Half Yearly Report

EMBELTON LIMITED

ABN 51 004 401 496

For Half Year Ended 31 December 2013

Results for Announcement to the Market

				$A'000
Revenue from ordinary activities	Up	3.4%	to	17,567
Profit from ordinary activities after income tax attributable to members	Up	2.8%	to	622
Net profit for the period attributable to members	Up	2.8%	to	622

Dividends per Share	Amount per share	Franked amount per share at 30% tax
Interim	13.0 cents	13.0 cents
Record date for determining entitlements to dividends		21 March 2014

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset per ordinary share	5.40	5.20

Dividends

a) Dividends per Share	Amount per share	Franked amount per share at 30% tax	Amount per share of foreign source dividend
Interim			
- current period	13.0 cents	13.0 cents	0 cents
- previous corresponding period	13.0 cents	13.0 cents	0 cents

b) Total Dividends	Current Period A$ '000	Previous Corresponding Period A$ '000
Interim dividend - payable on 11 April 2014	281	281
Final June 2013 dividend paid on 11 October 2013	345	345
	626	626

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 December 2013

	Note	Consolidated Entity Half Year Ended 31 Dec 2013 ($'000)	31 Dec 2012 ($'000)
Revenue		17,567	16,983
Cost of Sales		(11,474)	(10,756)
Gross Profit		6,093	6,227
Other Income		93	89
Less Expenses:			
Manufacturing Expenses		(486)	(873)
Sales and Marketing Expenses		(2,604)	(2,366)
Storage and Distribution Expenses		(268)	(254)
Administration and Other Expenses		(1,930)	(1, 958)
Profit before income tax expense	2	898	865
Income tax expense		(276)	(260)
Profit after income tax expense		622	605
Net profit for the period		622	605
Attributable to equity holders of Embelton Limited		622	605
Other comprehensive income		-	-
Total comprehensive income		622	605
Earnings per share			
From continuing operations:			
Basic (cents per share)		28.8 cents	28.0 cents
Diluted (cents per share)		28.8 cents	28.0 cents

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position
As at 31 December 2013

	Consolidated Entity	
	31 Dec 2013 ($'000)	30 June 2013 ($'000)
Current Assets		
Cash and cash equivalents	442	261
Trade and other receivables	3,674	3,649
Inventories	8,493	8,070
Other	362	323
Total Current Assets	12,971	12,303
Non-Current Assets		
Property, plant and equipment	3,488	3,497
Deferred tax assets	502	498
Total Non-Current Assets	3,990	3,995
TOTAL ASSETS	**16,961**	**16,298**
Current Liabilities		
Trade and other payables	3,951	3,611
Current tax payables	168	110
Provisions	1,080	1,093
Total Current Liabilities	5,199	4,814
Non-Current Liabilities		
Deferred tax liabilities	21	26
Provisions	87	81
Total Non-Current Liabilities	108	107
TOTAL LIABILITIES	5,307	4,921
NET ASSETS	**11,654**	**11,377**
Equity		
Contributed equity	1,156	1,156
Retained earnings	10,498	10,221
TOTAL EQUITY	**11,654**	**11,377**

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows for the Half-Year Ended 31 December 2013

	Consolidated Entity Half Year Ended 31 Dec 2013 ($'000)	31 Dec 2012 ($'000)
Cash flows from operating activities		
Receipts from customers	17,542	17,196
Payments to suppliers and employees	(16,663)	(15,661)
Interest paid	(2)	(18)
Income taxes paid	(218)	(212)
Net cash provided by/(used in) operating activities	659	1,305
Cash flows from investing activities		
Payments for property, plant and equipment	(158)	(66)
Proceeds from sale of equipment	25	46
Net cash used in investing activities	**(133)**	**(20)**
Cash flows from financing activities		
Dividends paid	(345)	(345)
Net cash used in financing activities	**(345)**	**(345)**
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	**181**	**940**
Cash and cash equivalents at beginning of period	**261**	**(950)**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**442**	**(10)**

The above Condensed Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity for the Half-Year Ended 31 December 2013

	Contributed equity	Retained profits	Total
	$'000	$'000	$'000
At 1 July 2012	1,156	9,799	10,955
Profit/comprehensive income for the period	-	605	605
Dividends paid	-	(345)	(345)
At 31 December 2012	**1,156**	**10,059**	**11,215**
Profit/comprehensive income for the period	-	443	443
Dividends paid	-	(281)	(281)
At 30 June 2013	**1,156**	**10,221**	**11,377**
Profit/comprehensive income for the period	-	622	622
Dividends paid	-	(345)	(345)
At 31 December 2013	**1,156**	**10,498**	**11,654**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2013

1. Significant Accounting Policies

Statement of compliance

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

Basis of preparation

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

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2013 annual financial report for the financial year ended 30 June 2013.

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

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2013 (cont'd)

2. Segment Information

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

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

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

The reportable segments identified are unchanged from those identified previously.

Reportable segments

Technical Products
The Technical Products business comprises the sale of various vibration control devices, building materials, industrial cork and rubber products, metal fabrications.

Flooring Products
The Flooring Products business comprises the sale of timber and cork flooring and accessory products.

Manufacturing
Manufacturing operations supply to both market segments.

Notes to the Condensed Consolidated Financial Statements
for the Half-Year Ended 31 December 2013 (cont'd)

2. Segment Information continued

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

Half-year ended 31 December 2013	Merchandising			
	Technical Products $'000	Flooring Products $'000	Manufacturing $'000	Consolidated $'000
Total Operating Revenue	2,987	13,984	2,148	19,119
Less Elimination on Consolidation	-	-	(1,552)	(1,552)
Total External Operating Revenue	2,987	13,984	596	17,567
Segment result	361	511	38	910
Other Revenue				93
Unallocated expenses				(105)
Total Operating Profit before income tax expense				898
Income Tax Expense				276
Profit for the Period				622

Half-year ended 31 December 2012

Total Operating Revenue	3,436	12,770	2,626	18,832
Less Elimination on Consolidation	-	-	(1,849)	(1,849)
Total External Operating Revenue	3,436	12,770	777	16,983
Segment result	328	568	(28)	868
Other Revenue				89
Unallocated expenses				(92)
Total Operating Profit before income tax expense				865
Income Tax Expense				260
Profit for the Period				605

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2013 (cont'd)

3. Dividends

	Half Year Ended 2013 $'000	Half Year Ended 2012 $'000
Recognised amounts		
Fully paid ordinary shares		
Final dividend of 16 cents per share (2012 – 16 cents)	345	345
	345	345
Unrecognised amounts		
Fully paid ordinary shares		
Interim dividend of 13.0 cents per share (2013 – 13.0 cents)	281	281

On 20 February 2014 the directors declared a fully franked interim dividend of 13.0 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2013, to be paid to the shareholders on 11 April 2014. This dividend has not been included as a liability on these financial statements.

4. Contingencies and commitments

There have been no changes in contingent liabilities, contingent assets or commitments since the last annual reporting date 30 June 2013.

5. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the half- year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

EMBELTON LIMITED and its Controlled Entities

Directors' Report

Your Directors present their report on the consolidated entity of Embelton Limited and controlled entities for the half-year ended 31 December 2013.

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

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

Mr G R Embelton (Chairman since 1986)
Mr J R Baldwin (Non-executive Director since June 2002)
Mr J J Embelton (Non-executive director since April 2008; Appointed Managing Director November 2010)

Review of Operations

After a challenging year to 30 June last and a slow start to the current period, signs of improvement began to emerge during the second quarter, in part reflecting structural changes undertaken over the past year.

In flooring, ongoing development of wholesale activities included an extension of our product range and greater engagement with the retail flooring groups, both of which contributed to an improved outcome for the period. Similarly, Technical Division activity grew in the lead up to Christmas with commencement of several projects which had been previously delayed.

Closure of two factories in late F13 yielded a positive result for the Manufacturing Division following negative returns in each of the two previous corresponding periods. External procurement of product formerly sourced from these facilities enabled us to lower input costs in an Australian manufacturing environment which continues to face significant headwinds.

We remain cautiously optimistic about prospects for the coming six months believing that the strength of our product range and distribution network will enable us to build on the first half results.

Auditor's Independence Declaration

A copy of the independence declaration by the auditor under Section 307C is included on page 13.

Rounding of Amounts

The company satisfies the requirements of Class Order 98/0100, dated 10 July 1998, issued by the Australian Investments and Securities Commission relating to "rounding off" of amounts in the directors' report and the financial report to the nearest thousand dollars. Amounts have been rounded off in the directors' report and financial report in accordance with that Class Order, unless otherwise stated.

The report is signed in accordance with a Resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

J J Embelton
Director

Melbourne, 20 February 2014

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (03) 9671 7001
www.deloitte.com.au

The Board of Directors
Embelton Limited
P.O. Box 207
COBURG VIC 3058

20 February 2014

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 review of the financial statements of Embelton Limited for the financial half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Alison Brown
Alison Brown
Partner
Chartered Accountants

Declaration by Directors

The Directors declare that:

1. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

2. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

J J Embelton
Director

Melbourne, 20 February 2014

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (03) 9671 7001
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report of Embelton Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 3 to 14.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Embelton Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Embelton Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Alison Brown

Alison Brown
Partner
Chartered Accountants
Melbourne, 20 February 2014