Newfurn Floor Coverings Ltd
ABN 63 004 650 668

annual financial report

For the Financial Year Ended 30 June 2021

Registered Office and Principal Place of Business:
5-9 Hobbs Court, Rowville VIC 3178

Directors' Report

For the Financial Year Ended 30 June 2021

The directors of Newfurn Floor Coverings Limited submit herewith the annual financial report for the financial year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report is as follows:

Directors

The directors of the company in office at any time during or since the end of the year are:

Shane Michael Chillingworth (Chairman)

Scott Anthony Shearer

Gemma Cecilia O'Brien

Roderick Douglas Preston

Lincoln Smith

Graham Meecham

Mark Winterton

The listed directors have been in office from the start of the financial year to the date of the financial report.

Principal Activities

The principal activities of the consolidated group in the course of the financial year were group buying, merchandising and promotion for floor covering members/retailers.

During the financial year there were no significant change in the nature of those activities.

Operating Results

The net amount of the consolidated groups profit from operations for the financial year after income tax was $771,361.

The profit from operations before income tax was $1,159,587, increased from $458,357 last year.

Dividends

No dividends have been paid or declared by the company, in respect of ordinary shares since the start of the financial year. The directors do not recommend the payment of a dividend on ordinary shares in respect of the year ended 30 June 2021.

Review of Operations

The company has completed the financial year with one hundred and fifty-eight member stores in total.

Choices Flooring Australia (132)

Victoria: 40

Western Australia: 14

New South Wales: 38

South Australia: 8

Northern Territory: 2

Australian Capital Territory: 3

Queensland: 20

Tasmania: 7

Style Flooring & Interiors (19)

Victoria: 9

Western Australia: 2

New South Wales: 4

South Australia: 1

Queensland: 1

Tasmania: 2

Choices New Zealand (7)

After provision for income tax, retained profits increased from $6,866,278 to $7,693,130.

It has been a very interesting financial year with much uncertainty, not just in the business sense, but regarding life in general given the impact of the COVID-19 pandemic. Despite this, Newfurn has managed to steer the ship through unchartered waters and has seen most of the memberships across Australia and New Zealand (NZ) showing tremendous growth. We have also implemented necessary changes to business operations to protect the safety of customers, staff and interruptions to global markets and supply chains.

The financial year that ended 2020/21 could have gone either way. Fortunately for the Floorcovering Industry in Australia and NZ, restricted travel and government stimulus meant spare disposable income was put into home renovations.

The purchase of a building in September (whilst in a 4-month lockdown) was a memorable event for the company. The building was bought for $7.4million, which will certainly see us through the next twenty years as there is sufficient room for continued growth.

The result is a reflection of the groups strong commitment and hard work, in working against the global effects of the pandemic and the national economic landscape. The board acknowledges the tremendous efforts of our staff and organisation in light of an extraordinarily difficult year experienced in our business climate. Even though most major states have been in and out of constant lockdowns and restrictions and we face many challenges ahead in the coming months, we hope to continue to manage our business effectively during future partial shutdowns or hibernations.

Significant Changes in State of Affairs

Significant changes in the state of affairs of the consolidated group during the financial year were as follows:

In September 2020, Newfurn Property Pty Ltd (Newfurn Property) was registered with the Australian Business Register with intent to acquire a commercial building for operating purposes due to involuntary acquisition of our current premise in Bulleen by the State Government NELP project.

Following the registration of Newfurn Property, a commercial building was identified in Rowville, Victoria 3178. After a long settlement, the building was officially acquired on 31st May 2021. To finance the acquisition, a loan was obtained from Westpac for $3,192,324 with a term of 25 years. The record of this building and loan is evident on the balance sheet as of 30 June 2021.

Directors' Report (continued)

For the Financial Year Ended 30 June 2021

After Balance Date Events

No matters or circumstances have arisen since the end of the financial 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.

Likely Developments and Result

Moving forward we are still in unchartered territory with the pandemic still very much alive and affecting operations around the world.

Future margin will continue to be carefully measured and balanced between residential and commercial operations. Overheads will be carefully assessed and reviewed to ensure that appropriate levels of central office resources are available to optimise group performance.

From a business perspective, we have a business continuity plan in place to prepare as best we can for a time of uncertainty. It is crucial that businesses in vital areas are kept operating throughout these difficult times and maintain social distancing, hygiene and other occupations, health and safety (OH&S) requirements. The past 12 months have provided many unique challenges, but we are working together to ensure that the positive outcomes we achieve together are sustained and our businesses come out the other side in the best possible shape.

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

Information on Directors and Company Secretary

The directors of Newfurn Floor Coverings Limited consist of seven non-executive directors, who are member based.

Details of these directors are:

Shane Michael Chillingworth

- Floor covering Retailer
- Current Chairman. Director of Newfurn since 2000.
- Over twenty (20) years retail experience in own store as Owner/ Manager.

Scott Anthony Shearer

- Floor covering Retailer
- Director of Newfurn since 2012.
- Over twenty (20) years retail experience with over 15 years in own store as Owner/Manager.
- Worked at the Central Office of the company between 1995 and 2001.

Gemma Cecilia O'Brien

- Floor covering Retailer
- Director of Newfurn since 2016.
- Daughter & future successor of store owner. Over ten (10) years retail experience in family owned store.

Roderick Douglas Preston

- Floor covering Retailer
- Director of Newfurn since 2016.
- Over thirty seven (37) years retail experience in and with over 3 years in own store as Owner/Manager.

Lincoln Smith

- Floor covering Retailer
- Director of Newfurn since 2017.
- Over thirteen (13) years retail experience in a family owned store

Mark Winterton

- Floor covering Retailer
- Director of Newfurn since 2019.
- Over twenty (25) years retail experience in own store as Owner/ Manager.

Graham Meecham (NZ)

- Floor covering Retailer
- Director of Newfurn since 2019.
- Prior to owning a flooring retail store (over 2 years), Graham spent 15 years with ANZ. His most recent role was Head of Retail Banking Central Pacific Region.

Details of company secretary are:

Helen Nguyen MPA, MBL, BBus, CPA

- Certified Practising Accountant
- Member of Governance Institute of Australia
- Member of the National Tax Accountant Association
- Joined Newfurn in 2018.
- Has held senior positions for a number of years as Senior Management Accountant, Finance Manager and Financial Controller with large national organisations, one of them being Crown Resorts Limited, one of Australia's largest gaming and entertainment groups.

Officers Indemnification

During this financial year, a premium was paid insuring the directors, the group secretary of the company (as named above) and all executive officers of the company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director, secretary or officer of the consolidated group, other than conduct involving a wilful breach of duty in relation to the consolidated group to the extent permitted by the Corporations Acts 2001.

The consolidated group is not subject to any significant environmental regulation.

Environmental Regulation

The consolidated group is not subject to any significant environmental regulation.

Share Options

No share options were granted during the year.

Meetings of Directors

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, 6 board meetings were held, all via telephone conference due to COVID travel restriction.

Shane Michael Chillingworth	6/6
Scott Anthony Shearer	6/6
Gemma Cecilia O'Brien	6/6
Roderick Douglas Preston	6/6
Lincoln Smith	6/6
Graham Meecham	6/6
Mark Winterton	6/6

Directors' Report (continued)

For the Financial Year Ended 30 June 2021

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the group or intervene in any proceedings to which the group is a party for the purpose of taking responsibility on behalf of the group for all or any part of those proceedings. The group was not a party to any such proceedings during the year.

Directors Benefits

No director has received, or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, or a related body corporate with a director, a firm of which the director is a member or an entity in which a director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors. The benefit is shown in the consolidated group's financial statements.

Non-Audit Services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 7 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

S. M. Chillingworth - Director

Dated: 27 September 2021
Rowville, Victoria

Auditor's Independence Declaration Under Section 307c Of The Corporations Act 2001 To The Directors Of Newfurn Floor Coverings Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there has been no contraventions of:

i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

HAINES MUIR HILL
Chartered Accountants
Level 1, 888 Doncaster Road
Doncaster East, VIC 3109

KRISTIAN LUNARDELLO
Partner
Dated 27 September 2021

Directors' Declaration

In accordance with a resolution of the directors of Newfurn Floor Coverings Ltd, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 35, are in accordance with the Corporations Act 2001 and:

    a.) comply with Australian Accounting Standards – Reduced Disclosure Requirements; and

    b.) give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the consolidated group.

2. In the directors' opinion there are reasonable grounds to believe that Newfurn Floor Coverings Ltd will be able to pay its debts as and when they become due and payable.

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

S. M. Chillingworth - Director

Dated: 27 September 2021
Rowville, Victoria

Consolidated Statement of Comprehensive Income

For The Year Ended 30 June 2021

	NOTE	Consolidated Group 2021 $	Consolidated Group 2020 $
Sales Revenue	3	178,058,203	165,470,448
Cost of Sales	3	-165,997,420	-154,630,806
Gross Profit		**12,060,783**	**10,839,642**
Other income	3	3,674,731	3,780,182
Lease rental income	3	425,142	437,202
Distribution expenses		-142,408	-150,642
Marketing expenses		-5,430,533	-4,587,840
Occupancy expenses		-126,453	-72,584
Administration expenses		-8,483,712	-9,178,678
Finance costs	3	-110,776	-140,097
Other expenses		-710,120	-474,763
Foreign translation Gain/(Loss)		2,933	5,935
Profit Before Income Tax Expense		1,159,587	458,357
Income tax expense	5	-384,548	-93,636
Profit From Continuing Operations for the Year		775,039	364,721
Other Comprehensive Income		-3,678	0
Total Comprehensive Income Attributable to the members of the Parent Entity	20	771,361	364,721

Notes to the financial statements are included on pages 13 to 35.

Consolidated Statement of Financial Position

As At 30 June 2021

	NOTE	Consolidated Group 2021 $	Consolidated Group 2020 $
Current Assets			
Cash and Cash Equivalents	6	2,828,315	2,513,080
Trade and Other Receivables	7	20,253,935	21,906,521
Inventories	8	473,802	468,989
Current Tax Assets	5	35,193	120,061
Other Assets	9	785,413	838,573
Total Current Assets		24,376,658	25,847,224
Non-Current Assets			
Property, Plant and Equipment	11	8,373,876	1,291,196
Right-of-Use Assets	12	1,612,908	2,263,875
Trade and Other Receivables	7	157,473	143,751
Intangible Assets	13	1,097,868	298,975
Deferred Tax Assets	5	1,791,525	1,456,761
Other Assets	9	0	314,546
Total Non-Current Assets		13,033,650	5,769,104
Total Assets		**37,410,308**	**31,616,328**
Current Liabilities			
Trade and Other Payables	14	19,771,812	19,074,073
Current Tax Liabilities	5	730,163	0
Provisions	16	748,603	601,326
Lease Liabilities	12	251,401	518,470
Borrowings	15	136,870	0
Other Liabilities	17	1,210,060	370,262
Total Current Liabilities		22,848,909	20,564,131
Non-Current Liabilities			
Trade and Other Payables	14	803,496	728,474
Provisions	16	26,149	24,372
Lease Liabilities	12	1,628,553	2,030,417
Borrowings	15	3,055,454	0
Deferred Tax Liabilities	5	638,583	683,328
Total Non-Current Liabilities		6,152,235	3,466,591
Total Liabilities		**29,001,144**	**24,030,722**
Net Assets		**8,409,164**	**7,585,606**
Equity			
Issued Capital	18	500,000	500,000
Reserves	19	216,034	219,328
Retained Earnings	20	7,693,130	6,866,278
Total Equity		**8,409,164**	**7,585,606**

Notes to the financial statements are included on pages 13 to 35.

Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2021

Consolidated Group	Share Capital $	Share Redemption ON Reserve $	Foreign Reserve $	Retained Profits $	Total $
Balance at 30 June 2019	488,000	213,897	11,366	5,539,755	6,253,018
Profit for the Year				364,721	364,721
Foreign Holdings Reserves			-5,935	5,935	0
Closure of MacGregor Corporate Store				479,368	479,368
Closure of Bald Hills Corporate Store				473,582	473,582
Prior year retrospective adjustment				2,917	2,917
Other Comprehensive Income					
Ordinary Shares Issued during the Year	12,000				12,000
Balance at 30 June 2020	500,000	213,897	5,431	6,866,278	7,585,606
Balance at 1 July 2020, previously reported	500,000	213,897	5,431	6,866,278	7,585,606
Impact of revisions to accounting standards	0	0	0	52,197	52,197
Adjusted balances at 1 July 2020	500,000	213,897	5,431	6,918,475	7,637,803
Profit for the Year				775,039	775,039
Foreign Holdings Reserves			-3,294	3,294	0
Other Comprehensive Income				-3,678	-3,678
Ordinary Shares Issued during the Year					
Balance at 30 June 2021	500,000	213,897	2,137	7,693,130	8,409,164

Notes to the financial statements are included on pages 13 to 35.

Consolidated Statement of Cash Flows

For The Financial Year Ended 30 June 2021

	NOTE	Consolidated Group 2021 $	Consolidated Group 2020 $
Cash Flows from Operating Activities			
Receipts from Members		201,076,760	187,347,491
Payments to Suppliers, Members and Employees		-195,873,161	-184,617,918
Lease Payments Received from Operating Lease		425,142	437,202
Interest Received		110,902	260,300
Finance Costs		-110,776	-140,097
Income Tax (Paid)/Refunded		50,975	-103,909
(Gain)/Loss on Disposal of Assets		0	-19
Net cash provided by operating activities		5,679,842	3,183,050
Cash Flows From Investing Activities			
Purchase of Property, Plant and Equipment		-8,222,503	-293,228
Proceeds from Property, Plant and Equipment		0	1,794
Net cash (used in) investing activities		-8,222,503	-291,434
Cash Flows from Financing Activities			
Proceeds from Issue of Shares		0	12,000
Proceeds from Borrowings		3,192,324	
Payment of Borrowing		0	-65,758
Payment of Lease Liability		-337,361	-472,280
Net cash provided / (used in) by Fnancing Activities		2,854,963	-526,038
Net Increase in Cash and Cash Equivalents Held		312,302	2,365,578
Cash and Cash Equivalents at Beginning of Financial Year Foreign Exchange Holdings		2,513,080	141,567
Effect of foreign exchange rates on cash and cash equivalents		2,933	5,935
Cash and Cash Equivalents at End of Financial Year	6	2,828,315	2,513,080

Notes to the financial statements are included on pages 13 to 35.

Notes to the Financial Statements

For The Financial Year Ended 30 June 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

ACCOUNTING POLICIES

a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Newfurn Floor Coverings Ltd (Newfurn) at the end of the reporting period. A controlled entity is any entity over which Newfurn has the power to govern the financial and operating policies to obtain benefits from its activities.

Where controlled entities have entered or left Newfurn during the year, the financial performances of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 10 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

b) Trade and Other Payables

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services. Payment terms for trade payables are 30 days end of month. Other accounts are between 7-30 days.

c) Trade and Other Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. Accounts to be received within 12 months are classified as current asset. Accounts that will not be received within 12 months are classified as non-current assets.

d) Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out or average cost basis.

e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Freehold land, plant and equipment

Freehold Land, plant and equipment are measured on a cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be measured reliably. All other repairs and maintenance are expensed to the statement of comprehensive income during the financial period in which they are incurred.

f) Depreciation

Depreciation is calculated using the straight-line method so as to write off the book value of fixed assets over their estimated economic lives. The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate	
Leasehold Improvements	3% – 10%	Prime Cost
Furniture and Equipment	5%-33%	Prime Cost
Computer Software	20%	Prime Cost
Leased Plant and Equipment	15% - 17%	Prime Cost

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

The Group ensures accounting and tax depreciation are consistent to avoid discrepancy in accounting profit to tax reconciliation. However, the Group utilises an inhouse software development pool.

f) Depreciation (continued)

The tax depreciation rates are:

Year 1 – Nil
Year 2 – 30%
Year 3 – 30%
Year 4 – 30%
Year 5 – 10%

Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with AASB 5 and the date that the asset is derecognised.

g) Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period, Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the Australian Taxation Office (ATO).

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting for taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property plant and equipment measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

g) Income Tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

a) a legally enforceable right of set-off exists; and

(b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

h) 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 in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits (less than 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 long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date. The discount rate used is the 10-year corporate bond rate.

i) Leases

As a lessee

Newfurn recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. An estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives are also included.

The lease liability is initially measured at the present value of the lease payments that are still to be paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Newfurn's incremental borrowing rate.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Newfurn's estimate of the amount expected to be payable, or if Newfurn changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term or the useful life of the underlying asset, whichever is the shortest.

i) Leases (continued)

As a lessor

When Newfurn acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, Newfurn makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset.

If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, Newfurn considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When Newfurn is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. Newfurn recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'lease rental income'.

j) Financial Instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

After initial recognition, a financial asset is measured in accordance with AASB 9 at:

- amortised cost
- fair value through other comprehensive income; or
- fair value through profit or loss

The assessment of characteristics is required to determine subsequent measurement. Aiming to identify whether the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding'.

The impairment requirements for financial assets are based on a forward-looking expected credit loss ("ECL") model. AASB 9 contains three approaches to assessing impairment:

1. The simplified approach, which will be applied to most trade receivables;
2. The general approach, which will be applied to most loans and debt securities; and
3. The purchased or originated credit-impaired approach.

Under each of the impairment approaches, the loss allowance reduces the carrying amount of the financial asset. That is, it reduces the gross carrying value rather than recognising an impairment loss as a separate 'provision' against the gross value of the receivable.

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Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2021

j) Financial Instruments (continued)

After initial recognition, a financial liability is subsequently measured at amortised cost except for the following liabilities which are measured at fair value with subsequent changes recognised in profit or loss:

- Derivatives;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate;
- Contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies; and
- Other financial liabilities for which the fair value option described above has been applied.

k) Goods and Services Tax

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

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.

l) Revenue

The company uses AASB 15: Revenue from Contracts with Customers using the cumulative effective method.

Revenue is measured at the fair value of the consideration received or receivable after considering any volume rebates allowed.

When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements.

The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from rebates is recognised at the point of payment as this corresponds to the terms in the Alliance Partner Agreements. The company purchases flooring on behalf of its members. Revenue is recognised when control of the products has transferred to the member.

Revenue is then only recognised to the extent that there is a high probability of no significant reversal of revenue occurring.

The products are sold under standard warranty terms. These terms may require the suppliers to provide a refund for faulty products.

The suppliers' obligation to provide a refund for these faulty products is recognised as a provision in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets. Where it is expected that volume discounts will be payable to customers for sales made until the end of the reporting period, a contract liability is recognised.

A receivable is recognised when the goods are delivered and fees are invoiced. The company's right to consideration is deemed unconditional at this time, as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales (which include those with volume discounts) are made within approved credit terms.

Interest income is recognised using the effective interest method.

m) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated in the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, determined at the inception of the lease. The corresponding liability is included in the Group balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction (depreciation) of the lease obligation to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged to the Group consolidated income statement. Rent payable under operating leases are charged to the Group consolidated income statement.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Groups net investment in the lease.

On 1 July 2021, the Group consolidated an intercompany operating lease. Under the lease agreement, Newfurn Property cannot require the payment of lease obligations upon early termination of the lease. Rental income from this lease is recognised in the consolidated income statement.

n) Functional and Presentation Currency

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position via other comprehensive income. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

o) Intangibles

Trademarks are initially recognised at cost.

Trademarks are assessed as having an indefinite useful life as there is no foreseeable limit to the period over which the trademarks are expected to generate cash flows.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually as determined by the Board. No impairment has been recognised for 30 June 2021.

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2021

p) Borrowing costs

Interest on the Group's financial liabilities is accounted for using the Effective Interest Method (EIM).

EIM is an accounting standard used to amortise, or discount a bond. This method is used for bonds sold at a discount, where the amount of the bond discount is amortised to interest expense over the bond's life.

Using EIM, interest on the Group's bank loan was assessed as 2.5057% during the 25 year term.

q) Comparative figures

In the comparative year, Newfurn applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019.

Therefore, reassessment has resulted in an adjustment of $52,197 in retained earnings at 30 June 2021. This amount is derived from the difference in Right-of-Use Assets and Lease Liability.

r) New and Amended Accounting Policies Adopted by the Group

AASB 16 – 'Leases'

Except for the changes below, Newfurn has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Newfurn reassessed AASB 16 following involuntary acquisition of company headquarters in Bulleen, Victoria 3105. Due to this, the Bulleen rental has been considered legally extinguished for the purpose of recognition at 30 June 2021.

Reassessment has resulted in a decrease in Right-of-Use Assets of $279,376 and a decrease in Lease Liability of $331,572.

AASB 138 – 'Intangible Assets'

In the comparative year, Newfurn recognised computer software in Property, Plant and Equipment.

It was determined that computer software would be reclassified as an intangible asset for greater transparency in the current year.

It should be noted, the comparative information has not been adjusted.

s) New and Amended Accounting Policies Not Yet Adopted by the Group

AASB 1060 - 'General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities'

The AASB has issued AASB 1060: General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

AASB 1060 defines the disclosure requirements for Tier 2 general purpose financial statements, as defined by Australian Accounting Standards, and serves as a replacement for the existing Reduced Disclosure Regime.

AASB 1060 may be early-adopted and is mandatory for periods beginning on or after 1 July 2021 (and is mandatory for the Company's 30 June 2022 year end).

2. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting standards.

STATEMENT OF FINANCIAL POSITION	2021 $	2020 $
ASSETS		
Current Assets	28,428,441	24,998,151
Non-Current Assets	4,596,957	5,294,753
TOTAL ASSETS	33,025,398	30,292,904
LIABILITIES		
Current Liabilities	21,617,712	19,204,319
Non-Current Liabilities	2,977,752	3,466,591
TOTAL LIABILITIES	24,595,464	22,670,910
EQUITY		
Issued Capital	500,000	500,000
Reserves	216,034	219,328
Retained Profits	7,713,900	6,902,667
TOTAL EQUITY	8,429,934	7,621,995
STATEMENT OF COMPREHENSIVE INCOME		
Total Profit	775,039	354,274
Total Comprehensive Income	771,361	354,274

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Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2021

	CONSOLIDATED GROUP	
3. PROFIT FROM OPERATIONS	**2021 $**	**2020 $**
Revenue from continuing and discontinued operations consisted of the following items:		
a) Operating Revenue:		
Sales of goods	178,058,203	165,470,448
Other operating revenue:		
Interest received – other persons	110,902	260,300
Members contributions	2,598,283	2,474,808
Rental revenue	0	0
Other income	965,546	1,045,074
	3,674,731	3,780,182
Lease rental income	425,142	437,202
Total Operating Revenue	182,158,076	169,687,832
b) Expenses:		
Cost of sales	165,997,420	154,630,806
Finance costs:		
Interest to other entities	4,440	2,183
Interest on lease	106,336	137,914
Depreciation of non-current assets:		
Plant and equipment	336,059	698,249
Right-of-use assets	371,590	522,024
Amortisation of non-current assets:		
Leasehold improvements	11,093	11,093
Operating lease rental expenses	68,375	0
4. SALE OF ASSETS		
Sale of assets in the ordinary course of business have given rise to the following losses:		
Net Gains		
Plant & equipment	0	19

5. INCOME TAX EXPENSE

	CONSOLIDATED GROUP	
	2021 **$**	**2020** **$**
a) Income Tax Recognised in Profit or Loss		
Tax Expense:		
Current tax expense	764,056	61,675
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	-379,508	31,961
Total Tax Expense	384,548	93,636
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:		
Profit from consolidated group	1,280,094	514,451
Income tax expense calculated at 30%	384,028	154,335
Effect of non-deductible expenditure	749	9,881
Effect of tax losses	-229	-70,580
Total Tax Expense	384,548	93,636
b) Current Tax Assets and Liabilities		
Current tax assets:		
Income tax refund receivable	-35,194	-120,061
Current tax payables:		
Income tax payable	730,163	0
c) Deferred Tax Balances		
Deferred tax assets:		
Temporary differences	1,791,524	1,456,761
Deferred tax liabilities:		
Temporary differences	638,583	683,328

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2021

	CONSOLIDATED GROUP	
	2021 **$**	**2020** **$**
6. CASH AND CASH EQUIVALENTS		
Cash on Hand	427	475
Cash at Bank	2,827,888	2,512,605
Cash and Bank Balances	2,828,315	2,513,080
Bank Overdraft	0	0
Cash and cash equivalents	2,828,315	2,513,080
7. TRADE AND OTHER RECEIVABLES		
Current:		
Trade Receivables	21,149,849	22,444,764
Provision for Doubtful Debts	-1,201,487	-1,034,969
	19,948,362	21,409,795
Other Receivables – Non-Interest Bearing	27,677	150,734
Other Receivables – Interest Bearing	277,896	345,992
	20,253,935	21,906,521
Non-Current:		
Other Receivables – Interest Bearing	157,473	143,751
	157,473	143,751

	CONSOLIDATED GROUP	
	2021 $	**2020 $**

8. INVENTORIES

	2021 $	2020 $
Current:		
Merchandise Stock at cost	297,678	317,302
Finished Goods at cost	176,124	45,402
Stock in Transit	0	106,285
	473,802	468,989

9. OTHER ASSETS

	2021 $	2020 $
Current:		
Deposits	101	101
Prepayments	785,312	838,472
	785,413	838,573
Non-current:		
MCR Clearing	0	314,516
	0	314,516

10. CONTROLLED ENTITY

Controlled Entity Consolidated

Subsidiary of Newfurn Floor Coverings Ltd:

The Wool Set Pty Limited

Choices Flooring Limited (Incorporated in New Zealand)

Newfurn Property Pty Limited

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2021

11. PROPERTY, PLANT AND EQUIPMENT	CONSOLIDATED GROUP 2021 $	2020 $
Leasehold Improvements, at cost	376,147	376,147
Accumulated Amortisation	-152,011	-140,918
	224,136	235,229
Furniture and Equipment, at cost	865,302	3,768,136
Accumulated Depreciation	-668,284	-2,712,169
	197,018	1,055,967
Total Plant and Equipment	421,154	1,291,196
Land, at cost	3,465,644	0
Revaluation	0	0
	3,465,644	0
Building, at cost	4,496,451	0
Accumulated Depreciation	-9,373	
Total Land and Buildings	4,487,078	0
	7,952,722	
Total Property, Plant and Equipment	8,373,876	1,291,196
a. Movements in Carrying Amounts		
Movements in the carrying amounts for each class of plant and equipment:		
Leasehold improvements:		
Balance at beginning of financial year	235,229	246,321
Additions	0	0
Disposals	0	0
Depreciation expense	-11,093	-11,092
Balance at end of financial year	224,136	235,229
Furniture and Equipment:		
Balance at beginning of financial year	1,055,967	1,463,629
Additions	42,103	293,228
Disposals	0	-2,620
Transfer to Intangibles	-836,244	0
FX Adjustment on NZ Assets	-5	-21
Depreciation expense	-64,803	-698,249
Balance at end of financial year	197,018	1,055,967

12. LEASES A

	CONSOLIDATED GROUP	
	2021 **$**	**2020** **$**
Right-of-Use Assets:		
Right-of-Use Assets at end of financial year		
Balance at 1 July 2020	2,263,875	2,785,899
Additions	0	0
Depreciation expense	-371,590	-522,024
Adjustments	-279,377	0
Balance at end of financial year	1,612,908	2,263,875
Lease Liabilities:		
Maturity analysis – undiscounted		
Less than one year	333,198	632,584
One to five years	1,689,944	1,934,835
More than five years	151,104	397,342
Total undiscounted lease liabilities at end of financial year	2,174,246	2,964,761
Lease liabilities at end of financial year - discounted		
Current	251,401	518,470
Non-current	1,628,553	2,030,417
Total discounted in the statement of financial position	1,879,954	2,548,887

Newfurn Floor Coverings Ltd (Newfurn) leases land and buildings for its office space and retail stores. The leases typically run for a period of 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Newfurn sub-leases some of its properties under operating leases (see (C)).

Some leases contain extension options. Newfurn included extension options in all leases to provide operational flexibility. At lease commencement, the Group determines whether it is reasonably certain to exercise the extension options. Upon a significant event or change in circumstances, a reassessment will be performed to determine whether it is reasonably certain to exercise the options.

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Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2021

	CONSOLIDATED GROUP	
	2021 $	**2020 $**
LEASES B		
Land and buildings (extension options)		
Lease liabilities recognised (discounted)	3,611,129	3,942,701
Potential future lease payments not included (discounted)	0	0

LEASES C

Lease income in which Newfurn acts as a lessor is shown below. Newfurn sub-leases office buildings for retail stores. The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

Operating lease		
Lease income	425,142	437,202
	425,142	437,202
Maturity analysis of lease receivables - undiscounted		
Less than one year	337,497	454,327
One to two years	348,387	402,435
Two to three years	359,631	348,387
Three to four years	371,240	359,631
Four to five years	253,746	371,240
More than five years	0	253,746
Total undiscounted lease payments	1,670,501	2,189,767

13. INTANGIBLE ASSETS

	CONSOLIDATED GROUP	
	2021 **$**	**2020** **$**
Goodwill		
Cost	250,000	250,000
Accumulated impairment losses	0	0
Net Carrying Amount	250,000	250,000
Reconciliation of Goodwill		
Balance at 1 July 2020	250,000	250,000
Additions	0	0
Disposals	0	0
Impairment losses	0	0
Closing carrying amount at 30 June 2021	250,000	250,000
Trademarks		
Balance capitalised at 1 July 2020	48,975	0
Additions at cost	6,222	48,975
Disposals	0	0
Amortisation and impairment	0	0
Closing carrying amount at 30 June 2021	55,197	48,975
Computer Software		
Balance capitalised at 1 July 2020	836,244	0
Additions at cost	192,247	0
Disposals		0
Work in Progress	26,064	
Amortisation and impairment	-261,884	0
Closing carrying amount at 30 June 2021	792,671	0
Total Intangible Assets	1,097,868	298,975

Trademarks are initially recognised at cost. Trademarks are assessed as having an indefinite useful life as there is no foreseeable limit to the period over which the trademarks are expected to generate cash flows.

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2021

	CONSOLIDATED GROUP	
14. TRADE AND OTHER PAYABLES	**2021 $**	**2020 $**
Current:		
Unsecured Liabilities		
Trade Payables	17,729,722	17,461,983
Other Payables	2,042,090	1,612,090
	19,771,812	19,074,073
Non-current:		
Unsecured Liabilities		
Security Deposits Received	803,496	728,474
15. BORROWINGS		
Current:		
Financial liabilities measured at amortised cost:		
Bank Loan	136,870	0
Non-Current:		
Financial liabilities measured at amortised cost		
Bank Loan	3,055,454	0
Total carrying amounts	3,192,324	0

The loan carries a variable interest rate and is repayable in equal annual instalments. The current interest rate is 1.576% plus 1% line fee. The loan matures in 2041. The loan is secured by land and buildings owned by Newfurn with a current carrying amount of $7,952,722.

16. PROVISIONS

	CONSOLIDATED GROUP	
	2021 **$**	**2020** **$**
Current:		
Employee Benefits	748,603	601,326
Non-Current:		
Employee Benefits	26,149	24,372
Aggregate employee entitlements liability	774,752	625,698

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the entity does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the entity does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1 (h).

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2021

	CONSOLIDATED GROUP	
17. OTHER CURRENT LIABILITIES	**2021 $**	**2020 $**
Deposits and Accrued Expenses	499,535	206,710
Retail Development & Training Fund	692,300	145,328
Prepaid Rent Received	18,225	18,225
	1,210,060	370,263
18. ISSUED CAPITAL		
Ordinary shares		
At the beginning of the reporting period	500,000	488,000
Ordinary shares issued during the financial year	0	12,000
At the end of the reporting period	500,000	500,000

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

19. RESERVES		
Profits capitalised on the redemption of Preference shares	219,328	225,263
Foreign Exchange	-3,294	-5,935
Balance at end of financial year	216,034	219,328

	CONSOLIDATED GROUP	
	2021 **$**	**2020** **$**

20. RETAINED EARNINGS

	2021 $	2020 $
Balance at beginning of financial year	6,866,278	5,775,024
Reserves movement due to foreign exchange	3,294	5,935
Comprehensive profit attributable to owners	771,361	364,721
Separation of corporate stores	0	952,950
Effect of accounting standards	52,197	-235,269
Prior year retrospective adjustment	0	2,917
Balance at end of financial year	7,693,130	6,866,278

21. RELATED PARTY TRANSACTIONS

The Company entered into transactions and has current receivable accounts with director-related entities within normal member relationships on terms and conditions no more favourable than those available in similar arm's length dealings.

	2021	2020
The aggregate number of ordinary shares held by directors of the Company and their director-related entities at balance date was:	24,000	24,000

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Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2021

22. CONTINGENT LIABILITIES

The Company has provided bank guarantees to the landlords to a maximum sum of $477,425 (2020: $192,346), as security for the landlords.

	CONSOLIDATED GROUP	
	2021 **$**	**2020** **$**
23. REMUNERATION OF DIRECTORS		
The Directors of Newfurn Floor Coverings Ltd having held office during the year were:		
Shane Michael Chillingworth		
Scott Anthony Shearer		
Gemma Cecelia O'Brien		
Roderick Douglas Preston		
Lincoln Smith		
Graham Meecham		
Mark Winterton		
Fees paid or payable to all Directors of Newfurn by the company in connection with the management of the company.	241,172	203,360
24. KEY MANAGEMENT PERSONNEL COMPENSATION		
Key Management Personnel Compensation	1,977,172	1,558,385

25. FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable. The carrying amounts for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	NOTE	CONSOLIDATED GROUP	
		2021 $	**2020 $**
Financial assets			
Cash and cash equivalents	6	2,828,315	2,513,080
Trade and other receivables	7	20,411,408	22,050,272
		23,239,723	24,563,352
Financial Liabilities			
Trade and other payables	14	19,802,547	19,802,547
Borrowings	15	3,192,324	0
		22,964,136	19,802,547

Independent Audit Report

To the members of Newfurn Floor Coverings Ltd – ABN 63 004 650 668

Opinion

We have audited the financial report of Newfurn Floor Coverings Ltd (the company), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of Newfurn Floor Coverings Ltd, is in accordance with the requirements of the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Audit Report (continued)

To the members of Newfurn Floor Coverings Ltd – ABN 63 004 650 668

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

HAINES MUIR HILL

Chartered Accountants
Level 1, 888 Doncaster Road
Doncaster East, VIC 3109

KRISTIAN LUNARDELLO
Partner

Dated on this 27th day of September 2021

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