Preliminary Final Report and Dividend Announcement

# EMBELTON LIMITED ACN 004 401 496
For Year Ended 30 June 2018

## Results for Announcement to the Market

| | | | | $A'000 |
|---|---|---|---|---|
| Total Revenues | Up | 34.3% | to | 59,354 |
| Profit after tax attributable to members | Up | 27.3% | to | 2,802 |
| Net profit for the period attributable to members | Up | 27.3% | to | 2,802 |

| **Dividends (distributions)** | Amount per security | Franked amount per security |
|---|---|---|
| Interim Dividend | 20.0¢ | 20.0¢ |
| Final Dividend | | |
| Ordinary Dividend | 30.0¢ | 30.0¢ |
| Total Dividends for year | 50.0¢ | 50.0¢ |
| Previous Corresponding Period: | | |
| Interim Dividend | 19.0¢ | 19.0¢ |
| Special Dividend | 4.0¢ | 4.0¢ |
| Final Ordinary Dividend | 23.0¢ | 23.0¢ |
| Total Dividends for year | 46.0¢ | 46.0¢ |

Record date for determining entitlements to the dividend 19 September 2018

## Condensed consolidated statement of comprehensive income

| | Current period ($A'000) | Previous corresponding period ($A'000) |
|---|---|---|
| Total Revenues | 59,354 | 44,186 |
| Expenses | 54,980 | 40,773 |
| Finance costs | 348 | 107 |
| **Profit before tax** | **4,026** | **3,306** |
| Income tax | 1,224 | 1,105 |
| **Profit after tax** | **2,802** | **2,201** |
| Other Comprehensive income | - | (34) |
| **Total Comprehensive income** | **2,802** | **2,167** |
| **Net profit for the period attributable to members** | **2,802** | **2,201** |
| **Total Comprehensive income attributable to members** | **2,802** | **2,167** |

## Consolidated retained profits

| | Current period ($A'000) | Previous corresponding period ($A'000) |
|---|---|---|
| Retained profits at the beginning of the financial period | 14,140 | 12,932 |
| Net profit attributable to members | 2,802 | 2,201 |
| Dividends and other equity distributions paid | (1,014) | (993) |
| **Retained profits at end of financial period** | **15,928** | **14,140** |

## Earnings per security (EPS)

| | Current period | Previous corresponding period |
|---|---|---|
| Basic EPS | 130 cents | 102 cents |
| Diluted EPS | 130 cents | 102 cents |

# Notes to the condensed consolidated statement of comprehensive income

## Revenue and expenses

| | Current period ($A'000) | Previous corresponding period ($A'000) |
|---|---|---|
| Revenue from sales or services | 59,328 | 44,173 |
| Interest revenue | 0 | 3 |
| Other relevant revenue | 26 | 10 |
| **Total Revenues** | **59,354** | **44,186** |
| Details of relevant expenses<br>Cost of goods sold | 39,904 | 28,319 |
| Depreciation and amortisation excluding amortisation of intangibles | 383 | 354 |

## Comparison of half year profits

| | Current year ($A'000) | Previous year ($A'000) |
|---|---|---|
| Consolidated profit after tax attributable to members reported for the 1st half year | 1,443 | 1,148 |
| Consolidated profit after tax attributable to members for the 2nd half year | 1,359 | 1,053 |

## Condensed consolidated statement of financial position

| | At end of current period ($A'000) | At end of corresponding prior period ($A'000) |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 59 | 56 |
| Receivables | 10,462 | 5,518 |
| Inventories | 13,279 | 12,113 |
| Other | 191 | 87 |
| **Total current assets** | **23,991** | **17,774** |
| **Non-current assets** | | |
| Property, plant and equipment (net) | 9,172 | 6,416 |
| Goodwill | 830 | - |
| Tax assets | 775 | 697 |
| **Total non-current assets** | **10,777** | **7,113** |
| **Total assets** | **34,768** | **24,887** |
| **Current liabilities** | | |
| Payables | 8,286 | 4,991 |
| Borrowings | 715 | 754 |
| Tax liabilities | 72 | 384 |
| Provisions exc. tax liabilities | 1,414 | 1,311 |
| **Total current liabilities** | **10,487** | **7,440** |
| **Non-current liabilities** | | |
| Tax liabilities | 16 | 21 |
| Borrowings | 7,000 | 2,000 |
| Provisions exc. tax liabilities | 174 | 123 |
| **Total non-current liabilities** | **7,190** | **2,144** |
| **Total liabilities** | **17,677** | **9,584** |
| **Net assets** | **17,091** | **15,303** |
| **Equity** | | |
| Contributed equity | 1,156 | 1,156 |
| Reserves | 7 | 7 |
| Retained profits | 15,928 | 14,140 |
| **Equity attributable to members of the parent entity** | **17,091** | **15,303** |
| **Total equity** | **17,091** | **15,303** |

## Condensed consolidated statement of cash flows

| | Current period ($A'000) | Previous corresponding period ($A'000) |
|---|---|---|
| **Cash flows related to operating activities** | | |
| Receipts from customers | 58,843 | 48,959 |
| Payments to suppliers and employees | (56,917) | (49,017) |
| Interest and other items of similar nature received | - | 3 |
| Finance costs | (348) | (107) |
| Income taxes paid | (1,589) | (1,164) |
| **Net operating cash flows** | **(11)** | **(1,326)** |
| **Cash flows related to investing activities** | | |
| Payment for purchases of property, plant and equipment | (3,142) | (908) |
| Proceeds from sale of property, plant and equipment | 9 | - |
| Acquisition of business | (800) | - |
| **Net investing cash flows** | **(3,933)** | **(908)** |
| **Cash flows related to financing activities** | | |
| Proceeds from Borrowings | 4,961 | 2,754 |
| Dividends paid | (1,014) | (993) |
| **Net financing cash flows** | **3,947** | **1,761** |
| **Net increase in cash held** | **3** | **(473)** |
| Cash and cash equivalents at beginning of period | 56 | 529 |
| **Cash and cash equivalents at end of period** | **59** | **56** |

## Notes to the Condensed Consolidated Statement of Cash Flows

## Reconciliation of cash and cash equivalents

| Reconciliation of cash at the end of the period (as shown in the consolidated cash flow statement) to the related items in the accounts is as follows. | Current period ($A'000) | Previous corresponding period ($A'000) |
|---|---|---|
| Cash on hand and at bank | 59 | 56 |
| Commercial Bills | - | - |
| Deposits at call | - | - |
| **Total cash and cash equivalents at end of period** | **59** | **56** |

## Statement of Changes in Equity

| | Contributed Equity ($A'000) | Foreign Currency Translation Reserve ($A'000) | Retained Profits ($A'000) | Total ($A'000) |
|---|---|---|---|---|
| **At 30 June 2016** | **1,156** | **41** | **12,932** | **14,129** |
| Profit for the period | - | - | 2,201 | 2,201 |
| Other Comprehensive income | - | (34) | - | (34) |
| Total Comprehensive income | - | (34) | 2,201 | 2,167 |
| Dividends paid | - | - | (993) | (993) |
| **At 30 June 2017** | **1,156** | **7** | **14,140** | **15,303** |
| Profit for the period | - | - | 2,802 | 2,802 |
| Other Comprehensive income | - | - | - | - |
| Total Comprehensive income | - | - | 2,802 | 2,802 |
| Dividends paid | - | - | (1,014) | (1,014) |
| **At 30 June 2018** | **1,156** | **7** | **15,928** | **17,091** |

## Other notes to the condensed financial statements

| **Ratios** | Current period | Previous corresponding Period |
|---|---|---|
| **Profit before tax / revenue**<br>Consolidated profit before tax as a percentage of revenue | 6.8% | 7.4% |
| **Profit after tax / equity interests**<br>Consolidated net profit after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period | 16.4% | 14.4% |

| **NTA backing** | Current period | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per ordinary security | $7.54 | $7.09 |

## Dividends

| | |
|---|---|
| Date the dividend (distribution) is payable | 5 October 2018 |
| Record date to determine entitlements to the dividend | 19 September 2018 |
| If it is a final dividend, has it been declared? | This is a declared Final Dividend |

## Amount per security

| | Amount per security | Franked amount per security (at 30% tax) | Amount per security of foreign source dividend |
|---|---|---|---|
| **Final Dividend:** | | | |
| Current Year | | | |
| Ordinary Final Dividend | 30.0¢ | 30.0¢ | Nil |
| Previous Year | | | |
| Special Dividend | 4.0¢ | 4.0¢ | Nil |
| Ordinary Dividend | 23.0¢ | 23.0¢ | Nil |
| **Interim dividend:** Current year | 20.0¢ | 20.0¢ | Nil |
| Previous year | 19.0¢ | 19.0¢ | Nil |

**Total dividend per security (interim *plus* final)**

| | Current year | Previous year |
|---|---|---|
| Ordinary securities | 50.0¢ | 46.0¢ |
| Preference securities | - | - |

**Preliminary final report – total dividend for the year on all securities**

| | Current period ($A'000) | Previous corresponding period ($A'000) |
|---|---|---|
| Ordinary securities | 1,079 | 993 |
| Preference securities | - | - |
| Other equity instruments | - | - |
| **Total** | **1,079** | **993** |

## Segmental Information

| | Merchandising ($A'000) | Commercial ($A'000) | Manufacturing ($A'000) | Consolidated ($A'000) |
|---|---|---|---|---|
| **12 months to June 2018** | | | | |
| **Revenue** | | | | |
| Total Operating Revenue | 37,415 | 22,768 | 7,598 | 67,781 |
| Less Elimination on Consolidation | - | (1,612) | (6,841) | (8,453) |
| **Total External Operating Revenue** | **37,415** | **21,156** | **757** | **59,328** |
| **Results** | | | | |
| Segment results | 2,740 | 1,406 | 419 | 4,565 |
| Unallocated expenses | | | | (539) |
| TOTAL OPERATING PROFIT BEFORE INCOME TAX | | | | 4,026 |
| **Assets** | 20,621 | 11,478 | 2,669 | 34,768 |
| Unallocated assets | | | | 0 |
| **TOTAL ASSETS** | | | | **34,768** |
| **12 months to June 2017** | | | | |
| **Revenue** | | | | |
| Total Operating Revenue | 36,740 | 6,525 | 5,760 | 49,025 |
| Less Elimination on Consolidation | - | - | (4,852) | (4,852) |
| **Total External Operating Revenue** | **36,740** | **6,525** | **908** | **44,173** |
| **Results** | | | | |
| Segment results | 3,114 | 540 | 505 | 4,159 |
| Unallocated expenses | | | | (853) |
| TOTAL OPERATING PROFIT BEFORE INCOME TAX | | | | 3,303 |
| **Assets** | 19,189 | 3,299 | 2,374 | 24,862 |
| Unallocated assets | | | | 25 |
| **TOTAL ASSETS** | | | | **24,887** |

## DIRECTORS COMMENTS

Significant growth in Group revenue flowed from continuation of a robust construction environment together with an increase in commercial flooring activity which was bolstered by the acquisition of a Queensland based floor contracting business during the year. The increase in assets to support the larger business, which included redevelopment of the company's Coburg premises, has been funded by additional bank borrowings.

With competitive pressures continuing to limit margin growth in traditional segments, broadening of the revenue stream through entry into similar markets, provides the opportunity to enhance earnings with only minor adjustment to the group operating structure. The search for such new opportunities to sustainably grow revenue and earnings in adjacent areas of business, consistent with manageable levels of borrowing, continues as a priority.

**Basis of financial report preparation**

Material factors affecting the revenues and expenses of the economic entity for the current period.

| |
|---|
| NIL |

A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

| |
|---|
| NIL |

Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

| |
|---|
| NIL |

Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year.

| |
|---|
| NIL |

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last annual report.

| |
|---|
| NIL |

## Annual meeting

The annual meeting will be held as follows:

| | |
|---|---|
| Place | 147 Bakers Road, Coburg VIC 3058 |
| Date | 7 November 2018 |
| Time | 11.00am |
| Approximate date the annual report will be available | 28 September 2018 |

**Compliance statement**

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX .

2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3. This report does give a true and fair view of the matters disclosed (see note 2).

4. This report is based on accounts to which one of the following applies.
   *(Mark one)*

   ☐ The accounts have been audited.

   ☐ The accounts have been subject to review.

   ☒ The accounts are in the process of being audited or subject to review.

   ☐ The accounts have *not* yet been audited or reviewed.

5. If the audit report or review by the auditor is not attached, details of any qualifications are attached/will follow immediately they are available.

6. The entity does not have a formally constituted audit committee.

James Embelton
Managing Director

23 August 2018