

# newfurn

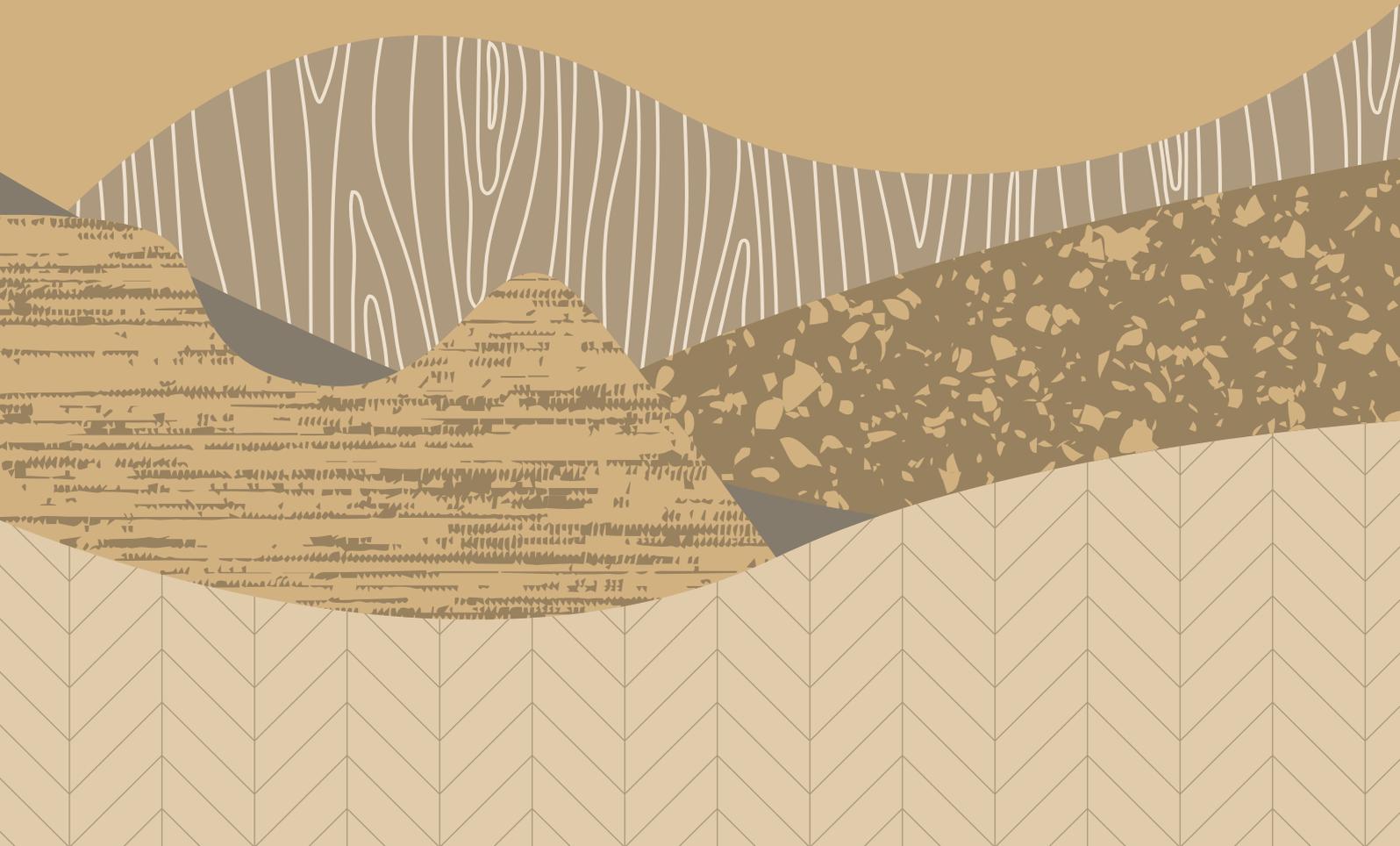
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Newfurn Floor Coverings Ltd  
ABN 63 004 650 668

## + annual financial report

For the Financial Year Ended 30 June 2020

Registered Office and Principal Place of Business:  
22-24 Manningham Road West  
Bulleen VIC 3105



# Directors' Report

For the Financial Year Ended 30 June 2020

The directors of Newfurn Floor Coverings Limited submit herewith the annual financial report for the financial year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report 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

Directors have been in office since the start of the financial year to the date of this report except for Mark Winterton and Graham Meecham, their appointments being effective from 16/12/2019.

## 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 was no significant change in the nature of those activities.

## Operating Results

The net amount of the consolidated group's profit from operations for the financial year after income tax was \$364,721

The profit from operations before income tax was \$458,357 increased from \$236,843 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 and the directors do not recommend the payment of a dividend on ordinary shares in respect of the year ended 30 June 2020.

## Review of Operations

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

### Choices Flooring Australia (134)

Victoria: 40  
Western Australia: 13  
New South Wales: 40  
South Australia: 8  
Northern Territory: 2  
Australian Capital Territory: 3  
Queensland: 21  
Tasmania: 7

### Style Flooring & Interiors (19)

Victoria: 8  
Western Australia: 2  
New South Wales: 4  
South Australia: 2  
Queensland: 1  
Tasmania: 2

### Choices New Zealand (5)

After provision for income tax, retained profits increased from \$5,775,024 to \$6,866,278

This year's result was partially due to the economic impact of the COVID-19 pandemic, which resulted in decreased business activities, necessary changes to business operations to protect the safety of customers and staff, and interruptions to global markets and supply chains. The largest shortfall came from Western Australia while national commercial market also declined.

Overall, the Board is satisfied with the consolidated group's financial status given the unsettled Australian economic conditions.

## Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated group during the financial year.

### After Balance Date Events

In May 2020, Newfurn office received the notice of intention to acquire from the Authority of North East Link Project. The Project will deliver a new freeway-standard connection between the M80 Ring Road and an upgraded Eastern Freeway. The Project includes Victoria's longest twin road tunnels, Melbourne's first dedicated busway along the Eastern Freeway and new walking and cycling links. The whole of the property known as 22-24 Manningham Road West, Bulleen (the Land) is included in the designated Project Area, and the Secretary to the Department of Transport (Authority), as Project Authority for the Project, intends to acquire the Land for the purposes of the Project. The Land is now reserved under a planning instrument for a public purpose for the purposes of section 5 of the Land Acquisition and Compensation Act 1986 (LAC Act). Accordingly, the Authority has the power under section 112 of the MTPF Act and section 6 of the LAC Act to serve on your company a Notice of Intention to Acquire an interest in the Land. The Authority proposes to take possession of the Land on 11 May 2022. The Bulleen store is a sub tenant and also falls under Newfurn's NOITA. They have found a new home in Doncaster which they moved into in July 2020. Newfurn Central Office has looked at a couple of buildings however has not made a decision yet and may wait to see what comes available in the months ahead.

# Directors' Report (continued)

For the Financial Year Ended 30 June 2020

No other matter or circumstance has 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

During 2020/2021, considering the ongoing challenges of COVID-19 and its impact, slight improvement in the operations of the Group can be expected with the hope that the economy will slowly recover, stabilise turnover and therefore income. Similar to our approach from previous years, future profitability will continue to be carefully measured and balanced between residential and building growth, at the same time strengthening the balance sheet further. Overheads will be tightly reviewed to ensure the appropriate levels of central office resources 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 be kept operating throughout these difficult times and maintain social distancing, hygiene and other OHS requirements. This year has provided many unique challenges and we are working together to ensure that the health outcomes we achieve together are sustained and our businesses come out the other side in the best possible shape. Although a number of other developments and commercial initiatives are taking place, in the opinion of the directors, disclosure of information regarding likely 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 each director 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, BBus, CPA**

- Certified Practising Accountant
- Joined Newfurn Floor Coverings Ltd 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 the financial year, the company paid a premium in respect of a contract insuring the directors and the company 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.

#### **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, (including via telephone conference) were held.

|                             |     |
|-----------------------------|-----|
| Shane Michael Chillingworth | 6/6 |
| Scott Anthony Shearer       | 6/6 |
| Gemma Cecilia O'Brien       | 5/6 |
| Roderick Douglas Preston    | 6/6 |
| Lincoln Smith               | 6/6 |
| Graham Meecham              | 3/6 |
| Mark Winterton              | 3/6 |

#### **Proceedings on Behalf of Company**

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

# Directors' Report (continued)

For the Financial Year Ended 30 June 2020

## 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 and shown in the consolidated group's financial statements.

The Executive Team and the Board of Directors were subject to a salary/fee reduction and required to continue at full capacity during the unprecedented event of COVID-19.

## 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 2020 has been received and can be found on page 51 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: 28 September 2020  
Bulleen, 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 2020 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 28 September 2020

## 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 53 to 77, 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 2020 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: 28 September 2020  
Bulleen, Victoria

# Consolidated Statement of Comprehensive Income

For The Year Ended 30 June 2020

|  |      | CONSOLIDATED GROUP |                   |
|--|------|--------------------|-------------------|
|  | NOTE | 2020<br>\$         | 2019<br>\$        |
| Sales Revenue  | 3    | 165,470,448        | 174,400,235       |
| Cost of Sales  | 3    | -154,630,806       | -162,938,624      |
| <b>Gross Profit</b>  |      | <b>10,839,642</b>  | <b>11,461,611</b> |
| Other income   | 3    | 3,780,182          | 4,095,686         |
| Lease rental income  | 3    | 437,202            | 0                 |
| Distribution expenses  |      | -150,642           | -120,309          |
| Marketing expenses   |      | -4,587,840         | -4,865,557        |
| Occupancy expenses   |      | -72,584            | -542,608          |
| Administration expenses  |      | -9,178,678         | -9,217,237        |
| Finance costs  | 3    | -140,097           | -10,452           |
| Other expenses   |      | -474,763           | -554,566          |
| Foreign translation Gain/(Loss)  |      | 5,935              | -9,725            |
| <b>Profit Before Income Tax Expense</b>  |      | <b>458,357</b>     | <b>236,843</b>    |
| Income tax expense   | 5    | -93,636            | -129,613          |
| <b>Profit From Continuing Operations for the Year</b>                              |      | <b>364,721</b>     | <b>107,230</b>    |
| <b>Other Comprehensive Income</b>  |      | <b>0</b>           | <b>0</b>          |
| <b>Total Comprehensive Income Attributable to the members of the Parent Entity</b> | 20   | <b>364,721</b>     | <b>107,230</b>    |

Notes to the financial statements are included on pages 57 to 77.

# Consolidated Statement of Financial Position

As At 30 June 2020

|  |      | CONSOLIDATED GROUP |                   |
|--|------|--------------------|-------------------|
|  | NOTE | 2020<br>\$         | 2019<br>\$        |
| <b>Current Assets</b>                  |      |                    |                   |
| Cash and Cash Equivalents              | 6    | 2,513,080          | 141,567           |
| Trade and Other Receivables            | 7    | 21,906,521         | 22,806,546        |
| Inventories                            | 8    | 468,989            | 581,852           |
| Current Tax Assets                     | 5    | 120,061            | 185,107           |
| Other Assets                           | 9    | 838,573            | 662,119           |
| <b>Total Current Assets</b>            |      | <b>25,847,224</b>  | <b>24,377,191</b> |
| <b>Non-Current Assets</b>              |      |                    |                   |
| Property, Plant and Equipment          | 11   | 1,291,196          | 1,709,950         |
| Right-of-Use Assets                    | 12   | 2,263,875          | 0                 |
| Trade and Other Receivables            | 7    | 143,751            | 105,307           |
| Intangible Assets                      | 13   | 298,975            | 250,000           |
| Deferred Tax Assets                    | 5    | 1,456,761          | 802,476           |
| Other Assets                           | 9    | 314,546            | 0                 |
| <b>Total Non-Current Assets</b>        |      | <b>5,769,104</b>   | <b>2,867,733</b>  |
| <b>Total Assets</b>                    |      | <b>31,616,328</b>  | <b>27,244,924</b> |
| <b>Current Liabilities</b>             |      |                    |                   |
| Trade and Other Payables               | 14   | 19,074,073         | 18,505,282        |
| Current Tax Liabilities                | 5    | 0                  | 107,280           |
| Provisions                             | 16   | 601,326            | 574,738           |
| Income in Advance                      | 15   | 0                  | 43,721            |
| Lease Liabilities                      | 12   | 518,470            | 0                 |
| Other Liabilities                      | 17   | 370,262            | 132,969           |
| <b>Total Current Liabilities</b>       |      | <b>20,564,131</b>  | <b>19,363,990</b> |
| <b>Non-Current Liabilities</b>         |      |                    |                   |
| Trade and Other Payables               | 14   | 728,474            | 1,238,252         |
| Provisions                             | 16   | 24,372             | 154,395           |
| Lease Liabilities                      | 12   | 2,030,417          | 0                 |
| Provision for Deferred Tax Liabilities | 5    | 683,328            | 0                 |
| <b>Total Non-Current Liabilities</b>   |      | <b>3,466,591</b>   | <b>1,392,647</b>  |
| <b>Total Liabilities</b>               |      | <b>24,030,722</b>  | <b>20,756,637</b> |
| <b>Net Assets</b>                      |      | <b>7,585,606</b>   | <b>6,488,287</b>  |
| <b>Equity</b>                          |      |                    |                   |
| Issued Capital                         | 18   | 500,000            | 488,000           |
| Reserves                               | 19   | 219,328            | 225,263           |
| Retained Earnings                      | 20   | 6,866,278          | 5,775,024         |
| <b>Total Equity</b>                    |      | <b>7,585,606</b>   | <b>6,488,287</b>  |

Notes to the financial statements are included on pages 57 to 77.

# Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2020

| CONSOLIDATED GROUP                          | SHARE CAPITAL<br>\$ | SHARE REDEMPTION ON RESERVE<br>\$ | FOREIGN RESERVE<br>\$ | RETAINED PROFITS<br>\$ | TOTAL<br>\$ |
|---|---------------------|-----------------------------------|-----------------------|------------------------|-------------|
| <b>Balance at 30 June 2018</b>              | 488,000             | 213,897                           | 1,641                 | 5,677,519              | 6,381,057   |
| Profit for the Year                         |                     |                                   |                       | 107,230                | 107,230     |
| Foreign Holdings Reserves                   |                     |                                   | 9,725                 | -9,725                 | 0           |
| Other Comprehensive Income                  |                     |                                   |                       |                        |             |
| Ordinary Shares Issued during the Year      |                     |                                   |                       |                        |             |
| <b>Balance at 30 June 2019</b>              | 488,000             | 213,897                           | 11,366                | 5,775,024              | 6,488,287   |
| Balance at 1 July 2019, previously reported | 488,000             | 213,897                           | 11,366                | 5,775,024              | 6,488,287   |
| Impact of change in accounting policy       | 0                   | 0                                 | 0                     | -235,269               | -235,269    |
| <b>Adjusted balances at 1 July 2019</b>     | 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      |
| <b>Balance at 30 June 2020</b>              | 500,000             | 213,897                           | 5,431                 | 6,866,278              | 7,585,606   |

Notes to the financial statements are included on pages 57 to 77.

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# Consolidated Statement of Cash Flows

For The Financial Year Ended 30 June 2020

|  |      | CONSOLIDATED GROUP |                   |
|--|------|--------------------|-------------------|
|  | NOTE | 2019<br>\$         | 2018<br>\$        |
| <b>Cash Flows from Operating Activities</b>                      |      |                    |                   |
| Receipts from Members  |      | 187,347,491        | 207,870,486       |
| Payments to Suppliers, Members and Employees                     |      | -184,617,918       | -208,955,580      |
| Lease Payments Received from Operating Lease                     |      | 437,202            | 0                 |
| Interest Received  |      | 260,300            | 265,604           |
| Finance Costs  |      | -140,097           | -10,452           |
| Income Tax (Paid)/Refunded                                       |      | -103,909           | -229,986          |
| (Gain)/Loss on Disposal of Assets                                |      | -19                | -1,275            |
| <b>Net cash provided / (used) in operating activities</b>        |      | <b>3,183,050</b>   | <b>-1,061,203</b> |
| <b>Cash Flows From Investing Activities</b>                      |      |                    |                   |
| Purchase of Property, Plant and Equipment                        |      | -293,228           | -530,296          |
| Proceeds from Property, Plant and Equipment                      |      | 1,794              | 15,000            |
| <b>Net cash used in investing activities</b>                     |      | <b>-291,434</b>    | <b>-515,296</b>   |
| <b>Cash Flows from Financing Activities</b>                      |      |                    |                   |
|  |      | 12,000             | 0                 |
| Proceeds from Borrowings   |      | -65,758            | 331,673           |
| Payment of Lease Liability                                       |      | -472,280           | 0                 |
| <b>Net cash provided / (used in) by financing activities</b>     |      | <b>-526,038</b>    | <b>331,673</b>    |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents Held</b> |      | <b>2,365,578</b>   | <b>-1,244,826</b> |
| <b>Cash and Cash Equivalents at Beginning of Financial Year</b>  |      | <b>141,567</b>     | <b>1,396,118</b>  |
| <b>Foreign Exchange Holdings</b>                                 |      |                    |                   |
| Effect of foreign exchange rates on cash and cash equivalents    |      | 5,935              | -9,725            |
| <b>Cash and Cash Equivalents at End of Financial Year</b>        | 6    | <b>2,513,080</b>   | <b>141,567</b>    |

Notes to the financial statements are included on pages 57 to 77.

# Notes to the Financial Statements

For The Financial Year Ended 30 June 2020

## 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 at the end of the reporting period. A controlled entity is any entity over which Newfurn Floor Coverings Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the Group 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 11 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.

# Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2020

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually as determined by the Board.

### 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

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 – 25% Prime Cost   |
| Furniture and Equipment    | 7 – 40% Prime Cost   |
| Leased Plant and Equipment | 15% – 17% Prime Cost |

#### f) Depreciation (continued)

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.

#### 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.

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.

# Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2020

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### g) Income Tax (continued)

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 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

Applied AASB16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

#### 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.

#### i) Leases (continued)

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 asset 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.

In the comparative period, leases were not recognised in the statement of financial position.

##### 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 straight-line 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.

#### 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.

# Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2020

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### k) Goods and Services Tax (continued)

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

Revenue from sale of goods is recognised upon the delivery of goods to members.

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

Interest revenue is recognised on a monthly basis, as credited to the bank account. Members' contributions revenue is recognised when the conditions to entitlement are satisfied. In the case of entrance fees, revenue is recognised upon the member joining Newfurn Floor Coverings Ltd. In the case of membership levies, revenue is recognised in the period of membership. Rental revenue is recognised in the period that the income is generated from the use of the related asset.

### 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.

### 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.

### o) 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 applied AASB16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. The details of the changes in accounting policies are disclosed in the following.

o) **New and Amended Accounting Policies Adopted by the Group**  
(continued)

On transition to AASB16, Newfurn elected to apply the practical expedient to grandfather the assessment of which transactions are identified as leases. This means that for those contracts which did not contain leases under AASB 117, there is no requirement to reassess whether those contracts contain leases upon adoption of AASB 16. In this way, Newfurn applied AASB16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB117 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB16 was applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee, Newfurn previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to Newfurn Floor Coverings Ltd. Under AASB16, Newfurn recognises right-of-use assets and lease liabilities for these leases that are on-balance sheet.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Newfurn's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at their carrying amount as if AASB16 had been applied since the commencement date, discounted using the incremental borrowing rate.

Newfurn is not required to make any adjustments on transition to AASB16 for leases in which it acts as a lessor, except for a sublease. Newfurn accounted for its leases in accordance with AASB16 from the date of initial application.

As at 30 June 2020, Newfurn recognised \$2,263,875 of right-of-use assets and \$2,548,887 of lease liabilities, \$235,269 was adjusted for prior periods through retained earnings.

When measuring lease liabilities, Newfurn discounted lease payments using its incremental borrowing rate at 1 July 2019. The rate applied is 4.91%.

*AASB – 138 – Intangible Assets*

Newfurn applied AASB – 138 for Trademarks from 1 July 2019. These intangible assets will be carried at cost less any accumulated impairment losses. Trademarks are initially recognised at cost.

Trademarks can be assessed as having an indefinite or finite useful life. If classified as finite, the trademark is amortised over its useful life. As at 30 June 2020, trademarks have been assessed as indefinite as there is no foreseeable limit to the period over which they are expected to generate cash flows.

# Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2020

## 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   | 2020<br>\$        | 2019<br>\$        |
|-----------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                     |                   |                   |
| Current Assets                    | 24,998,151        | 23,485,458        |
| Non-Current Assets                | 5,294,753         | 2,430,253         |
| <b>TOTAL ASSETS</b>               | <b>30,292,904</b> | <b>25,915,711</b> |
| <b>LIABILITIES</b>                |                   |                   |
| Current Liabilities               | 19,204,319        | 18,267,310        |
| Non-Current Liabilities           | 3,466,591         | 154,395           |
| <b>TOTAL LIABILITIES</b>          | <b>22,670,910</b> | <b>18,421,705</b> |
| <b>EQUITY</b>                     |                   |                   |
| Issued Capital                    | 500,000           | 488,000           |
| Reserves                          | 219,328           | 225,263           |
| Retained Profits                  | 6,902,667         | 6,780,743         |
| <b>TOTAL EQUITY</b>               | <b>7,621,995</b>  | <b>7,494,006</b>  |
|                                   |                   |                   |
| STATEMENT OF COMPREHENSIVE INCOME |                   |                   |
| Total Profit                      | 354,274           | 441,826           |
| Total Comprehensive Income        | 354,274           | 441,826           |



# Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2020

|  | CONSOLIDATED GROUP |            |
|--|--------------------|------------|
|  | 2020<br>\$         | 2019<br>\$ |
| <b>5. INCOME TAX EXPENSE</b>   |                    |            |
| a) Income Tax Recognised in Profit or Loss   |                    |            |
| Tax Expense:   |                    |            |
| Current tax expense  | 61,675             | 322,686    |
| Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences   | 31,961             | -193,073   |
| Total Tax Expense  | 93,636             | 129,613    |
| 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   | 514,451            | 346,990    |
| Income tax expense calculated at 30%   | 154,335            | 104,097    |
| Effect of non-deductible expenditure   | 9,881              | 25,516     |
| Effect of tax losses   | -70,580            | 0          |
| Total Tax Expense  | 93,636             | 129,613    |
| b) Current Tax Assets and Liabilities  |                    |            |
| Current tax assets:  |                    |            |
| Income tax refund receivable   | -120,061           | -185,107   |
| Current tax payables:  |                    |            |
| Income tax payable   | 0                  | 107,280    |
| c) Deferred Tax Balances   |                    |            |
| Deferred tax assets:   |                    |            |
| Temporary differences  | 1,456,761          | 802,476    |
| Deferred tax liabilities:  |                    |            |
| Temporary differences  | 683,328            | 0          |

## 6. CASH AND CASH EQUIVALENTS

|                           |  |
|---------------------------|--|
| Cash on Hand              |  |
| Cash at Bank              |  |
| Cash and Bank Balances    |  |
| Bank Overdraft            |  |
| Cash and cash equivalents |  |

## 7. TRADE AND OTHER RECEIVABLES

### Current:

|  |  |
|--|--|
| Trade Receivables                        |  |
| Provision for Doubtful Debts             |  |
| Other Receivables – Non-Interest Bearing |  |
| Other Receivables – Interest Bearing     |  |

### Non-Current:

|                                      |  |
|--------------------------------------|--|
| Other Receivables – Interest Bearing |  |
|--------------------------------------|--|

| CONSOLIDATED GROUP |            |
|--------------------|------------|
| 2020               | 2019       |
| \$                 | \$         |
| 475                | 400        |
| 2,512,605          | 141,167    |
| 2,513,080          | 141,567    |
| 0                  | 0          |
| 2,513,080          | 141,567    |
|                    |            |
| 22,444,764         | 23,828,204 |
| -1,034,969         | -1,321,771 |
| 21,409,795         | 22,506,433 |
| 150,734            | 121,229    |
| 345,992            | 178,884    |
| 21,906,521         | 22,806,546 |
|                    |            |
| 143,751            | 105,307    |
| 143,751            | 105,307    |

# Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2020

|  | CONSOLIDATED GROUP |            |
|--|--------------------|------------|
|  | 2020<br>\$         | 2019<br>\$ |
| <b>8. INVENTORIES</b>                                  |                    |            |
| <u>Current:</u>  |                    |            |
| Merchandise Stock at cost                              | 317,302            | 484,615    |
| Finished Goods at cost                                 | 45,402             | 97,237     |
| Stock in Transit                                       | 106,285            | 0          |
| Stock Provision  | 0                  | 0          |
|  | 468,989            | 581,852    |
| <b>9. OTHER ASSETS</b>                                 |                    |            |
| <u>Current:</u>  |                    |            |
| Deposits   | 101                | 101        |
| Prepayments  | 838,472            | 662,018    |
|  | 838,573            | 622,119    |
| <u>Non-current:</u>                                    |                    |            |
| MCR Clearing   | 314,516            | 0          |
|  | 314,516            | 0          |
| <b>10. CONTROLLED ENTITY</b>                           |                    |            |
| <u>Controlled Entity Consolidated</u>                  |                    |            |
| Subsidiary of Newfurn Floor Coverings Ltd:             |                    |            |
| The Wool Set Pty Limited                               |                    |            |
| Choices Flooring Limited (Incorporated in New Zealand) |                    |            |

## 11. PROPERTY, PLANT AND EQUIPMENT

Leasehold Improvements, at cost

Accumulated Amortisation

Furniture and Equipment, at cost

Accumulated Depreciation

Total Plant and Equipment

### 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

Additions

Disposals

Depreciation expense

Balance at end of financial year

Furniture and Equipment:

Balance at beginning of financial year

Additions

Disposals

FX Adjustment on NZ Assets

Depreciation expense

Balance at end of financial year

| CONSOLIDATED GROUP |            |
|--------------------|------------|
| 2020               | 2019       |
| \$                 | \$         |
| 376,147            | 376,147    |
| -140,918           | -129,826   |
| 235,229            | 246,321    |
| 3,768,136          | 3,477,223  |
| -2,712,169         | -2,013,594 |
| 1,055,967          | 1,463,629  |
| 1,291,196          | 1,709,950  |
|                    |            |
|                    |            |
| 246,321            | 266,552    |
| 0                  | 0          |
| 0                  | 0          |
| -11,092            | -20,231    |
| 235,229            | 246,321    |
| 1,463,629          | 1,490,034  |
| 293,228            | 530,296    |
| -2,620             | -21,972    |
| -21                | 0          |
| -698,249           | -534,729   |
| 1,055,967          | 1,463,629  |

# Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2020

|  | CONSOLIDATED GROUP |            |
|--|--------------------|------------|
|  | 2020<br>\$         | 2019<br>\$ |
| <b>12. LEASES A</b>  |                    |            |
| Right-of-Use Assets:   |                    |            |
| <b>Right-of-Use Assets at end of financial year</b>            |                    |            |
| Balance at 1 July 2019   | 2,785,899          | 0          |
| Additions  | 0                  | 0          |
| Depreciation expense   | -522,024           | 0          |
| Balance at end of financial year                               | 2,263,875          | 0          |
| Lease Liabilities:   |                    |            |
| <b>Maturity analysis – undiscounted</b>                        |                    |            |
| Less than one year   | 632,584            | 0          |
| One to five years  | 1,934,835          | 0          |
| More than five years   | 397,342            | 0          |
| Total undiscounted lease liabilities at end of financial year  | 2,964,761          | 0          |
| <b>Lease liabilities at end of financial year - discounted</b> |                    |            |
| Current  | 518,470            | 0          |
| Non-current  | 2,030,417          | 0          |
| Total discounted in the statement of financial position        | 2,548,887          | 0          |

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.

## LEASES B

|   |           |   |
|---|-----------|---|
| Land and buildings (extension options)                    |           |   |
| Lease liabilities recognised (discounted)                 | 3,942,701 | 0 |
| 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. Newfurn has classified the sub-lease as an operating lease due to the risks and rewards incidental to the ownership of the asset remaining with Newfurn.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date. In the comparative year, only lease receivables from one sub-lease was recognised in the profit and loss. The other sub-leases were treated through a clearing account.

### Operating lease

|  |           |           |
|--|-----------|-----------|
| Lease income   | 437,202   | 117,774   |
|  | 437,202   | 117,774   |
| <b>Maturity analysis of lease receivables - undiscounted</b> |           |           |
| Less than one year   | 454,327   | 439,212   |
| One to two years   | 402,435   | 454,327   |
| Two to three years   | 348,387   | 402,435   |
| Three to four years  | 359,631   | 348,387   |
| Four to five years   | 371,240   | 359,631   |
| More than five years   | 253,746   | 624,986   |
| Total undiscounted lease payments                            | 2,189,767 | 2,628,978 |

| CONSOLIDATED GROUP  |           |      |
|---|-----------|------|
|   | 2020      | 2019 |
|   | \$        | \$   |
| Land and buildings (extension options)                    |           |      |
| Lease liabilities recognised (discounted)                 | 3,942,701 | 0    |
| Potential future lease payments not included (discounted) | 0         | 0    |

# Notes to the Financial Statements (continued)

For the Financial Year Ended 30 June 2020

|   | CONSOLIDATED GROUP |            |
|---|--------------------|------------|
|   | 2020<br>\$         | 2019<br>\$ |
| <b>13. INTANGIBLE ASSETS</b>            |                    |            |
| <b>Goodwill</b>                         |                    |            |
| Cost                                    | 250,000            | 250,000    |
| Accumulated impairment losses           | 0                  | 0          |
| Net Carrying Amount                     | 250,000            | 250,000    |
| <b>Reconciliation of Goodwill</b>       |                    |            |
| Balance at 1 July 2019                  | 250,000            | 250,000    |
| Additions                               | 0                  | 0          |
| Disposals                               | 0                  | 0          |
| Impairment losses                       | 0                  | 0          |
| Closing carrying amount at 30 June 2020 | 250,000            | 250,000    |
| <b>Trademarks</b>                       |                    |            |
| Balance capitalised at 1 July 2019      | 0                  | 0          |
| Additions at cost                       | 48,975             | 0          |
| Disposals                               | 0                  | 0          |
| Amortisation and impairment             | 0                  | 0          |
| Closing carrying amount at 30 June 2020 | 48,975             | 0          |
| Total Intangible Assets                 | 298,975            | 0          |

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.

## 14. TRADE AND OTHER PAYABLES

### Current:

Unsecured Liabilities

Trade Payables

Other Payables

### Non-current:

Unsecured Liabilities

Security Deposits Received

|  |            |            |
|--|------------|------------|
|  |            |            |
|  |            |            |
|  | 17,461,983 | 17,762,235 |
|  | 1,612,090  | 743,047    |
|  | 19,074,073 | 18,505,282 |
|  |            |            |
|  | 728,474    | 1,238,252  |

## 15. INCOME IN ADVANCE

### Current:

Earned within one year

### Non-current:

Earned within more than one year

## 16. PROVISIONS

### Current:

Employee Benefits

### Non-Current:

Employee Benefits

Aggregate employee entitlements liability

| CONSOLIDATED GROUP |         |
|--------------------|---------|
| 2020               | 2019    |
| \$                 | \$      |
|                    |         |
| 0                  | 43,721  |
| 0                  | 0       |
| 0                  | 43,721  |
|                    |         |
| 601,326            | 574,738 |
| 24,372             | 154,395 |
| 625,698            | 729,133 |

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 2020

|  | CONSOLIDATED GROUP |            |
|--|--------------------|------------|
|  | 2020<br>\$         | 2019<br>\$ |
| <b>17. OTHER CURRENT LIABILITIES</b>   |                    |            |
| Deposits and Accrued Expenses  | 206,710            | -128,643   |
| Retail Development & Training Fund   | 145,328            | 230,702    |
| Prepaid Rent Received  | 18,225             | 30,910     |
|  | 370,263            | 132,969    |
| <b>18. ISSUED CAPITAL</b>  |                    |            |
| Ordinary shares  |                    |            |
| At the beginning of the reporting period   | 488,000            | 488,000    |
| Ordinary shares issued during the financial year   | 12,000             | 0          |
| At the end of the reporting period   | 500,000            | 488,000    |
| 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. |                    |            |
| <b>19. RESERVES</b>  |                    |            |
| Profits capitalised on the redemption of Preference shares   | 225,263            | 215,538    |
| Foreign Exchange   | -5,935             | 9,725      |
| Balance at end of financial year   | 219,328            | 225,263    |

## 20. RETAINED EARNINGS

|  |           |           |
|--|-----------|-----------|
| Balance at beginning of financial year       | 5,775,024 | 5,677,519 |
| Reserves movement due to foreign exchange    | 5,935     | -9,725    |
| Profit attributable to owners of the company | 364,721   | 107,230   |
| Separation of corporate stores               | 952,950   | 0         |
| Effect of implementing new standard          | -235,269  | 0         |
| Prior year retrospective adjustment          | 2,917     | 0         |
| Balance at end of financial year             | 6,866,278 | 5,775,024 |

| CONSOLIDATED GROUP                           |           |           |
|--|-----------|-----------|
|  | 2020      | 2019      |
|  | \$        | \$        |
| Balance at beginning of financial year       | 5,775,024 | 5,677,519 |
| Reserves movement due to foreign exchange    | 5,935     | -9,725    |
| Profit attributable to owners of the company | 364,721   | 107,230   |
| Separation of corporate stores               | 952,950   | 0         |
| Effect of implementing new standard          | -235,269  | 0         |
| Prior year retrospective adjustment          | 2,917     | 0         |
| Balance at end of financial year             | 6,866,278 | 5,775,024 |

## 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.

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 |
|--|--------|--------|



## 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 |            |
|------------------------------|------|--------------------|------------|
|                              |      | 2020<br>\$         | 2019<br>\$ |
| <b>Financial assets</b>      |      |                    |            |
| Cash and cash equivalents    | 6    | 2,513,080          | 141,567    |
| Trade and other receivables  | 7    | 22,050,272         | 22,911,853 |
|                              |      | 24,563,352         | 23,053,420 |
| <b>Financial Liabilities</b> |      |                    |            |
| Trade and other payables     | 14   | 19,802,547         | 19,743,534 |
|                              |      | 19,802,547         | 19,743,534 |

# 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 2020, 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 2020 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 2019, 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

# Independent Audit Report (continued)

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

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.

- 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 29<sup>th</sup> day of September 2020



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