



**Ambertech Limited** and controlled entities ACN 079 080 158

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**APPENDIX 4E – PRELIMINARY FINAL REPORT**

Year Ended 30 June 2019

For Immediate Release 30 August 2019

**Results for Announcement** to the Market  
**Further Explanation** of the Results  
**Outlook** for the business

## Results for Announcement to the Market

For the year ended 30 June 2019

### Key Information

The following information is provided to the ASX under listing rule 4.3A:

|   | 2019    | 2018   | Movement<br>Up/(Down) |       |
|---|---------|--------|-----------------------|-------|
|   | \$'000  | \$'000 | \$'000                | %     |
| <b>Revenue</b> from ordinary activities                               | 57,178  | 51,839 | 5,339                 | 10.3  |
| <b>(Loss) after income tax</b> for the period attributable to members | (1,332) | (143)  | (1,189)               | (831) |

### Dividends

The Board has announced that no final dividend will be paid in respect of the year ended 30 June 2019.

### Dividend History

There were no dividends paid or declared during the year ended 30 June 2019.

|   | 2019  | 2018  |
|---|-------|-------|
| <b>Net Tangible Assets</b> per security | 24.5c | 28.5c |

### Audit Status

This Report is based on accounts that are in the process of being audited.

**Further Explanation** of the results follows in the attached commentary.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
For the year ended 30 June 2019

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <b>Revenue</b>   | 57,178         | 51,839         |
| Cost of sales  | (41,618)       | (35,735)       |
| <b>Gross profit</b>  | <b>15,560</b>  | <b>16,104</b>  |
| Employee benefits expense                                      | (10,283)       | (9,496)        |
| Distribution costs   | (1,405)        | (1,460)        |
| Marketing costs  | (528)          | (740)          |
| Premises costs   | (1,982)        | (1,971)        |
| Depreciation and amortisation expenses                         | (447)          | (312)          |
| Finance costs  | (592)          | (670)          |
| Travel costs   | (535)          | (546)          |
| Other costs  | (1,085)        | (1,096)        |
| <b>Loss before income tax</b>                                  | <b>(1,297)</b> | <b>(187)</b>   |
| Income tax (expense)/benefit                                   | (35)           | 44             |
| <b>Loss for the year</b>                                       | <b>(1,332)</b> | <b>(143)</b>   |
| <b>Other comprehensive income</b>                              |                |                |
| Items that may be reclassified subsequently to profit or loss: |                |                |
| Exchange differences on translation of foreign operations      | 66             | (46)           |
| <b>Total comprehensive loss for the year</b>                   | <b>(1,266)</b> | <b>(189)</b>   |
| <b>Earnings per share</b>                                      |                |                |
| Basic earnings per share (cents)                               | (4.4)          | (0.5)          |
| Diluted earnings per share (cents)                             | (4.4)          | (0.5)          |

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

**Consolidated Statement of Financial Position**

As at 30 June 2019

|                                      | 2019<br>\$'000 | 2018<br>\$'000 |
|--------------------------------------|----------------|----------------|
| <b>ASSETS</b>                        |                |                |
| <b>CURRENT ASSETS</b>                |                |                |
| Cash and cash equivalents            | 1,207          | 859            |
| Trade and other receivables          | 11,249         | 9,658          |
| Inventories                          | 13,629         | 13,302         |
| <b>TOTAL CURRENT ASSETS</b>          | <b>26,085</b>  | <b>23,819</b>  |
| <b>NON-CURRENT ASSETS</b>            |                |                |
| Plant and equipment                  | 875            | 1,254          |
| Intangible assets                    | 61             | 78             |
| Deferred tax assets                  | 1,213          | 1,230          |
| <b>TOTAL NON-CURRENT ASSETS</b>      | <b>2,149</b>   | <b>2,562</b>   |
| <b>TOTAL ASSETS</b>                  | <b>28,234</b>  | <b>26,381</b>  |
| <b>LIABILITIES</b>                   |                |                |
| <b>CURRENT LIABILITIES</b>           |                |                |
| Trade and other payables             | 11,997         | 9,729          |
| Other financial liabilities          | 5,608          | 4,726          |
| Provisions                           | 1,764          | 1,764          |
| <b>TOTAL CURRENT LIABILITIES</b>     | <b>19,369</b>  | <b>16,219</b>  |
| <b>NON-CURRENT LIABILITIES</b>       |                |                |
| Provisions                           | 88             | 134            |
| Deferred tax liabilities             | 19             | 6              |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>107</b>     | <b>140</b>     |
| <b>TOTAL LIABILITIES</b>             | <b>19,476</b>  | <b>16,359</b>  |
| <b>NET ASSETS</b>                    | <b>8,758</b>   | <b>10,022</b>  |
| <b>EQUITY</b>                        |                |                |
| Share capital                        | 11,138         | 11,138         |
| Reserves                             | 58             | (10)           |
| Accumulated losses                   | (2,438)        | (1,106)        |
| <b>TOTAL EQUITY</b>                  | <b>8,758</b>   | <b>10,022</b>  |

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

**Consolidated Statement of Changes in Equity**  
For the year ended 30 June 2019

|   | Share<br>Capital<br>\$'000 | Foreign<br>Currency<br>Translation<br>Reserve<br>\$'000 | Share<br>Based<br>Payments<br>Reserve<br>\$'000 | Retained<br>Earnings<br>\$'000 | Total<br>Equity<br>\$'000 |
|---|----------------------------|---|---|--------------------------------|---------------------------|
| <b>Economic Entity</b>                                    |                            |   |   |                                |                           |
| <b>Balance as at 30 June 2017</b>                         | <b>11,138</b>              | <b>32</b>   | <b>1</b>  | <b>(963)</b>                   | <b>10,208</b>             |
| Loss for the year   | -                          | -   | -   | (143)                          | (143)                     |
| Exchange differences on translation of foreign operations | -                          | (46)  | -   | -                              | (46)                      |
| <b>Total comprehensive income for the year</b>            | <b>-</b>                   | <b>(46)</b>   | <b>-</b>  | <b>(143)</b>                   | <b>(189)</b>              |
| <b>Transactions with equity holders:</b>                  |                            |   |   |                                |                           |
| Costs of share based payments                             | -                          | -   | 3   | -                              | 3                         |
| <b>Balance as at 30 June 2018</b>                         | <b>11,138</b>              | <b>(14)</b>   | <b>4</b>  | <b>(1,106)</b>                 | <b>10,022</b>             |
| Loss for the year   | -                          | -   | -   | (1,332)                        | (1,332)                   |
| Exchange differences on translation of foreign operations | -                          | 66  | -   | -                              | 66                        |
| <b>Total comprehensive income for the year</b>            | <b>-</b>                   | <b>66</b>   | <b>-</b>  | <b>(1,332)</b>                 | <b>(1,266)</b>            |
| <b>Transactions with equity holders:</b>                  |                            |   |   |                                |                           |
| Costs of share based payments                             | -                          | -   | 2   | -                              | 2                         |
| <b>Balance as at 30 June 2019</b>                         | <b>11,138</b>              | <b>52</b>   | <b>6</b>  | <b>(2,438)</b>                 | <b>8,758</b>              |

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

**Consolidated statement of Cash Flows**  
For the year ended 30 June 2019

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                |                |
| Receipts from customers   | 60,703         | 54,844         |
| Payments to suppliers and employees   | (56,181)       | (50,184)       |
| Interest received   | 16             | 16             |
| Interest and other costs of finance paid  | (592)          | (670)          |
| Net goods and services tax remitted   | (4,426)        | (3,845)        |
| <b>Net cash (used in)/provided by operating activities</b>  | <b>(480)</b>   | <b>161</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                |                |
| Payments for plant and equipment  | (51)           | (574)          |
| Payments for intangible assets - website  | -              | (85)           |
| <b>Net cash used in investing activities</b>  | <b>(51)</b>    | <b>(659)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                |                |
| Proceeds from borrowings  | 1,221          | 343            |
| Repayment of borrowings   | (346)          | -              |
| <b>Net cash provided by financing activities</b>  | <b>875</b>     | <b>343</b>     |
| Net increase/(decrease) in cash and cash equivalents held   | 344            | (155)          |
| Cash and cash equivalents at beginning of year  | 859            | 1,014          |
| Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies at the beginning of the financial year | 4              | -              |
| <b>Cash and cash equivalents at end of year</b>   | <b>1,207</b>   | <b>859</b>     |

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

## Notes to the Consolidated Financial Statements

### 1. Basis of Preparation

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and is based on accounts which are in the process of being audited.

The preliminary financial report has been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for profit oriented entities. The preliminary financial report does not include all the notes of the type normally included in an annual financial report.

Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public pronouncements made by the consolidated entity during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001. Accounting policies have been consistently applied by the entities in the group and are consistent with those applied in the 30 June 2018 annual report.

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <b>2. Revenue</b>                                |                |                |
| Sale of goods and services                       | 57,162         | 51,823         |
| Interest received                                | 16             | 16             |
| <b>Total</b>                                     | <b>57,178</b>  | <b>51,839</b>  |
| <b>3. Expenses</b>                               |                |                |
| Additional information on the nature of expenses |                |                |
| <b>Inventories</b>                               |                |                |
| Cost of sales                                    | 41,618         | 35,735         |
| Movement in provision for inventory obsolescence | (132)          | (127)          |
| <b>Employee benefits expense</b>                 |                |                |
| Salaries and wages                               | 9,937          | 9,345          |
| Employee termination expense                     | 346            | 151            |
|  | <b>10,283</b>  | <b>9,496</b>   |
| <b>Depreciation and amortization</b>             |                |                |
| Plant and equipment                              | 95             | 83             |
| Furniture and fittings                           | 180            | 67             |
| Leasehold improvements                           | 139            | 139            |
| Leased plant and equipment                       | 16             | 16             |
| Website costs                                    | 17             | 7              |
|  | <b>447</b>     | <b>312</b>     |
| <b>Bad and doubtful debts</b>                    | <b>(1)</b>     | <b>42</b>      |

**Note 3: Expenses (continued)**

2019  
\$'000

2018  
\$'000

**Rental expense on operating leases**

Minimum lease payments

1,503

1,480

**4. Cash Flow Information**

**(i) Cash and cash equivalents**

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

Cash on hand

3

2

At call deposits with financial institutions

1,204

857

**Total cash and cash equivalents**

**1,207**

**859**

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

**(Loss) for the year**

**(1,332)**

**(143)**

Adjustments for:

Depreciation and amortization

447

312

Foreign exchange loss

24

74

Non-cash share-based payments

3

4

Changes in operating assets and liabilities

(Increase) in trade and other receivables

(1,419)

(1,730)

(Increase) in prepayments

(57)

(19)

(Increase) in inventories

(288)

(1,305)

Increase in payables

2,161

2,866

(Decrease)/increase in provisions

(53)

146

Decrease/(increase) in deferred taxes

34

(44)

**Net cash (used in)/provided by operating activities**

**(480)**

**161**

**(iii) Non-Cash Financing and Investing Activities**

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



**Notes to the Consolidated Financial Statements**

|  | 2019         | 2018         |
|--|--------------|--------------|
| <b>5. Earnings Per Share</b>                                   |              |              |
| <b>Basic earnings per share (cents)</b>                        | <b>(4.4)</b> | <b>(0.5)</b> |
| Weighted average number of ordinary shares (number)            | 30,573,181   | 30,573,181   |
| Earnings used to calculate basic earnings per share (\$,000)   | (1,332)      | (143)        |
| <b>Diluted earnings per share (cents)</b>                      | <b>(4.4)</b> | <b>(0.5)</b> |
| Weighted average number of ordinary shares (number)            | 30,573,181   | 30,573,181   |
| Earnings used to calculate diluted earnings per share (\$,000) | (1,332)      | (143)        |

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## Further Explanation of the Results

For the year ended 30 June 2019

### Summary of the Result for the year

|                              | Segment Revenue from External Customers |                |             | Segment EBIT   |                |                |
|------------------------------|---|----------------|-------------|----------------|----------------|----------------|
|                              | 2019<br>\$,000                          | 2018<br>\$,000 | +/-<br>%    | 2019<br>\$,000 | 2018<br>\$,000 | +/-<br>\$,000  |
| Lifestyle Entertainment      | 25,300                                  | 27,577         | (8.3)       | (1,521)        | 1,027          | (2,548)        |
| Professional                 | 28,359                                  | 20,869         | 35.9        | 1,139          | (35)           | 1,174          |
| New Zealand                  | 3,503                                   | 3,377          | 3.7         | (80)           | (223)          | 143            |
| <b>Total</b>                 | <b>57,162</b>                           | <b>51,823</b>  | <b>10.3</b> | <b>(462)</b>   | <b>769</b>     | <b>(1,231)</b> |
| Unallocated/Corporate        |   |                |             | (259)          | (302)          | 43             |
| <b>EBIT</b>                  |   |                |             | <b>(721)</b>   | <b>467</b>     | <b>(1,188)</b> |
| Net finance costs            |   |                |             | (575)          | (654)          | 79             |
| <b>Net Profit Before Tax</b> |   |                |             | <b>(1,296)</b> | <b>(187)</b>   | <b>(1,111)</b> |

The result for the 2018/19 financial year conceals the continued progress being made on business transformation. The result for the year was certainly less than satisfactory, with the main contributors to this result being as follows:

- Continued decline in sales of AV receivers/amplifiers via the Consumer Electronics (CE) retail market. Despite maintaining a strong market position in this category with our Onkyo brand, the AV receiver/amplifier business appears now to be in a declining product life cycle. Onkyo Corporation (Japan) recently announced the sale of all its Home AV business to Sound United LLC (USA);
- Margin reduction across the business, including the CE retail, residential and commercial installation markets and the professional AV dealer-based markets. This was magnified by a falling Australian Dollar against the currencies of our major suppliers;
- Increase in outbound freight costs, primarily attributed to the buying patterns of the CE retailers for lower cost items;
- Generally higher costs associated with servicing the CE retail market, including returns, rebates and in some cases managing the risk associated with the consignment of inventory;

**Summary of the Result** for the year (continued)

- Inconsistency of timing of product supply from one of our major Music Industry (MI) suppliers; and
- Significant market disruption in the form of State and Federal Election activity during the second half of the financial year.

There were several positives during the financial year which reflect the ongoing transformation of the Ambertech distribution model. These include:

- Significant growth (35.9%) in the Professional segment revenue. This growth is a consequence of the continued focus on areas where we can apply our value add through sales, marketing and engineering resources;
- Growth (14.5%) in recurring revenues from support contracts, including multi-year offerings. Future contracted revenue at balance date has also grown by more than 17%;
- Expansion in our dealer-based business as we continue to enlarge our product offering in the various channels we supply. We have seen strong growth in the MI and commercial installation markets as we increasingly become a supplier of choice, leveraging our strong brand management team; and
- Improved performance of the New Zealand operation as we continue to streamline costs and develop our customer base.

## Outlook for the Business

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There remains substantial opportunity for growth within the current business infrastructure, and the Ambertech Board and management continue to focus on opportunities from within existing agencies, as well as the potential for new agency or business acquisition.

There continues to be opportunity to improve our results through the more efficient management of working capital. Efforts are being made in the areas of inventory management to assist with this goal. It is anticipated that the costs associated with funding the business could be reduced significantly with a reduced reliance on debt.

Results from our sales efforts in Defence, Law Enforcement and Security related projects have thus far been hampered somewhat by project timelines. We have been awarded several projects where the supply time remains uncertain, however we anticipate a strong result from this area of the business in the 2020 financial year.

The pipeline for project business with our media systems partners is substantial, and we anticipate continued success in the area for the 2020 financial year. We hope to be in the position to make some positive announcements on major contracts in the coming months.

Results for the new financial year have so far been encouraging, with a clear focus on margin restoration, cost control and customer satisfaction. Further guidance on results for the year and progress on strategic goals will be provided at the time of the AGM.

On behalf of the Board of Ambertech Limited



**Robert Glasson**  
COO, Company Secretary  
Sydney, 30 August 2019