



Financial Reporting Specialists

Example Financial Report

FRS Large Proprietary Company Special Purpose Pty Limited

ABN 12 345 678 901

Annual Report - 31 December 2020

FRS Large Proprietary Company Special Purpose Pty Limited
Directors' report
31 December 2020

The directors present their report, together with the financial statements, on the company for the year ended 31 December 2020.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Anthony Example
Brad Example
Christina Example
Daniel Example
Elizabeth Example (resigned on 20 February 2021)

Principal activities

During the financial year the principal continuing activities of the company consisted of:

- Computer manufacturing
- Computer retailing
- Computer distribution

Dividends

Dividends paid during the financial year were as follows:

	2020 \$'000	2019 \$'000
Final dividend for the year ended 31 December 2019 (2019: 31 December 2018) of 5 cents (2019: 4 cents) per ordinary share	<u>4,000</u>	<u>3,200</u>

Review of operations

The profit for the company after providing for income tax amounted to \$28,112,000 (31 December 2019: \$15,749,000).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the company up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 31 December 2020 and up to the date of this report.

FRS Large Proprietary Company Special Purpose Pty Limited
Directors' report
31 December 2020

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Daniel Example
Director

24 February 2021
Sydney

FRS Large Proprietary Company Special Purpose Pty Limited
Auditor's independence declaration

[This page has intentionally been left blank for the insertion of the auditor's independence declaration]

FRS Large Proprietary Company Special Purpose Pty Limited

Contents

31 December 2020

Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	31
Independent auditor's report to the members of FRS Large Proprietary Company Special Purpose Pty Limited	32

General information

The financial statements cover FRS Large Proprietary Company Special Purpose Pty Limited as an individual entity. The financial statements are presented in Australian dollars, which is FRS Large Proprietary Company Special Purpose Pty Limited's functional and presentation currency.

FRS Large Proprietary Company Special Purpose Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

10th Floor
Universal Administration Building
12 Highland Street
Sydney NSW 2000

Principal place of business

5th Floor
FRS Business Centre
247 Edward Street
Brisbane QLD 4000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2021. The directors have the power to amend and reissue the financial statements.

FRS Large Proprietary Company Special Purpose Pty Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Revenue	3	471,335	440,643
Other income	4	742	192
Interest revenue calculated using the effective interest method		1,087	543
Expenses			
Changes in inventories		(3,523)	(782)
Raw materials and consumables used		(127,025)	(121,050)
Employee benefits expense		(225,150)	(218,728)
Depreciation and amortisation expense	5	(52,047)	(52,411)
Impairment of receivables		(491)	(432)
Other expenses		(6,020)	(4,724)
Finance costs	5	(18,752)	(20,620)
Profit before income tax expense		40,156	22,631
Income tax expense		(12,044)	(6,882)
Profit after income tax expense for the year attributable to the owners of FRS Large Proprietary Company Special Purpose Pty Limited	33	28,112	15,749
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land and buildings, net of tax		-	1,400
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges transferred to profit or loss, net of tax		-	(2)
Cash flow hedges transferred to inventory in the statement of financial position, net of tax		(3)	(7)
Net change in the fair value of cash flow hedges taken to equity, net of tax		(7)	(18)
Other comprehensive income for the year, net of tax		(10)	1,373
Total comprehensive income for the year attributable to the owners of FRS Large Proprietary Company Special Purpose Pty Limited		<u>28,102</u>	<u>17,122</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

FRS Large Proprietary Company Special Purpose Pty Limited
Statement of financial position
As at 31 December 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	6	26,136	5,524
Trade and other receivables	7	13,349	12,354
Contract assets	8	2,617	2,144
Inventories	9	39,525	43,048
Other	10	3,935	3,444
Total current assets		<u>85,562</u>	<u>66,514</u>
Non-current assets			
Receivables	11	145	145
Property, plant and equipment	12	123,139	128,883
Right-of-use assets	13	305,485	332,116
Intangibles	14	1,741	2,116
Deferred tax	15	15,574	12,561
Other	16	2,308	2,405
Total non-current assets		<u>448,392</u>	<u>478,226</u>
Total assets		<u>533,954</u>	<u>544,740</u>
Liabilities			
Current liabilities			
Trade and other payables	17	20,004	17,306
Contract liabilities	18	2,269	2,135
Borrowings	19	4,500	2,000
Lease liabilities	20	22,072	20,905
Derivative financial instruments	21	122	107
Income tax	22	9,011	3,492
Employee benefits	23	8,352	8,143
Provisions	24	3,494	2,837
Other	25	2,130	1,869
Total current liabilities		<u>71,954</u>	<u>58,794</u>
Non-current liabilities			
Borrowings	26	6,867	34,901
Lease liabilities	27	301,714	322,745
Deferred tax	28	4,650	4,333
Employee benefits	29	11,149	10,854
Provisions	30	1,475	1,070
Total non-current liabilities		<u>325,855</u>	<u>373,903</u>
Total liabilities		<u>397,809</u>	<u>432,697</u>
Net assets		<u>136,145</u>	<u>112,043</u>
Equity			
Issued capital	31	80,000	80,000
Reserves	32	4,465	4,475
Retained profits	33	51,680	27,568
Total equity		<u>136,145</u>	<u>112,043</u>

The above statement of financial position should be read in conjunction with the accompanying notes

FRS Large Proprietary Company Special Purpose Pty Limited
Statement of changes in equity
For the year ended 31 December 2020

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 January 2019	80,000	3,102	15,019	98,121
Profit after income tax expense for the year	-	-	15,749	15,749
Other comprehensive income for the year, net of tax	-	1,373	-	1,373
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	1,373	15,749	17,122
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 34)	-	-	(3,200)	(3,200)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	<u>80,000</u>	<u>4,475</u>	<u>27,568</u>	<u>112,043</u>
	<hr/>	<hr/>	<hr/>	<hr/>
	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 January 2020	80,000	4,475	27,568	112,043
Profit after income tax expense for the year	-	-	28,112	28,112
Other comprehensive income for the year, net of tax	-	(10)	-	(10)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(10)	28,112	28,102
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 34)	-	-	(4,000)	(4,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	<u>80,000</u>	<u>4,465</u>	<u>51,680</u>	<u>136,145</u>
	<hr/>	<hr/>	<hr/>	<hr/>

The above statement of changes in equity should be read in conjunction with the accompanying notes

FRS Large Proprietary Company Special Purpose Pty Limited
Statement of cash flows
For the year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		516,249	484,305
Payments to suppliers and employees (inclusive of GST)		<u>(403,616)</u>	<u>(391,981)</u>
		112,633	92,324
Interest received		1,084	540
Other revenue		391	48
Interest and other finance costs paid		(18,752)	(20,620)
Income taxes paid		<u>(9,216)</u>	<u>(8,461)</u>
Net cash from operating activities	38	<u>86,140</u>	<u>63,831</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(12,275)	(3,048)
Proceeds from disposal of property, plant and equipment		1,511	250
Proceeds from release of security deposits		<u>155</u>	<u>-</u>
Net cash used in investing activities		<u>(10,609)</u>	<u>(2,798)</u>
Cash flows from financing activities			
Dividends paid	34	(4,000)	(3,200)
Repayment of borrowings		(25,534)	(35,488)
Repayment of lease liabilities		<u>(25,385)</u>	<u>(21,555)</u>
Net cash used in financing activities		<u>(54,919)</u>	<u>(60,243)</u>
Net increase in cash and cash equivalents		20,612	790
Cash and cash equivalents at the beginning of the financial year		<u>5,524</u>	<u>4,734</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>26,136</u></u>	<u><u>5,524</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of FRS Large Proprietary Company Special Purpose Pty Limited. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of FRS Large Proprietary Company Special Purpose Pty Limited.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Foreign currency translation

The financial statements are presented in Australian dollars, which is FRS Large Proprietary Company Special Purpose Pty Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

The company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Note 1. Significant accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when the company has transferred goods or services to the customer but where the company is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the company that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges

Cash flow hedges are used to cover the company's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 1. Significant accounting policies (continued)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the company is able to use or sell the asset; the company has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Significant accounting policies (continued)

Contract liabilities

Contract liabilities represent the company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the company has transferred the goods or services to the customer.

Refund liabilities

Refund liabilities are recognised where the company receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the company does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 2020. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the company has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the company may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the company's financial statements.

Note 1. Significant accounting policies (continued)

AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

These standards are applicable to annual reporting periods beginning on or after 1 July 2021. AASB 2020-2 will prohibit certain for-profit entities from preparing special purpose financial statements and AASB 1060 provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. Given that the company will be moving to general purpose financial statements in the future, there is likely to be increased disclosure for areas such as key management personnel, related parties, tax and financial instruments; and some disclosures will be removed. If the company adopts the standards prior to the mandatory application date it will be able to take advantage of certain special transitional disclosure relief relating to comparative information in the first year of adoption.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the company where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision

In determining the level of provision required for warranties the company has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 3. Revenue

	2020	2019
	\$'000	\$'000
<i>Revenue from contracts with customers</i>		
Sale of goods	459,358	428,115
Rendering of services	11,906	12,480
	<u>471,264</u>	<u>440,595</u>
<i>Other revenue</i>		
Other revenue	71	48
	<u>71</u>	<u>48</u>
Revenue	<u><u>471,335</u></u>	<u><u>440,643</u></u>

Note 4. Other income

	2020	2019
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	422	192
Government grants	100	-
Insurance recoveries	220	-
	<u>742</u>	<u>-</u>
Other income	<u><u>742</u></u>	<u><u>192</u></u>

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 5. Expenses

	2020	2019
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	284,451	277,964
<i>Depreciation</i>		
Leasehold improvements	5,281	5,721
Plant and equipment	12,199	13,414
Buildings right-of-use assets	13,582	13,582
Plant and equipment right-of-use assets	18,570	17,468
Total depreciation	49,632	50,185
<i>Amortisation</i>		
Development	321	321
Patents and trademarks	32	32
Software	22	22
Customer acquisition costs	1,288	1,164
Customer fulfilment costs	752	687
Total amortisation	2,415	2,226
Total depreciation and amortisation	52,047	52,411
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	1,621	2,549
Interest and finance charges paid/payable on lease liabilities	17,046	18,009
Unwinding of the discount on provisions	85	62
Finance costs expensed	18,752	20,620
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	13	6
<i>Cash flow hedge ineffectiveness</i>		
Cash flow hedge ineffectiveness	4	2
<i>Leases</i>		
Variable lease payments	1,167	1,098
Short-term lease payments	902	127
Low-value assets lease payments	135	119
	2,204	1,344
<i>Superannuation expense</i>		
Defined contribution superannuation expense	18,089	17,629
<i>Research costs</i>		
Research costs	124	107
<i>Write off of assets</i>		
Inventories	536	112

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 6. Current assets - cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash on hand	123	107
Cash at bank	14,113	5,017
Cash on deposit	11,900	400
	<u>26,136</u>	<u>5,524</u>

Note 7. Current assets - trade and other receivables

	2020 \$'000	2019 \$'000
Trade receivables	14,344	13,181
Less: Allowance for expected credit losses	(1,062)	(874)
	<u>13,282</u>	<u>12,307</u>
Other receivables	60	43
Interest receivable	7	4
	<u>13,349</u>	<u>12,354</u>

Note 8. Current assets - contract assets

	2020 \$'000	2019 \$'000
Contract assets	<u>2,617</u>	<u>2,144</u>

Note 9. Current assets - inventories

	2020 \$'000	2019 \$'000
Raw materials	6,817	6,081
Work in progress	16,040	17,434
Finished goods	16,464	19,346
Stock in transit	204	187
	<u>39,525</u>	<u>43,048</u>

Note 10. Current assets - other

	2020 \$'000	2019 \$'000
Prepayments	1,110	903
Security deposits	65	35
Customer acquisition costs	1,417	1,274
Customer fulfilment costs	672	614
Right of return assets	671	618
	<u>3,935</u>	<u>3,444</u>

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 11. Non-current assets - receivables

	2020	2019
	\$'000	\$'000
Other receivables	<u>145</u>	<u>145</u>

The other receivables are due to be repaid by 31 December 2023 and the effect of discounting is considered not to be material. This receivable is not past due nor impaired.

Note 12. Non-current assets - property, plant and equipment

	2020	2019
	\$'000	\$'000
Land and buildings - at independent valuation	<u>58,500</u>	<u>58,500</u>
Leasehold improvements - at cost	33,585	27,185
Less: Accumulated depreciation	<u>(18,401)</u>	<u>(13,120)</u>
	15,184	14,065
Plant and equipment - at cost	105,607	100,362
Less: Accumulated depreciation	<u>(56,152)</u>	<u>(44,044)</u>
	49,455	56,318
	<u>123,139</u>	<u>128,883</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Balance at 1 January 2019	56,500	17,478	69,050	143,028
Additions	-	2,308	740	3,048
Disposals	-	-	(58)	(58)
Revaluation increments	2,000	-	-	2,000
Depreciation expense	<u>-</u>	<u>(5,721)</u>	<u>(13,414)</u>	<u>(19,135)</u>
Balance at 31 December 2019	58,500	14,065	56,318	128,883
Additions	-	6,400	6,425	12,825
Disposals	-	-	(1,089)	(1,089)
Depreciation expense	<u>-</u>	<u>(5,281)</u>	<u>(12,199)</u>	<u>(17,480)</u>
Balance at 31 December 2020	<u>58,500</u>	<u>15,184</u>	<u>49,455</u>	<u>123,139</u>

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 13. Non-current assets - right-of-use assets

	2020	2019
	\$'000	\$'000
Land and buildings - right-of-use	271,636	271,636
Less: Accumulated depreciation	<u>(37,350)</u>	<u>(23,768)</u>
	<u>234,286</u>	<u>247,868</u>
Plant and equipment - right-of-use	126,363	120,842
Less: Accumulated depreciation	<u>(55,164)</u>	<u>(36,594)</u>
	<u>71,199</u>	<u>84,248</u>
	<u><u>305,485</u></u>	<u><u>332,116</u></u>

Note 14. Non-current assets - intangibles

	2020	2019
	\$'000	\$'000
Development - at cost	3,208	3,208
Less: Accumulated amortisation	<u>(1,605)</u>	<u>(1,284)</u>
	<u>1,603</u>	<u>1,924</u>
Patents and trademarks - at cost	320	320
Less: Accumulated amortisation	<u>(224)</u>	<u>(192)</u>
	<u>96</u>	<u>128</u>
Software - at cost	108	108
Less: Accumulated amortisation	<u>(66)</u>	<u>(44)</u>
	<u>42</u>	<u>64</u>
	<u><u>1,741</u></u>	<u><u>2,116</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Development	Patents and	Software	Total
	\$'000	trademarks	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2019	2,245	160	86	2,491
Amortisation expense	<u>(321)</u>	<u>(32)</u>	<u>(22)</u>	<u>(375)</u>
Balance at 31 December 2019	1,924	128	64	2,116
Amortisation expense	<u>(321)</u>	<u>(32)</u>	<u>(22)</u>	<u>(375)</u>
Balance at 31 December 2020	<u><u>1,603</u></u>	<u><u>96</u></u>	<u><u>42</u></u>	<u><u>1,741</u></u>

Note 15. Non-current assets - deferred tax

	2020	2019
	\$'000	\$'000
Deferred tax asset	<u>15,574</u>	<u>12,561</u>

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 16. Non-current assets - other

	2020 \$'000	2019 \$'000
Security deposits	1,260	1,445
Customer acquisition costs	564	517
Customer fulfilment costs	484	443
	<u>2,308</u>	<u>2,405</u>

Note 17. Current liabilities - trade and other payables

	2020 \$'000	2019 \$'000
Trade payables	18,070	15,711
Other payables	1,934	1,595
	<u>20,004</u>	<u>17,306</u>

Note 18. Current liabilities - contract liabilities

	2020 \$'000	2019 \$'000
Contract liabilities	<u>2,269</u>	<u>2,135</u>

Note 19. Current liabilities - borrowings

	2020 \$'000	2019 \$'000
Bank loans	<u>4,500</u>	<u>2,000</u>

Refer to note 26 for further information on assets pledged as security and financing arrangements.

Note 20. Current liabilities - lease liabilities

	2020 \$'000	2019 \$'000
Lease liability	<u>22,072</u>	<u>20,905</u>

Note 21. Current liabilities - derivative financial instruments

	2020 \$'000	2019 \$'000
Forward foreign exchange contracts - cash flow hedges	<u>122</u>	<u>107</u>

Note 22. Current liabilities - income tax

	2020 \$'000	2019 \$'000
Provision for income tax	<u>9,011</u>	<u>3,492</u>

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 23. Current liabilities - employee benefits

	2020	2019
	\$'000	\$'000
Employee benefits	<u>8,352</u>	<u>8,143</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the company does not have an unconditional right to defer settlement. However, based on past experience, the company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2020	2019
	\$'000	\$'000
Employee benefits obligation expected to be settled after 12 months	<u>1,603</u>	<u>1,292</u>

Note 24. Current liabilities - provisions

	2020	2019
	\$'000	\$'000
Lease make good	230	-
Legal claims	60	-
Warranties	<u>3,204</u>	<u>2,837</u>
	<u>3,494</u>	<u>2,837</u>

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the company at the end of the respective lease terms.

Legal claims

The provision represents a claim by a customer of the computer retailing division. This claim is expected to be settled in the next financial year and the outcome of this claim is not expected to exceed the amount provided for, based on independent legal advice.

Warranties

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 24. Current liabilities - provisions (continued)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

2020	Lease make good \$'000	Legal claims \$'000	Warranties \$'000
Carrying amount at the start of the year	-	-	2,837
Additional provisions recognised	-	60	503
Amounts transferred from non-current	230	-	-
Amounts used	-	-	(91)
Unused amounts reversed	-	-	(45)
	<hr/>	<hr/>	<hr/>
Carrying amount at the end of the year	230	60	3,204
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note 25. Current liabilities - other

	2020 \$'000	2019 \$'000
Accrued expenses	1,143	927
Refund liabilities	987	942
	<hr/>	<hr/>
	2,130	1,869
	<hr/> <hr/>	<hr/> <hr/>

Note 26. Non-current liabilities - borrowings

	2020 \$'000	2019 \$'000
Bank loans	6,867	34,901
	<hr/> <hr/>	<hr/> <hr/>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2020 \$'000	2019 \$'000
Bank loans	11,367	36,901
	<hr/> <hr/>	<hr/> <hr/>

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 26. Non-current liabilities - borrowings (continued)

Assets pledged as security

The bank overdraft and loans are secured by first mortgages over the company's land and buildings.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2020	2019
	\$'000	\$'000
Total facilities		
Bank overdraft	5,000	5,000
Bank loans	40,000	40,000
	<u>45,000</u>	<u>45,000</u>
Used at the reporting date		
Bank overdraft	-	-
Bank loans	11,367	36,901
	<u>11,367</u>	<u>36,901</u>
Unused at the reporting date		
Bank overdraft	5,000	5,000
Bank loans	28,633	3,099
	<u>33,633</u>	<u>8,099</u>

Note 27. Non-current liabilities - lease liabilities

	2020	2019
	\$'000	\$'000
Lease liability	<u>301,714</u>	<u>322,745</u>

Note 28. Non-current liabilities - deferred tax

	2020	2019
	\$'000	\$'000
Deferred tax liability	<u>4,650</u>	<u>4,333</u>

Note 29. Non-current liabilities - employee benefits

	2020	2019
	\$'000	\$'000
Employee benefits	<u>11,149</u>	<u>10,854</u>

Note 30. Non-current liabilities - provisions

	2020	2019
	\$'000	\$'000
Lease make good	<u>1,475</u>	<u>1,070</u>

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the company at the end of the respective lease terms.

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 30. Non-current liabilities - provisions (continued)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

2020	Lease make good \$'000
Carrying amount at the start of the year	1,070
Additional provisions recognised	550
Amounts transferred to current	(230)
Unwinding of discount	85
	<hr/>
Carrying amount at the end of the year	<u>1,475</u>

Note 31. Equity - issued capital

	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
Ordinary shares - fully paid	<u>80,000,000</u>	<u>80,000,000</u>	<u>80,000</u>	<u>80,000</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 32. Equity - reserves

	2020 \$'000	2019 \$'000
Revaluation surplus reserve	4,550	4,550
Hedging reserve - cash flow hedges	<u>(85)</u>	<u>(75)</u>
	<hr/>	<hr/>
	<u>4,465</u>	<u>4,475</u>

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Hedging reserve - cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 32. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Revaluation surplus \$'000	Hedging \$'000	Total \$'000
Balance at 1 January 2019	3,150	(48)	3,102
Revaluation - gross	2,000	(38)	1,962
Deferred tax	(600)	11	(589)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	4,550	(75)	4,475
Revaluation - gross	-	(15)	(15)
Deferred tax	-	5	5
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	<u>4,550</u>	<u>(85)</u>	<u>4,465</u>

Note 33. Equity - retained profits

	2020 \$'000	2019 \$'000
Retained profits at the beginning of the financial year	27,568	15,019
Profit after income tax expense for the year	28,112	15,749
Dividends paid (note 34)	(4,000)	(3,200)
	<hr/>	<hr/>
Retained profits at the end of the financial year	<u>51,680</u>	<u>27,568</u>

Note 34. Equity - dividends

Dividends

Dividends paid during the financial year were as follows:

	2020 \$'000	2019 \$'000
Final dividend for the year ended 31 December 2019 (2019: 31 December 2018) of 5 cents (2019: 4 cents) per ordinary share	<u>4,000</u>	<u>3,200</u>

Franking credits

	2020 \$'000	2019 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>28,031</u>	<u>15,010</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 35. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Accounting Firm 123, the auditor of the company:

	2020	2019
	\$	\$
<i>Audit services - Accounting Firm 123</i>		
Audit of the financial statements	<u>243,000</u>	<u>230,000</u>
<i>Other services - Accounting Firm 123</i>		
Preparation of the tax return	<u>12,950</u>	<u>12,400</u>
	<u><u>255,950</u></u>	<u><u>242,400</u></u>

Note 36. Contingent liabilities

During the financial year there was a work related accident involving a member of staff. Although the investigation is still in progress, the directors are of the opinion, based on independent legal advice, that the company will not be found to be at fault and any compensation will be covered by the company's insurance policy. Accordingly, no provision has been provided within these financial statements.

The company has given bank guarantees as at 31 December 2020 of \$3,105,000 (2019: \$2,844,000) to various landlords.

Note 37. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the company up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

FRS Large Proprietary Company Special Purpose Pty Limited
Notes to the financial statements
31 December 2020

Note 38. Reconciliation of profit after income tax to net cash from operating activities

	2020	2019
	\$'000	\$'000
Profit after income tax expense for the year	28,112	15,749
Adjustments for:		
Depreciation and amortisation	52,047	52,411
Net gain on disposal of non-current assets	(422)	(192)
Unwinding of the discount on provisions	85	62
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(995)	111
Decrease/(increase) in contract assets	(473)	367
Decrease in inventories	3,523	782
Increase in deferred tax assets	(3,023)	(2,834)
Increase in prepayments	(207)	(168)
Increase in other operating assets	(2,382)	(3,976)
Increase/(decrease) in trade and other payables	2,698	(457)
Increase in contract liabilities	134	161
Increase in provision for income tax	5,519	785
Increase in deferred tax liabilities	332	470
Increase in employee benefits	504	283
Increase in other provisions	427	249
Increase in other operating liabilities	261	28
Net cash from operating activities	<u>86,140</u>	<u>63,831</u>

Note 39. Non-cash investing and financing activities

	2020	2019
	\$'000	\$'000
Additions to the right-of-use assets	5,521	6,228
Leasehold improvements - lease make good	550	-
	<u>6,071</u>	<u>6,228</u>

Note 40. Changes in liabilities arising from financing activities

	Bank loans \$'000	Lease liability \$'000	Total \$'000
Balance at 1 January 2019	72,389	358,977	431,366
Net cash used in financing activities	(35,488)	(21,555)	(57,043)
Acquisition of leases	-	6,228	6,228
Balance at 31 December 2019	36,901	343,650	380,551
Net cash used in financing activities	(25,534)	(25,385)	(50,919)
Acquisition of leases	-	5,521	5,521
Balance at 31 December 2020	<u>11,367</u>	<u>323,786</u>	<u>335,153</u>

FRS Large Proprietary Company Special Purpose Pty Limited
Directors' declaration
31 December 2020

In the directors' opinion:

- the company is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of FRS Large Proprietary Company Special Purpose Pty Limited;
- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards as described in note 1 to the financial statements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Daniel Example
Director

24 February 2021
Sydney

FRS Large Proprietary Company Special Purpose Pty Limited
Independent auditor's report to the members of FRS Large Proprietary Company Special Purpose Pty Limited

[This page has intentionally been left blank for the insertion of page one of the independent auditor's report]

FRS Large Proprietary Company Special Purpose Pty Limited
Independent auditor's report to the members of FRS Large Proprietary Company Special Purpose Pty Limited

[This page has intentionally been left blank for the insertion of page two of the independent auditor's report]