# Half Yearly Report

## EMBELTON LIMITED
ABN 51 004 401 496

For Half Year Ended 31 December 2014

### Results for Announcement to the Market

| | | | | $A'000 |
|---|---|---|---|---|
| Revenue from ordinary activities | Up | 16.0% | to | 20,378 |
| Profit from ordinary activities after income tax attributable to members | Up | 31.4% | to | 817 |
| Net profit for the period attributable to members | Up | 31.4% | to | 817 |

| **Dividends per Share** | Amount per share | Franked amount per share at 30% tax |
|---|---|---|
| Interim | 14.0 cents | 14.0 cents |
| Record date for determining entitlements to dividends | | 20 March 2015 |

## NTA Backing

| | Current Period | Previous corresponding period |
|---|---|---|
| Net tangible asset per ordinary share | 5.75 | 5.40 |

## 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 | 14.0 cents | 14.0 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 10 April 2015 | 302 | 281 |
| Final June 2014 dividend paid on 10 October 2014 | 378 | 345 |
| | 680 | 626 |

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 December 2014

| | Note | Consolidated Entity Half Year Ended 31 Dec 2014 ($'000) | 31 Dec 2013 ($'000) |
|---|---|---|---|
| **Revenue** | | 21,378 | 17,567 |
| Cost of Sales | | (13,989) | (11,474) |
| **Gross Profit** | | 6,977 | 6,093 |
| Other Income | | 134 | 93 |
| **Less Expenses:** | | | |
| Manufacturing Expenses | | (286) | (486) |
| Sales and Marketing Expenses | | (2,364) | (2,604) |
| Storage and Distribution Expenses | | (345) | (268) |
| Administration and Other Expenses | | (2,354) | (1, 930) |
| **Profit before income tax expense** | | 1,174 | 898 |
| **Income tax expense** | | (357) | (276) |
| **Profit after income tax expense** | | 817 | 622 |
| **Profit for the period** | | 817 | 622 |
| Profit attributable to equity holders of Embelton Limited | | 817 | 622 |
| Total comprehensive income | | 817 | 622 |
| **Earnings per share** | | | |
| From continuing operations: | | | |
| Basic (cents per share) | | 37.9 cents | 28.8 cents |
| Diluted (cents per share) | | 37.9 cents | 28.8 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 2014

| | Consolidated Entity | |
|---|---|---|
| | 31 Dec 2014 ($'000) | 30 June 2014 ($'000) |
| **Current Assets** | | |
| Cash and cash equivalents | 792 | 507 |
| Trade and other receivables | 4,004 | 3,369 |
| Inventories | 8,975 | 8,388 |
| Other | 328 | 245 |
| Total Current Assets | 14,099 | 12,509 |
| **Non-Current Assets** | | |
| Property, plant and equipment | 3,550 | 3,631 |
| Deferred tax assets | 509 | 428 |
| Total Non-Current Assets | 4,059 | 4,059 |
| **TOTAL ASSETS** | **18,158** | **16,568** |
| **Current Liabilities** | | |
| Trade and other payables | 4,251 | 3,344 |
| Current tax payables | 294 | 137 |
| Provisions | 1,092 | 1,006 |
| Total Current Liabilities | 5,637 | 4,487 |
| **Non-Current Liabilities** | | |
| Deferred tax liabilities | 20 | 23 |
| Provisions | 93 | 88 |
| Total Non-Current Liabilities | 113 | 111 |
| **TOTAL LIABILITIES** | 5,750 | 4,598 |
| **NET ASSETS** | **12,408** | **11,969** |
| **Equity** | | |
| Issued Capital | 1,156 | 1,156 |
| Retained earnings | 11,252 | 10,813 |
| **TOTAL EQUITY** | **12,408** | **11,969** |

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 2014

| | Consolidated Entity Half Year Ended 31 Dec 2014 ($'000) | 31 Dec 2013 ($'000) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 19,801 | 17,542 |
| Payments to suppliers and employees | (18,753) | (16,663) |
| Interest paid | (6) | (2) |
| Interest received | 3 | - |
| Income taxes paid | (285) | (218) |
| **Net cash provided by/(used in) operating activities** | 760 | 659 |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | (97) | (158) |
| Proceeds from sale of equipment | - | 25 |
| **Net cash used in investing activities** | **(97)** | **(133)** |
| **Cash flows from financing activities** | | |
| Dividends paid | (378) | (345) |
| **Net cash used in financing activities** | **(378)** | **(345)** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **285** | **181** |
| Cash and cash equivalents at beginning of period | **507** | **261** |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **792** | **442** |

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 2014

| | Contributed equity | Retained profits | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **At 1 July 2013** | 1,156 | 10,221 | 11,377 |
| Profit for the period | - | 622 | 622 |
| Dividends paid | - | (345) | (345) |
| **At 31 December 2013** | **1,156** | **10,498** | **11,654** |
| Profit for the period | - | 596 | 596 |
| Dividends paid | - | (281) | (281) |
| **At 30 June 2014** | **1,156** | **10,813** | **11,969** |
| Profit for the period | - | 817 | 817 |
| Dividends paid | - | (378) | (378) |
| **At 31 December 2014** | **1,156** | **11,252** | **12,408** |

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 2014

## 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 2014 annual financial report for the financial year ended 30 June 2014.

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 half-year.

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

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting '
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'

## Notes to the Condensed Consolidated Financial Statements
### for the Half-Year Ended 31 December 2014 (cont'd)

- AASB 2014-1 'Amendments to Australian Accounting Standards'
- Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
- Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
- Part C: 'Materiality'
- Interpretation 21 'Levies'

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.

**Change in accounting estimates**

The accounting estimates adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2014 annual financial report for the financial year ended 30 June 2014.

## 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 the Technical Products segment.

## Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2014 (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 2014 | Merchandising – Technical Products $'000 | Merchandising – Flooring Products $'000 | Manufacturing $'000 | Consolidated $'000 |
|---|---|---|---|---|
| Total Operating Revenue | 3,680 | 16,270 | 2,171 | 22,121 |
| Less Elimination on Consolidation | - | - | (1,743) | (1,743) |
| Total External Operating Revenue | 3,680 | 16,270 | 428 | 20,378 |
| Segment result | 545 | 573 | 15 | 1,133 |
| Other Revenue | | | | 134 |
| Unallocated expenses | | | | (93) |
| Total Operating Profit before income tax expense | | | | 1,174 |
| Income Tax Expense | | | | 357 |
| **Profit for the Period** | | | | 817 |

| Half-year ended 31 December 2013 | Merchandising – Technical Products $'000 | Merchandising – 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 |

## Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2014 (cont'd)

### 3. Dividends

| | Half Year Ended | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| **Recognised amounts** | | |
| **Fully paid ordinary shares** | | |
| Final dividend of 17.5 cents per share (2013 – 16.0 cents) | 378 | 345 |
| | 378 | 345 |
| **Unrecognised amounts** | | |
| **Fully paid ordinary shares** | | |
| Interim dividend of 14.0 cents per share (2014 – 13.0 cents) | 302 | 281 |

On 16 February 2015 the directors declared a fully franked interim dividend of 14.0 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2014, to be paid to the shareholders on 10 April 2015. 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 2014.The contingent liabilities related to the future operating lease rentals of buildings and motor vehicles decreased from $1,725,892 as at June 2014 to $1,378,230 as a result of the payments made during the half year.

### 5. Fair Value of financial Instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Group does not have any financial assets and financial liabilities that are measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

### 6. 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 2014.

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 2002)
Mr M S Crabb (Non-executive Director appointed 15 October 2014)
Mr J J Embelton (Non-executive director since 2008; Appointed Managing Director 2010)

### Review of Operations

The expansion in building activity across Australia which began in the second half of F14 continued into the current period – underpinned by a combination of low interest rates and an underinvestment in building over recent years. Both residential and commercial construction activity continue to grow.

This has benefitted the Group with specification of the Company's products in projects ranging from small residential builds to large commercial projects, driving revenue growth for both the Engineering and Flooring divisions.

Realignment of activities in our Manufacturing division, as noted in prior reports, enabled that division to focus effort into new and more productive areas, such as the procurement and assembly of materials by the Engineering division.

This, combined with effective management of costs during the period, enabled the Group to post an improved result compared with the same period last year.

Looking ahead, a continuation of robust building activity across Australia is likely to provide favourable conditions for the Group, although as a net importer, the AUD's recent decline may present some headwinds in the period ahead.

We remain cautiously optimistic about the second half, and as such, anticipate the full year result will show an improvement over the prior year.

**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, 23 February 2015

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

23 February 2015

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 2014, 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, 23 February 2015

Deloitte.

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# 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 2014, 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 2014 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 2014 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, 23 February 2015