by Deloitte Touche Tohmatsu.

d. Embelton Limited has a 54.5% interest in Embelton-Grail Inc. which is incorporated in the USA. The investment in and advances to Embelton-Grail Inc. by Embelton Limited have been written off in the Company's accounts and consolidated accounts in prior years. The Directors of Embelton Limited do not intend to provide any financial support to enable the amounts due by Embelton-Grail Inc. to be repaid.

19. KEY MANAGEMENT PERSONNEL COMPENSATION

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

G R Embelton	Chairman
J M Harrison	Non-executive director
J R Baldwin	Non-executive director
W R Mackinnon	Non-executive director
J J Embelton	Non-executive director
B R Dunn	Managing Director
E P Galgano	Group Commercial Manager

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

	Consolidated		**Company**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Short term employment benefits	**505,671**	464,928	**505,671**	464,928
Post employment benefits	**137,129**	69,059	**137,129**	69,059
	642,800	533,987	**642,800**	533,987

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

20. COMMITMENTS AND CONTINGENCIES

OPERATING LEASE RENTAL COMMITMENTS
Future operating lease rentals of buildings and motor vehicles, not provided for in the financial statements and payable:
Lease commitments due

Not later than one year	**330,916**	374,475	-	-
Later than one but not later than five years	**515,887**	878,849	-	-
	846,803	1,253,324	-	-

Operating leases relate to the property and motor vehicle leases with lease terms between 1 to 5 years, with some building leases having further options. Some building operating lease contracts contain market review clauses. The lessee does not have an option to purchase the property at the expiry of the lease period.

SUPERANNUATION COMMITMENTS
Controlled entities contribute to several employee superannuation funds. Employee contributions are based on a percentage of their gross salaries.

The Company and other controlled entities are under no legal obligation to make up any shortfall in the assets of any superannuation fund to meet payments due to employees.

21. RELATED PARTIES

KEY MANAGEMENT PERSONNEL

The names of each person holding the position of Director of Embelton Limited during the financial year are - Messrs G R Embelton, J M Harrison, J R Baldwin, W R Mackinnon, J J Embelton and B R Dunn.

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

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interest existing at year end.

The interest of each key management person and their related parties in the share capital of the Company during the year are set out as follows:

Fully paid ordinary shares of Embelton Limited

	Balance at 01.07.06	Received as Compensation	Other Changes	Balance at 30.06.07	Received as Compensation	Other Changes	Balance at 30.06.08
Directors							
G R Embelton	899,326	-	21,000	920,326	-	-	920,326
J M Harrison	1,654	-	-	1,654	-	-	1,654
J R Baldwin	500	-	-	500	-	-	500
W R Mackinnon	139,400	-	(122,789)	16,611	-	-	16,611
J J Embelton	10,338	-	-	10,338	-	-	10,338
B R Dunn	-	-	5,000	5,000	-	-	5,000
Executives							
E P Galgano	-	-	-	-	-	-	-

CONTROLLED ENTITIES

Details of interests in controlled entities are set out in Note 18. Details of dealings with controlled entities are set out below.

Inter-Company Loans - Interest is charged annually by the Parent Entity at a market rate on the outstanding balance in relation to non-current loans receivable. The loans are at call. There is no intention to call up loans for at least the next 12 months.

Interest revenue brought to account by the Company in relation to these loans during the year is disclosed in Note 3.

Inter-Company Balances - The aggregate amounts receivable from and payable to controlled entities by the Company at balance date are disclosed in Note 11 and Note 16 respectively.

Tax Sharing Agreement – Transactions between Embelton Limited and its wholly owned Australian controlled entities under the accounting tax sharing agreement are described in Note 6.

During the year the Company has forgiven various inter-group loans. The amounts forgiven were either capitalised to the investments in the respective subsidiaries or written off.

22. SEGMENTAL INFORMATION

Primary Reporting – Business Segments

	Merchandising Technical Products $'000	Merchandising Flooring Products $'000	Manufacturing $'000	Consolidated $'000
(i) 2008				
Revenue				
Sale of Goods and Commission Received	**6,613**	**16,494**	**5,692**	**28,799**
Elimination on Consolidation	**-**	**-**	**(4,185)**	**(4,185)**
Total Segment Revenue	**6,613**	**16,494**	**1,507**	**24,614**
Results				
Segment results	**914**	**649**	**57**	**1,620**
Unallocated expenses				**(179)**
Total Operating Profit before income tax				**1,441**
Income tax expense				**454**
Total Operating Profit after income tax				**987**
Assets				
Segment assets	**2,975**	**6,410**	**3,421**	**12,806**
Unallocated assets				**101**
Total Assets				**12,907**
Liabilities				
Segment Liabilities	**1,308**	**2,408**	**970**	**4,686**
Unallocated Liabilities				**33**
Total Liabilities				**4,719**
Other				
Acquisition of Segment Assets	**104**	**192**	**154**	**450**
Depreciation of Segment Assets	**73**	**134**	**108**	**315**
(ii) 2007				
Revenue				
Sale of Goods and Commission Received	6,145	13,711	5,115	24,971
Elimination on Consolidation	-	-	(3,529)	(3,529)
Total Segment Revenue	6,145	13,711	1,586	21,442
Results				
Segment results	856	370	75	1,301
Unallocated expenses				(137)
Total Operating Profit before income tax				1,164
Income tax expense				363
Total Operating Profit after income tax				801
Assets				
Segment assets	2,733	5,787	3,165	11,685
Unallocated assets				116
Total Assets				11,801
Liabilities				
Segment Liabilities	1,155	2,127	858	4,140
Unallocated Liabilities				29
Total Liabilities				4,169
Other				
Acquisition of Segment Assets	86	159	59	304
Depreciation of Segment Assets	56	102	113	271

The consolidated entity operates predominantly in two market areas. Operations relating to Technical Products comprise the sale of various vibration control devices, building materials, industrial cork and rubber products, and metal fabrications. The consolidated entity's flooring activities comprise the manufacture and sale of timber and cork flooring and accessory products. Manufacturing operations supply to both market segments.

Secondary Reporting – Geographical Segments
The Consolidated Entity predominately operates in Australia.

23. FINANCIAL INSTRUMENTS

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

The Group's overall strategy remains unchanged from 2007.

Operating cash flows are used to maintain and expand the Group's operations as well as to manage the routine outflows of tax and dividends.

The Group's principal financial instruments comprise cash, deposits at call, receivables, other financial assets and payables. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market price risk (currency risk and interest rate risk).

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

Credit risk in trade receivables is minimized by:

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

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

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

(b) **Categories of financial instruments**

	Consolidated		**Company**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Financial Assets				
Cash and cash equivalents	**806**	593	**-**	-
Trade receivables	**2,578**	2,497	**-**	-
Other receivables	**173**	253	**10**	27
Amounts due to controlled entities	**-**	-	**5,791**	6,348
Financial Liabilities				
Trade and sundry payables	**3,357**	2,964	**23**	18
Amounts due to controlled entities	**-**	**-**	**901**	331

(c) **Liquidity risk**

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

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

CONSOLIDATED	**Weighted Average Interest Rate** %	**Less than 1 year** $'000	**1-5 Years** $'000	**5+ years** $'000
2008				
Assets				
Non interest bearing assets		2,751	-	-
Interest bearing assets	6.5	806	-	-
Liabilities				
Non interest bearing liabilities		3,357	-	-
2007				
Assets				
Non interest bearing assets		2,750	-	-
Interest bearing	5.5	593	-	-
Liabilities				
Non interest bearing liabilities		2,964	-	-

COMPANY	**Weighted Average Interest Rate** %	**Less than 1 year** $'000	**1-5 Years** $'000	**5+ years** $'000
2008				
Assets				
Non interest bearing assets		10	-	1
Interest bearing assets	6.0	-	5,790	-
Liabilities				
Non interest bearing liabilities		924	-	-
2007				
Assets				
Non interest bearing assets		27	-	22
Interest bearing assets	6.0	-	6,326	-
Liabilities				
Non interest bearing liabilities		349	-	-

(d) **Market risk**

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

(e) **Interest rate risk**

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

Interest Rate Sensitivity Analysis

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

At reporting date if interest rates had been 25 basis points higher or lower and all other variables were held constant Group net profit would vary by $2,000 (2007: $1,500).

(e) **Currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates within Australia and whilst the Group does import certain inventory items from overseas there were no forward exchange contracts in place at the year end.

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

	USD Impact		Euro Impact	
	2008	2007	2008	2007
	$	$	$	$
Profit would vary by	4,071	3,758	2,960	-

(f) **Fair values**

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

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

24. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of Cash

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

	Consolidated		**Company**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Cash or cash equivalent	**806,238**	592,728	**-**	-

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

	Consolidated 2008 $	Consolidated 2007 $	**Company 2008 $**	Company 2007 $
Profit for the period	**986,791**	801,158	**113,203**	2,139,084
Dividends received and receivable	-	-	**-**	(2,000,000)
Depreciation	**315,470**	271,234	**17,347**	17,415
Loss on sale of property, plant and equipment	**73**	9,096	-	-
Bad debts written off	**9,986**	32,376	-	-
Net Cash Provided by/(Used in) Operating Activities before change in Assets and Liabilities	**1,312,320**	1,113,864	**130,550**	156,499
Change in Assets and Liabilities during the financial year:				
Increase in trade receivables	**(80,918)**	(9,478)	-	-
Increase in inventory	**(751,305)**	(540,726)	-	-
Decrease/(Increase) in other current assets	**79,876**	(59,159)	**17,309**	(11,472)
Increase in income taxes payable	**62,330**	11,085	**62,330**	11,085
Increase in trade payables	**146,049**	653,486	-	-
Increase/(Decrease) in sundry payables	**246,246**	(273,060)	**5,014**	(1,668)
Increase in provisions	**119,610**	101,444	**-**	-
Decrease/(Increase) in operating receivables due from subsidiaries	**-**	-	**557,379**	(500,693)
Decrease in operating payables due to subsidiaries	**-**	-	**(1,205,521)**	(62,376)
Increase in deferred tax liability	**1,456**	239	**1,456**	239
Increase in deferred tax asset	**(40,610)**	(21,454)	**-**	-
Net Cash Provided by/(Used in) Operating Activities	**1,095,054**	976,241	**(431,483)**	(408,386)

(iii) **FINANCING ARRANGEMENTS**

The consolidated entity has access to bank overdraft, trade and bill facilities to a maximum of $750,000 (2007 - $750,000) which, after allowing for outstanding trade L/Cs, left an unused facility of $720,759 (2007 - $750,000). The bank overdraft is payable on demand and is subject to annual review. The bank facilities are secured by a registered mortgage over certain of the consolidated entity's freehold land and buildings.

25. SUBSEQUENT EVENTS

No significant events have occurred since the balance date which would impact on the financial position of the Group at 30 June 2008 or the results for the period ended on that date.

DIRECTOR'S DECLARATION

The Directors declare that:

a) in the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) in the Director's opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the consolidated entity; and

c) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors

G R Embelton	B R Dunn
Chairman	Director

15 September 2008

STATUTORY DIRECTOR'S REPORT

Your Directors present their report on the Company and its subsidiaries for the financial year ended 30 June 2008.

DIRECTORS

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

Mr G R Embelton
Mr J M Harrison
Mr J R Baldwin
Mr W R Mackinnon
Mr B R Dunn
Mr J J Embelton

COMPANY SECRETARY

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

Mrs C H Palm
Appointed July 2000.

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The consolidated profit of the consolidated entity after providing for income tax and eliminating outside equity interests amount to $986,791 (2007: $801,158).

DIVIDENDS	**2008 $**	2007 $
Dividends paid or declared for payment in respect of the financial year are as follows:		
An interim fully franked ordinary dividend of 9.5 cents per share (2007 – 8.5 cents) was paid on 18 April 2008	**204,997**	183,418
A final fully franked ordinary dividend of 11.5cents per share (2007 – 10.5 cents) has been declared by the Directors	**248,154**	226,575
A special fully franked dividend of 5.0cents per share (2007 – nil) has been declared by the Directors	**107,893**	-
	561,044	409,993

CHANGE IN STATE OF AFFAIRS

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

EVENTS AFTER BALANCE DATE

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

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL ISSUES

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

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

DIRECTORS

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

George Embelton, BE, MBA, FIEAust
Mr Embelton was appointed Chairman in 1984, and was Group Managing Director for 32 years.

Ross Baldwin, DipCE, FIEAust, CPEng
Appointed Non-Executive Director in 2002.
Mr Baldwin consults to clients involved in all aspects of development, construction, operation and maintenance of major infrastructure projects. He also specialises in advising on projects in the Asian region, having been resident there for eleven years, during which time he had key roles from Director to Managing Director in a number of significant infrastructure and mining projects.

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

Mr Baldwin is an independent director.

William Mackinnon, BA Hons Oxon
Appointed Non-Executive Director in 2002.
Mr Mackinnon has practised as a general commercial lawyer for forty years, representating both local and international corporations. He was a senior partner of the law firm, Blake Dawson Waldron, director of several companies and is currently a Director of Victoria Racing Club Ltd.

Mr Mackinnon is an independent director.

James Embelton, BA
Appointed Non-Executive Director in April 2008
Mr Embelton has 15 years experience in the financial services industry and joined Macquarie Group Limited in 2004, where he is currently a Divisional Director. He spent ten years in the North American Financial Services Industry, including time as a Director for Legg Mason in Toronto, responsible for business development with Financial Institutions and Pension Funds. Prior to this Mr Embelton was Associate Vice-President for AIC Mutual Funds. He completed a Bachelor of Arts from Monash University in 1992, has completed the Canadian Securities Institute designation and completed the first level of the Chartered Financial Analyst Program in 2004.

Mr James Embelton is an independent director.

Brad Dunn, BE, MBA, FAICD
Appointed Director in 2004 and Managing Director in 2005.
Mr Dunn joined the Company as Manager of the Engineering Department in 2003, and was subsequently appointed Group General Manager in May of 2004. Formerly with energy supplier CitiPower, he was responsible for developing and managing a portfolio of energy infrastructure projects. Prior to this he was Managing Director of Dunn Air Conditioning, a major supplier to the mechanical services industry.

MEETINGS OF DIRECTORS

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

Directors' Meetings	Meetings attended	Meetings eligible to attend
G R Embelton	8	8
J M Harrison	8	8
J R Baldwin	8	8
W R Mackinnon	7	8
B R Dunn	8	8
J J Embelton	2	2

DIRECTORS' AND EXECUTIVES' RELEVANT SHAREHOLDINGS

	Balance at 01.07.06	Received as Compensation	Other Changes	Balance at 30.06.07	Received as Compensation	Other Changes	Balance at 30.06.08
Directors							
G R Embelton	899,326	-	21,000	920,326	-	-	920,326
J M Harrison	1,654	-	-	1,654	-	-	1,654
J R Baldwin	500	-	-	500	-	-	500
W R Mackinnon	139,400	-	(122,789)	16,111	-	-	16,111
J J Embelton	10,338	-	-	10,338	-	-	10,338
B R Dunn	-	-	5,000	5,000	-	-	5,000
Executives							
E P Galgano	-	-	-	-	-	-	-

REMUNERATION REPORT

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

Remuneration Policy

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

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

Remuneration Committee

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

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

Remuneration Structure

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

Executive Directors and Senior Executives

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

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

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

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

The remuneration structure is in two parts:
- Fixed remuneration; and
- Variable remuneration.

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

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

Non-Executive Directors

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

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

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

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

Employment Contracts of Directors and Senior Executives

Senior Executives and Executive Directors are employed under employment contracts which allow three months notice to be given by either party, with no termination benefit to be given other than the salary for that period and any statutory obligations.

Relationship Between the Remuneration Policy and Company Performance

The tables below set out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to June 2008. As stated above the Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, remuneration which embraces reward for achievement of pre-determined key performance indicators such as EBT linked to strategic goals whilst ensuring that total remuneration remains competitive.

Remuneration for key management personnel and staff is reviewed annually using a performance appraisal process.

Year ended:	**30 June 2004**	**30 June 2005**	**30 June 2006**	**30 June 2007**	**30 June 2008**
	$	**$**	**$**	**$**	**$**
Revenue	17,845,206	18,147,568	18,335,268	21,480,363	24,653,296
Net profit before tax	851,290	856,580	1,032,060	1,163,793	1,441,450
Net profit after tax	582,511	586,529	710,211	801,158	986,791

The Consolidated Entity adopted the Australian equivalents to International Reporting Standards with effect from 1 July 2004, which resulted in various changes to its accounting policies from that date. The results for the year ended 30 June 2004 are reported in accordance with the consolidated entity's previous accounting policies as permitted under Australian accounting standards as applicable at that time.

Year ended:	Note	30 June 2004	30 June 2005	30 June 2006	30 June 2007	30 June 2008
Share price at start of year		$ 2.40	$ 3.25	$ 3.25	$ 4.10	$ 4.76
Share price at end of year		$ 3.25	$ 3.25	$ 4.10	$ 4.76	$ 4.50
Interim Dividend	1	6.0 cents	7.0 cents	7.5 cents	8.5 cents	9.5 cents
Special Dividend	1,2		4.0 cents			5.0 cents
Final Dividend	1,2	7.5 cents	7.5 cents	9.0 cents	10.5 cents	11.5 cents
Basic earnings per share	3	27 cents	27 cents	33 cents	37 cents	46 cents
Diluted earnings per share	3	27 cents	27 cents	33 cents	37 cents	46 cents

1. Franked to 100% at 30% corporate tax rate.
2. Declared after balance date and not reflected in the financial statements.
3. The consolidated entity adopted the Australian equivalents to International Reporting Standards with effect from 1 July 2004, which resulted in various changes to its accounting policies from that date. The basic and diluted earnings per share in the year ended 30 June 2004 were calculated in accordance with the consolidated entity's previous accounting policies as permitted under Australian accounting standards as applicable at the time.

Compensation of Key Management Personnel

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

Company Directors:

Mr G R Embelton	Chairman – appointed Chairman 1984
Mr B R Dunn	Managing Director – appointed Director 2004
Mr J M Harrison	Director – Non-executive – retired as Director 2008
Mr J R Baldwin	Director – Non-executive – appointed Director 2002
Mr W R Mackinnon	Director – Non-executive – appointed Director 2002
Mr J J Embelton	Director – Non-executive – appointed Director 2008

Executives:

Mr E P Galgano	Group Commercial Manager

Consolidated Entity and Company

	Short Term Employee Benefits				Post Employment		
	Salary & Directors Fees $	LSL $	Incentive Accrued for Current Period $	Non-monetary Benefit $	Superannuation Benefits $	Total $	Proportion of Remuneration Performance Related
Company Non-Executive Directors' Remuneration							
Year ending 30 June 2008							
Mr J M Harrison	20,000	-	-	-	-	20,000	
Mr J R Baldwin	-	-	-	-	20,000	20,000	
Mr W R Mackinnon	-	-	-	-	20,000	20,000	
Mr J J Embelton	4,556	-	-	-	-	4,556	
	24,556	-	-	-	40,000	64,556	
Year ending 30 June 2007							
Mr J M Harrison	15,000	-	-	-	-	15,000	
Mr J R Baldwin	-	-	-	-	15,000	15,000	
Mr W R Mackinnon	-	-	-	-	15,000	15,000	
	15,000	-	-	-	30,000	45,000	
Company Executive Directors and Specified Executives' Remuneration							
Year ending 30 June 2008							
Mr G R Embelton	-	927	-	20,019	60,522	81,468	
Mr B R Dunn	208,626	-	105,591	-	20,739	334,956	32%
Mr E P Galgano	111,509	3,713	28,019	7,711	15,868	166,820	17%
	320,135	4,640	133,610	27,730	97,129	583,244	23%
Year ending 30 June 2007							
Mr G R Embelton	55,020	934	-	24,530	4,997	85,481	
Mr B R Dunn	191,202	-	44,651	-	17,674	253.527	18%
Mr E P Galgano	105,627	2,812	17,617	7,847	14,309	148,212	11%
	351,849	3,746	62,268	32,377	36,980	487,220	13%

For the year under review, bonuses of $105,591 and $28,019 have been provided for Mr B R Dunn and Mr E P Galgano respectively (2007 - $45,489 and $16,467 respectively), following the Group's achievement of specified profit targets and the amount paid may be any amount up to a maximum amount or nil if targets are not achieved. The specified profit target was chosen as a means of aligning executive remuneration with the creation of shareholder value

Compensation Options
No options have been granted as remuneration during the financial year. There are no options over ordinary shares outstanding.

Shares Issued on Exercise of Compensation Options
The Company has not issued any remuneration options.

Options and Rights Holdings
No directors or executives hold any options or rights over ordinary shares of Embelton Limited.

INDEMNIFYING OFFICERS OR AUDITORS

During or since the end of the financial year the Company has paid premiums to insure all Directors and officers of the Company against liabilities for costs and expenses incurred by them in defending legal proceedings arising out of their conduct while acting in the capacity of officer of the Company, other than conduct involving a willful breach of duty in relation to the Company. The amount of the premium was $15,797 (2007 - $15,797).

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

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

PROCEEDINGS ON BEHALF OF COMPANY

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

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

NON-AUDIT SERVICES

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

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

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2008:

Other services - advice relating to other matters	$ 2,000
Taxation services - preparation of income tax returns	$ 6,000
	$ 8,000

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 39.

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

On behalf of the Directors

G R Embelton	B R Dunn
Chairman	Director

15 September 2008

Deloitte.

Deloitte Touche Tohmatsu
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Board of Directors
Embelton Limited
147-149 Bakers Road
COBURG VIC 3058

15 September 2008

Dear Board Members

Embelton Limited

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

As lead audit partner for the audit of the financial statements of Embelton Limited for the financial year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M. Schofield

M J Schofield
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu (Audit)
ABN 74 490 121 060

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Independent Auditor's Report to the Members of Embelton Limited

Report on the Financial Report

We have audited the accompanying financial report of Embelton Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 6 to 31.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Deloitte.

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Embelton Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 37 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Embelton Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M. Schofield

M J Schofield
Partner
Chartered Accountants
Melbourne, 15 September 2008

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 21 AUGUST 2008

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

a. The number of holders of fifty cent fully paid ordinary shares as at 21 August 2008 was 93 of which 4 held less than a marketable parcel.

b. Distribution of Shareholding

Range	No of Holders of Ordinary Shares	No of Shares
1 – 1,000 shares	32	16,428
1,001 – 5,000 shares	32	81,878
5,001 – 10,000 shares	1	8,012
10,001 – 100,000shares	23	466,541
100,001 and over	5	1,584,998
	93	2,157,857

c. Percentage total holdings by or on behalf of the twenty largest shareholders is 91.3%.

Shareholder	No of shares	% of total
GRE Nominees Pty Ltd	558,940	25.90
Mrs Elizabeth M Montgomery & Mrs Bridget E Tomkins (Elizabeth Montgomery S/F A/C)	467,981	21.69
George Robert Embelton	320,874	14.87
Mr Ian Peter Alexander	158,283	7.33
Mr James Gordon Maxwell Moffatt	103,595	4.80
Est Fiona Margaret Weigall	48,594	2.25
GRE Nominees Pty Ltd (G R Embelton S/F A/c)	32,500	1.51
Ms Carolyn Louise Hill	32,307	1.50
Ms Sallie Christina Hill	30,808	1.43
Puvamo Investments Pty Ltd	26,200	1.21
Mrs Jennifer Mary Shepherd	22,395	1.04
Mr Berrick Walter Boyd and Mrs Janice Mary Boyd (Boyd Superannuation A/c)	22,000	1.02
Neville Victor Cruse & Bronwyn Maree Cruse (Neville & Bron Cruse Superannuation A/c)	21,105	.98
Mr Geoffrey Weston Cruse	21,105	.98
Mrs Maxine Charlotte Stewart	20,000	.93
Colonial Nominees Pty Ltd (Edgecumbe Inv Group Superannuation A/c)	20,000	.93
Mr William Russell Mackinnon	16,611	.77
Ms Bridget Elizabeth Montgomery	16,107	.75
Mr Adrian Eaglie White	16,000	.74
Industrial and Commercial Real Estate Pty Ltd (Minuti Super Fund A/c).	15,000	.70

The following holdings are those stated in the register of substantial shareholdings GRE Nominees Pty Ltd 558,940, Elizabeth Montgomery Super Fund A/c 467,981, George R Embelton 320,874, Ian Peter Alexander 158,283.

d. No options over issued shares of interests in the Company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

e. Voting rights: Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:
   (a) on a show of hands – one vote only;
   (b) on a poll, one vote for every fully paid ordinary share held.

The Companies and Products

EMBELTON LIMITED
147 - 149 Bakers Road
COBURG VIC 3058 AUSTRALIA

DISTRIBUTION AND MERCHANDISING

G P EMBELTON & CO PTY LTD

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

Melbourne	147-149 Bakers Road Coburg 3058	
	1/72 Fenton Street Huntingdale 3166	
Sydney	3/100-108 Asquith Street Silverwater 2128	
Brisbane	44 Millway Street Kedron 4031	
Perth	37 Sundercombe Street Osborne Park 6017	

Flooring and Consumer Products:

- Wooden parquetry flooring
- Prefinished and natural strip flooring
- Cork tiles
- Rubber and sports flooring
- Adhesives and finishes
- Other flooring accessories
- Compressed cork sheets, blocks and rolls

Industrial and Construction Products:

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

MANUFACTURING

EMBELTON INDUSTRIES PTY LTD

Manufacture of metal products

Factory Irene Street
Coburg Vic 3058

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

SKINNER BENDING
A Division of Embelton Industries Pty Ltd

Factory Irene Street
Coburg Vic 3058

- Tube and pipe bending and rolling

EMBELTON MANUFACTURING CO PTY LTD

Manufacture of construction and industrial materials

Factory Irene Street
Coburg Vic 3058

- ImpactaMat recycled rubber sheeting
- Spandex jointing
- Specialised cork and rubber components

EMBELTON TIMBER SERVICES PTY LTD

Manufacture of timber flooring

Factory 27 Kanangra Drive
Taree NSW 2430

- Parquetry flooring products
- Strip timber flooring