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# Example Financial Report

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# FRS Large Proprietary Simplified Disclosures Pty Limited

**ABN 12 345 678 901**

## Annual Report - 30 June 2022

**FRS Large Proprietary Simplified Disclosures Pty Limited**
**Directors' report**
**30 June 2022**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of FRS Large Proprietary Simplified Disclosures Pty Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

**Directors**
The following persons were directors of FRS Large Proprietary Simplified Disclosures Pty Limited 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 August 2022)

**Principal activities**
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Computer manufacturing
- Computer retailing
- Computer distribution

The computer distribution division was significantly enhanced during the year with the acquisition of FRS CompCarrier Pty Limited.

**Dividends**
Dividends paid during the financial year were as follows:

| | Consolidated | |
|---|---|---|
| | **2022 $'000** | **2021 $'000** |
| Final dividend for the year ended 30 June 2021 (2021: 30 June 2020) | 22,037 | 11,744 |
| Interim dividend for the year ended 30 June 2022 (2021: 30 June 2021) | 7,346 | 5,872 |
| | 29,383 | 17,616 |

**Review of operations**
The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $27,763,000 (30 June 2021: $15,520,000).

**Significant changes in the state of affairs**
On [date] FRS Logistics Pty Limited, a subsidiary of FRS Large Proprietary Simplified Disclosures Pty Limited, acquired 100% of the ordinary shares of FRS CompCarrier Pty Limited (formerly known as CompCarrier Pty Limited) for the total consideration transferred of $8,230,000. This is a freight business and operates in the computer distribution division of the consolidated entity.

There were no other significant changes in the state of affairs of the consolidated entity 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 consolidated entity up to 30 June 2022, 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 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**
Information on likely developments in the operations of the consolidated entity 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 consolidated entity.

**Environmental regulation**
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Shares under option**
There were no unissued ordinary shares of FRS Large Proprietary Simplified Disclosures Pty Limited under option outstanding at the date of this report.

**Shares issued on the exercise of options**
There were no ordinary shares of FRS Large Proprietary Simplified Disclosures Pty Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

**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 August 2022
Sydney

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## General information

The financial statements cover FRS Large Proprietary Simplified Disclosures Pty Limited as a consolidated entity consisting of FRS Large Proprietary Simplified Disclosures Pty Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is FRS Large Proprietary Simplified Disclosures Pty Limited's functional and presentation currency.

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

| **Registered office** | **Principal place of business** |
|---|---|
| 10th Floor | 5th Floor |
| Universal Administration Building | FRS Business Centre |
| 12 Highland Street | 247 Edward Street |
| Sydney NSW 2000 | Brisbane QLD 4000 |

A description of the nature of the consolidated entity'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 August 2022. The directors have the power to amend and reissue the financial statements.

**FRS Large Proprietary Simplified Disclosures Pty Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2022**

| | Note | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|---|
| **Revenue** | 3 | 466,748 | 435,341 |
| | | | |
| Share of profits of associates accounted for using the equity method | 4 | 3,211 | 2,661 |
| Other income | 5 | 742 | 1,692 |
| 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 | | (52,276) | (52,411) |
| Impairment of goodwill | | (500) | - |
| Impairment of receivables | | (491) | (432) |
| Net fair value loss on investment properties | | (600) | - |
| Other expenses | | (4,513) | (4,252) |
| Finance costs | 6 | (18,930) | (21,092) |
| | | | |
| **Profit before income tax expense** | | 38,780 | 21,490 |
| | | | |
| Income tax expense | 7 | (10,875) | (5,741) |
| | | | |
| **Profit after income tax expense for the year** | | 27,905 | 15,749 |
| | | | |
| **Other comprehensive income** | | | |
| | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Gain on the revaluation of land and buildings, net of tax | | - | 1,400 |
| Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax | | 35 | - |
| | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| 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) |
| Foreign currency translation | | (257) | (218) |
| | | | |
| Other comprehensive income for the year, net of tax | | (232) | 1,155 |
| | | | |
| **Total comprehensive income for the year** | | 27,673 | 16,904 |
| | | | |
| Profit for the year is attributable to: | | | |
| Non-controlling interest | | 142 | 229 |
| Owners of FRS Large Proprietary Simplified Disclosures Pty Limited | 41 | 27,763 | 15,520 |
| | | | |
| | | 27,905 | 15,749 |
| | | | |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | | 142 | 369 |
| Owners of FRS Large Proprietary Simplified Disclosures Pty Limited | | 27,531 | 16,535 |
| | | | |
| | | 27,673 | 16,904 |

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

**FRS Large Proprietary Simplified Disclosures Pty Limited**
**Statement of financial position**
**As at 30 June 2022**

| | Note | Consolidated 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 26,136 | 5,524 |
| Trade and other receivables | 9 | 13,349 | 12,354 |
| Contract assets | 10 | 2,617 | 2,144 |
| Inventories | 11 | 39,525 | 43,048 |
| Financial assets at fair value through profit or loss | 12 | 360 | - |
| Other | 13 | 3,935 | 3,444 |
| | | 85,922 | 66,514 |
| Non-current assets classified as held for sale | 14 | 6,000 | - |
| Total current assets | | 91,922 | 66,514 |
| **Non-current assets** | | | |
| Receivables | 15 | 145 | 145 |
| Investments accounted for using the equity method | 16 | 34,192 | 30,981 |
| Financial assets at fair value through other comprehensive income | 17 | 170 | - |
| Investment properties | 18 | 46,900 | 47,500 |
| Property, plant and equipment | 19 | 117,139 | 128,883 |
| Right-of-use assets | 20 | 305,485 | 332,116 |
| Intangibles | 21 | 12,170 | 11,616 |
| Deferred tax | 22 | 15,574 | 12,561 |
| Other | 23 | 2,308 | 2,405 |
| Total non-current assets | | 534,083 | 566,207 |
| **Total assets** | | 626,005 | 632,721 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 24 | 20,004 | 17,306 |
| Contract liabilities | 25 | 2,269 | 2,135 |
| Borrowings | 26 | 4,500 | 3,273 |
| Lease liabilities | 27 | 22,072 | 20,905 |
| Derivative financial instruments | 28 | 122 | 107 |
| Income tax | 29 | 6,701 | 2,351 |
| Employee benefits | 30 | 8,352 | 8,143 |
| Provisions | 31 | 3,494 | 2,837 |
| Other | 32 | 2,130 | 1,869 |
| | | 69,644 | 58,926 |
| Liabilities directly associated with assets classified as held for sale | 33 | 4,000 | - |
| Total current liabilities | | 73,644 | 58,926 |
| **Non-current liabilities** | | | |
| Borrowings | 34 | 19,000 | 19,000 |
| Lease liabilities | 35 | 301,714 | 322,745 |
| Deferred tax | 36 | 4,665 | 4,333 |
| Employee benefits | 37 | 11,149 | 10,854 |
| Provisions | 38 | 1,475 | 1,070 |
| Total non-current liabilities | | 338,003 | 358,002 |
| **Total liabilities** | | 411,647 | 416,928 |
| **Net assets** | | 214,358 | 215,793 |

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

**FRS Large Proprietary Simplified Disclosures Pty Limited**
**Statement of financial position**
**As at 30 June 2022**

| | Note | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | 39 | 182,953 | 182,678 |
| Reserves | 40 | 3,276 | 3,508 |
| Retained profits | 41 | 10,766 | 12,386 |
| Equity attributable to the owners of FRS Large Proprietary Simplified Disclosures Pty Limited | | 196,995 | 198,572 |
| Non-controlling interest | 42 | 17,363 | 17,221 |
| **Total equity** | | 214,358 | 215,793 |

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

**FRS Large Proprietary Simplified Disclosures Pty Limited**
**Statement of changes in equity**
**For the year ended 30 June 2022**

| Consolidated | Issued capital $'000 | Reserves $'000 | Retained profits $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2020 | 104,922 | 2,493 | 14,482 | 16,852 | 138,749 |
| Profit after income tax expense for the year | - | - | 15,520 | 229 | 15,749 |
| Other comprehensive income for the year, net of tax | - | 1,015 | - | 140 | 1,155 |
| Total comprehensive income for the year | - | 1,015 | 15,520 | 369 | 16,904 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs (note 39) | 77,756 | - | - | - | 77,756 |
| Dividends paid (note 43) | - | - | (17,616) | - | (17,616) |
| Balance at 30 June 2021 | 182,678 | 3,508 | 12,386 | 17,221 | 215,793 |

| Consolidated | Issued capital $'000 | Reserves $'000 | Retained profits $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2021 | 182,678 | 3,508 | 12,386 | 17,221 | 215,793 |
| Profit after income tax expense for the year | - | - | 27,763 | 142 | 27,905 |
| Other comprehensive income for the year, net of tax | - | (232) | - | - | (232) |
| Total comprehensive income for the year | - | (232) | 27,763 | 142 | 27,673 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs (note 39) | 275 | - | - | - | 275 |
| Dividends paid (note 43) | - | - | (29,383) | - | (29,383) |
| Balance at 30 June 2022 | 182,953 | 3,276 | 10,766 | 17,363 | 214,358 |

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

**FRS Large Proprietary Simplified Disclosures Pty Limited**
**Statement of cash flows**
**For the year ended 30 June 2022**

| | Note | Consolidated 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 508,040 | 474,832 |
| Payments to suppliers and employees (inclusive of GST) | | (402,184) | (390,936) |
| | | 105,856 | 83,896 |
| Interest received | | 1,084 | 540 |
| Other revenue | | 3,964 | 3,358 |
| Interest and other finance costs paid | | (18,845) | (21,030) |
| Income taxes paid | | (9,142) | (8,461) |
| Net cash from operating activities | | 82,917 | 58,303 |
| **Cash flows from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | 51 | (8,072) | (155) |
| Payments for investments | | (510) | - |
| Payments for property, plant and equipment | | (6,215) | (3,048) |
| Proceeds from sale of investments | | 80 | - |
| Proceeds from sale of property, plant and equipment | | 1,511 | 250 |
| Proceeds from release of security deposits | | 155 | - |
| Net cash used in investing activities | | (13,051) | (2,953) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 39 | 275 | 78,750 |
| Proceeds from borrowings | | 12,000 | - |
| Share issue transaction costs | | - | (1,420) |
| Dividends paid | 43 | (29,383) | (17,616) |
| Repayment of borrowings | | (5,500) | (94,000) |
| Repayment of lease liabilities | | (25,385) | (21,555) |
| Net cash used in financing activities | | (47,993) | (55,841) |
| Net increase/(decrease) in cash and cash equivalents | | 21,873 | (491) |
| Cash and cash equivalents at the beginning of the financial year | | 4,251 | 4,734 |
| Effects of exchange rate changes on cash and cash equivalents | | 12 | 8 |
| Cash and cash equivalents at the end of the financial year | 8 | 26,136 | 4,251 |

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

## 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 consolidated entity 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*Conceptual Framework for Financial Reporting (Conceptual Framework)*
The consolidated entity has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

*AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
The consolidated entity has adopted AASB 1060 from 1 July 2021. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. As a result, there is increased disclosure in these financial statements for key management personnel, related parties, tax and financial instruments.

**Basis of preparation**
These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, 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, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, 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 consolidated entity'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.

**Parent entity information**
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 50.

**Principles of consolidation**
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of FRS Large Proprietary Simplified Disclosures Pty Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. FRS Large Proprietary Simplified Disclosures Pty Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

## Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Foreign currency translation
The financial statements are presented in Australian dollars, which is FRS Large Proprietary Simplified Disclosures 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.

*Foreign operations*
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### Revenue recognition
The consolidated entity recognises revenue as follows:

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: 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.

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.

## Note 1. Significant accounting policies (continued)

*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.

*Rent*
Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

*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.

FRS Large Proprietary Simplified Disclosures Pty Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

## Note 1. Significant accounting policies (continued)

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity'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 consolidated entity'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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

### 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 consolidated entity 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 consolidated entity has transferred goods or services to the customer but where the consolidated entity 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.

## Note 1. Significant accounting policies (continued)

### 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 consolidated entity 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.

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 consolidated entity'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.

### Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

**Note 1. Significant accounting policies (continued)**

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

**Associates**
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**Investments and other financial assets**
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

*Financial assets at fair value through profit or loss*
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Financial assets at fair value through other comprehensive income*
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

*Impairment of financial assets*
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

**Note 1. Significant accounting policies (continued)**

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

**Investment properties**
Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

**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 consolidated entity. 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.

**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.

**Note 1. Significant accounting policies (continued)**

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 consolidated entity 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 consolidated entity 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.

*Goodwill*
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*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 consolidated entity is able to use or sell the asset; the consolidated entity 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.

*Customer contracts*
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 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**
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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.

## Note 1. Significant accounting policies (continued)

### Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity 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.

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

### Refund liabilities
Refund liabilities are recognised where the consolidated entity 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 consolidated entity 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 consolidated entity'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 consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity 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.

**Note 1. Significant accounting policies (continued)**

*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.

*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.

**Business combinations**
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

## Note 1. Significant accounting policies (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### 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.

## 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 consolidated entity 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 consolidated entity 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 consolidated entity 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 consolidated entity 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.

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

*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 consolidated entity 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 consolidated entity 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.

*Goodwill and other indefinite life intangible assets*
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*
The consolidated entity 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 consolidated entity 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 consolidated entity 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 consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity'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 consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

*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 consolidated entity'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 consolidated entity 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 consolidated entity 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 consolidated entity 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.

*Business combinations*
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

**FRS Large Proprietary Simplified Disclosures Pty Limited**
**Notes to the financial statements**
**30 June 2022**

## Note 3. Revenue

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| *Revenue from contracts with customers* | | |
| Sale of goods | 459,358 | 428,115 |
| Rendering of services | 3,696 | 3,868 |
| | 463,054 | 431,983 |
| *Other revenue* | | |
| Rent from investment properties | 3,623 | 3,310 |
| Other revenue | 71 | 48 |
| | 3,694 | 3,358 |
| Revenue | 466,748 | 435,341 |

*Disaggregation of revenue*
The disaggregation of revenue from contracts with customers is as follows:

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| *Major product lines* | | |
| Laptops | 376,696 | 344,285 |
| Desktops | 51,844 | 58,921 |
| Components | 34,514 | 28,777 |
| | 463,054 | 431,983 |
| *Geographical regions* | | |
| Australia | 409,946 | 389,460 |
| New Zealand | 39,020 | 32,567 |
| Rest of the World | 14,088 | 9,956 |
| | 463,054 | 431,983 |
| *Timing of revenue recognition* | | |
| Goods transferred at a point in time | 459,358 | 428,115 |
| Services transferred over time | 3,696 | 3,868 |
| | 463,054 | 431,983 |

## Note 4. Share of profits of associates accounted for using the equity method

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Share of profit - associates | 3,211 | 2,661 |

## Note 5. Other income

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Net fair value gain on financial assets at fair value through profit or loss | 50 | - |
| Net fair value gain on investment properties | - | 1,500 |
| Net gain on disposal of property, plant and equipment | 422 | 192 |
| Government grants | 100 | - |
| Insurance recoveries | 170 | - |
| Other income | 742 | 1,692 |

## Note 6. Expenses

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Profit before income tax includes the following specific expenses: | | |
| *Cost of sales* | | |
| Cost of sales | 284,451 | 277,984 |
| *Impairment* | | |
| Goodwill | 500 | - |
| *Finance costs* | | |
| Interest and finance charges paid/payable on borrowings | 1,799 | 3,021 |
| Interest and finance charges paid/payable on lease liabilities | 17,046 | 18,009 |
| Unwinding of the discount on provisions | 85 | 62 |
| Finance costs expensed | 18,930 | 21,092 |
| *Net foreign exchange loss* | | |
| Net foreign exchange loss | 13 | 6 |
| *Net fair value loss* | | |
| Net fair value loss on investment properties | 600 | - |
| *Cash flow hedge ineffectiveness* | | |
| Cash flow hedge ineffectiveness | 4 | 2 |
| *Leases* | | |
| Short-term and low-value assets lease payments | 1,037 | 246 |
| *Superannuation expense* | | |
| Defined contribution superannuation expense | 18,089 | 17,629 |
| *Research costs* | | |
| Research costs | 124 | 107 |
| *Write off of assets* | | |
| Inventories | 538 | 112 |

## Note 7. Income tax expense

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Income tax expense* | | |
| Current tax | 13,595 | 7,896 |
| Deferred tax - origination and reversal of temporary differences | (2,617) | (2,155) |
| Adjustment recognised for prior periods | (103) | - |
| Aggregate income tax expense | 10,875 | 5,741 |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax assets (note 22) | (2,559) | (3,745) |
| Increase/(decrease) in deferred tax liabilities (note 36) | (58) | 1,590 |
| Deferred tax - origination and reversal of temporary differences | (2,617) | (2,155) |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense | 38,780 | 21,490 |
| Tax at the statutory tax rate of 30% | 11,634 | 6,447 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | 32 | 41 |
| Impairment of goodwill | 150 | - |
| Share of profits - associates | (963) | (798) |
| Sundry items | 125 | 51 |
| | 10,978 | 5,741 |
| Adjustment recognised for prior periods | (103) | - |
| Income tax expense | 10,875 | 5,741 |

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Amounts charged/(credited) directly to equity* | | |
| Deferred tax assets (note 22) | (5) | (437) |
| Deferred tax liabilities (note 36) | 15 | 600 |
| | 10 | 163 |

## Note 8. Current assets - cash and cash equivalents

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Cash on hand | 123 | 107 |
| Cash at bank | 14,113 | 5,017 |
| Cash on deposit | 11,900 | 400 |
| | 26,136 | 5,524 |

*Reconciliation to cash and cash equivalents at the end of the financial year*
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

| | 2022 | 2021 |
|---|---|---|
| Balances as above | 26,136 | 5,524 |
| Bank overdraft (note 26) | - | (1,273) |
| Balance as per statement of cash flows | 26,136 | 4,251 |

## Note 9. Current assets - trade and other receivables

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Trade receivables | 14,344 | 13,181 |
| Less: Allowance for expected credit losses | (1,062) | (874) |
| | 13,282 | 12,307 |
| Other receivables | 60 | 43 |
| Interest receivable | 7 | 4 |
| | 13,349 | 12,354 |

## Note 10. Current assets - contract assets

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Contract assets | 2,617 | 2,144 |

## Note 11. Current assets - inventories

| | Consolidated 2022 $'000 | Consolidated 2021 $'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 |
| | 39,525 | 43,048 |

### Note 12. Current assets - financial assets at fair value through profit or loss

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Listed ordinary shares - designated at fair value through profit or loss | 82 | - |
| Listed ordinary shares - held for trading | 278 | - |
| | 360 | - |

The listed ordinary shares have been valued based on their quoted market prices in active markets.

### Note 13. Current assets - other

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'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 |
| | 3,935 | 3,444 |

### Note 14. Current assets - non-current assets classified as held for sale

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Land | 6,000 | - |

The vacant land situated at 22 Smith Street, Parramatta NSW is currently for sale and is expected to be sold within five months from the reporting date through an auction process. The proposed development of a head office building on the site has been abandoned and the land is now surplus to requirements.

### Note 15. Non-current assets - receivables

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Other receivables | 145 | 145 |

The other receivables are due to be repaid by 30 June 2025 and the effect of discounting is considered not to be material. This receivable is not past due nor impaired.

## Note 16. Non-current assets - investments accounted for using the equity method

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Investment in associate | 34,192 | 30,981 |

Refer to note 53 for further information on interests in associates.

## Note 17. Non-current assets - financial assets at fair value through other comprehensive income

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Unlisted ordinary shares | 170 | - |

The unlisted ordinary shares have been valued based on the present value of net cash inflows from expected future dividends and subsequent disposal of the shares. The growth rates used ranged from 2.5% to 3.5% and the discount rates used ranged from 8.0% to 11.0%.

## Note 18. Non-current assets - investment properties

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Investment properties - at independent valuation | 46,900 | 47,500 |

*Reconciliation*
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

| | | |
|---|---|---|
| Opening fair value | 47,500 | 46,000 |
| Revaluation increments | - | 1,500 |
| Revaluation decrements | (600) | - |
| Closing fair value | 46,900 | 47,500 |

*Valuations of investment properties*
The basis of the valuation of investment properties is fair value. The investment properties are revalued annually based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

*Lessor commitments*

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Minimum lease commitments receivable but not recognised in the financial statements: | | |
| Within one year | 3,580 | 3,442 |
| One to five years | 15,810 | 15,202 |
| More than five years | 4,356 | 8,544 |
| | 23,746 | 27,188 |

## Note 19. Non-current assets - property, plant and equipment

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Land and buildings - at independent valuation | 52,500 | 58,500 |
| | | |
| Leasehold improvements - at cost | 33,585 | 27,185 |
| Less: Accumulated depreciation | (18,401) | (13,120) |
| | 15,184 | 14,065 |
| | | |
| Plant and equipment - at cost | 105,607 | 100,362 |
| Less: Accumulated depreciation | (56,152) | (44,044) |
| | 49,455 | 56,318 |
| | | |
| | 117,139 | 128,883 |

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

| Consolidated | Land and buildings $'000 | Leasehold improvements $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2021 | 58,500 | 14,065 | 56,318 | 128,883 |
| Additions | - | 6,400 | 365 | 6,765 |
| Additions through business combinations (note 51) | - | - | 6,060 | 6,060 |
| Classified as held for sale (note 14) | (6,000) | - | - | (6,000) |
| Disposals | - | - | (1,089) | (1,089) |
| Depreciation expense | - | (5,281) | (12,199) | (17,480) |
| | | | | |
| Balance at 30 June 2022 | 52,500 | 15,184 | 49,455 | 117,139 |

*Valuations of land and buildings*
The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 30 June 2021 based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

## Note 20. Non-current assets - right-of-use assets

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Land and buildings - right-of-use | 271,636 | 271,636 |
| Less: Accumulated depreciation | (37,350) | (23,768) |
| | 234,286 | 247,868 |
| | | |
| Plant and equipment - right-of-use | 126,363 | 120,842 |
| Less: Accumulated depreciation | (55,164) | (36,594) |
| | 71,199 | 84,248 |
| | | |
| | 305,485 | 332,116 |

Additions to the right-of-use assets during the year were $5,521,000 and depreciation charged to profit or loss was $31,135,000.

## Note 20. Non-current assets - right-of-use assets (continued)

The consolidated entity leases land and buildings for its offices, warehouses and retail outlets under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases plant and equipment under agreements of between three to seven years.

The consolidated entity leases office equipment under agreements of less than two years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

## Note 21. Non-current assets - intangibles

| | Consolidated | |
|---|---|---|
| | **2022** **$'000** | **2021** **$'000** |
| Goodwill | 9,908 | 9,500 |
| Less: Impairment | (500) | - |
| | 9,408 | 9,500 |
| | | |
| Development - at cost | 3,208 | 3,208 |
| Less: Accumulated amortisation | (1,605) | (1,284) |
| | 1,603 | 1,924 |
| | | |
| Patents and trademarks - at cost | 320 | 320 |
| Less: Accumulated amortisation | (224) | (192) |
| | 96 | 128 |
| | | |
| Customer contracts - at cost | 1,250 | - |
| Less: Accumulated amortisation | (229) | - |
| | 1,021 | - |
| | | |
| Software - at cost | 108 | 108 |
| Less: Accumulated amortisation | (66) | (44) |
| | 42 | 64 |
| | | |
| | 12,170 | 11,616 |

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

| **Consolidated** | Goodwill $'000 | Development $'000 | Patents and trademarks $'000 | Customer contracts $'000 | Software $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at 1 July 2021 | 9,500 | 1,924 | 128 | - | 64 | 11,616 |
| Additions through business combinations (note 51) | 408 | - | - | 1,250 | - | 1,658 |
| Impairment of assets | (500) | - | - | - | - | (500) |
| Amortisation expense | - | (321) | (32) | (229) | (22) | (604) |
| | | | | | | |
| Balance at 30 June 2022 | 9,408 | 1,603 | 96 | 1,021 | 42 | 12,170 |

## Note 22. Non-current assets - deferred tax

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Deferred tax asset comprises temporary differences attributable to:* | | |
| Amounts recognised in profit or loss: | | |
| Allowance for expected credit losses | 296 | 247 |
| Property, plant and equipment | 411 | - |
| Contract liabilities | 681 | 641 |
| Employee benefits | 5,850 | 5,699 |
| Leases | 5,899 | 3,853 |
| Provision for legal claims | 18 | - |
| Provision for lease make good | 512 | 321 |
| Provision for warranties | 961 | 851 |
| Accrued expenses | 343 | 278 |
| Refund liabilities | 296 | 283 |
| | 15,267 | 12,173 |
| Amounts recognised in equity: | | |
| Transaction costs on share issue | 270 | 356 |
| Derivative financial instruments | 37 | 32 |
| | 307 | 388 |
| Deferred tax asset | 15,574 | 12,561 |
| *Movements:* | | |
| Opening balance | 12,561 | 8,379 |
| Credited to profit or loss (note 7) | 2,559 | 3,745 |
| Credited to equity (note 7) | 5 | 437 |
| Additions through business combinations (note 51) | 449 | - |
| Closing balance | 15,574 | 12,561 |

## Note 23. Non-current assets - other

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Security deposits | 1,260 | 1,445 |
| Customer acquisition costs | 564 | 517 |
| Customer fulfilment costs | 484 | 443 |
| | 2,308 | 2,405 |

### Note 24. Current liabilities - trade and other payables

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Trade payables | 18,070 | 15,711 |
| Other payables | 1,934 | 1,595 |
| | 20,004 | 17,306 |

### Note 25. Current liabilities - contract liabilities

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Contract liabilities | 2,269 | 2,135 |

### Note 26. Current liabilities - borrowings

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Bank overdraft | - | 1,273 |
| Bank loans | 4,500 | 2,000 |
| | 4,500 | 3,273 |

Refer to note 34 for further information on assets pledged as security and financing arrangements.

### Note 27. Current liabilities - lease liabilities

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Lease liability | 22,072 | 20,905 |

### Note 28. Current liabilities - derivative financial instruments

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Forward foreign exchange contracts - cash flow hedges | 122 | 107 |

In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge between 30% and 80% of anticipated foreign currency transactions for the subsequent 4 months.

## Note 29. Current liabilities - income tax

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Provision for income tax | 6,701 | 2,351 |

## Note 30. Current liabilities - employee benefits

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Employee benefits | 8,352 | 8,143 |

## Note 31. Current liabilities - provisions

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Lease make good | 230 | - |
| Legal claims | 60 | - |
| Warranties | 3,204 | 2,837 |
| | 3,494 | 2,837 |

*Lease make good*
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity 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.

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

| **Consolidated - 2022** | 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) |
| Carrying amount at the end of the year | 230 | 60 | 3,204 |

## Note 32. Current liabilities - other

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Accrued expenses | 1,143 | 927 |
| Refund liabilities | 987 | 942 |
| | 2,130 | 1,869 |

## Note 33. Current liabilities - liabilities directly associated with assets classified as held for sale

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Bank loans | 4,000 | - |

The liabilities identified above represents the bank loan secured over the vacant land currently for sale. Refer to note 14 for further information.

## Note 34. Non-current liabilities - borrowings

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Bank loans | 19,000 | 19,000 |

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

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Bank overdraft | - | 1,273 |
| Bank loans | 27,500 | 21,000 |
| | 27,500 | 22,273 |

**Note 34. Non-current liabilities - borrowings (continued)**

*Assets pledged as security*
The bank overdraft and loans are secured by first mortgages over the consolidated entity's land and buildings.

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

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Total facilities | | |
| Bank overdraft | 5,000 | 5,000 |
| Bank loans | 40,000 | 25,000 |
| | 45,000 | 30,000 |
| Used at the reporting date | | |
| Bank overdraft | - | 1,273 |
| Bank loans | 27,500 | 21,000 |
| | 27,500 | 22,273 |
| Unused at the reporting date | | |
| Bank overdraft | 5,000 | 3,727 |
| Bank loans | 12,500 | 4,000 |
| | 17,500 | 7,727 |

The bank loans are principal and interest payment loans, repayable in monthly instalments and due to mature in 2025. The variable interest rate is 8.20% (2021: 8.80%).

**Note 35. Non-current liabilities - lease liabilities**

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Lease liability | 301,714 | 322,745 |
| *Future lease payments* | | |
| Future lease payments are due as follows: | | |
| Within one year | 37,574 | 37,107 |
| One to five years | 149,957 | 150,097 |
| More than five years | 290,764 | 328,200 |
| | 478,295 | 515,404 |

## Note 36. Non-current liabilities - deferred tax

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Deferred tax liability comprises temporary differences attributable to:* | | |
| Amounts recognised in profit or loss: | | |
| Financial assets at fair value through profit or loss | 15 | - |
| Prepayments | 302 | 228 |
| Development costs | 481 | 577 |
| Customer contracts | 306 | - |
| Net fair value gain on investment properties | 270 | 450 |
| Contract assets | 184 | 89 |
| Customer acquisition costs | 594 | 537 |
| Customer fulfilment costs | 347 | 317 |
| Right of return assets | 201 | 185 |
| | 2,700 | 2,383 |
| Amounts recognised in equity: | | |
| Revaluation of property, plant and equipment | 1,950 | 1,950 |
| Revaluation of financial assets at fair value through other comprehensive income | 15 | - |
| | 1,965 | 1,950 |
| Deferred tax liability | 4,665 | 4,333 |
| *Movements:* | | |
| Opening balance | 4,333 | 2,143 |
| Charged/(credited) to profit or loss (note 7) | (58) | 1,590 |
| Charged to equity (note 7) | 15 | 600 |
| Additions through business combinations (note 51) | 375 | - |
| Closing balance | 4,665 | 4,333 |

## Note 37. Non-current liabilities - employee benefits

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Employee benefits | 11,149 | 10,854 |

## Note 38. Non-current liabilities - provisions

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Lease make good | 1,475 | 1,070 |

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

## Note 38. 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:

| **Consolidated - 2022** | 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 |
| Carrying amount at the end of the year | 1,475 |

## Note 39. Equity - issued capital

| | **Consolidated** | | | |
|---|---|---|---|---|
| | **2022 Shares** | **2021 Shares** | **2022 $'000** | **2021 $'000** |
| Ordinary shares - fully paid | 146,910,000 | 146,800,000 | 182,953 | 182,678 |

*Movements in ordinary share capital*

| **Details** | **Date** | **Shares** | **Issue price** | **$'000** |
|---|---|---|---|---|
| Balance | 1 July 2021 | 146,800,000 | | 182,678 |
| Issue of shares | [date] | 10,000 | $2.50 | 25 |
| Issue of shares | [date] | 100,000 | $2.50 | 250 |
| Balance | 30 June 2022 | 146,910,000 | | 182,953 |

*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 40. Equity - reserves

| | **Consolidated** | |
|---|---|---|
| | **2022 $'000** | **2021 $'000** |
| Revaluation surplus reserve | 4,095 | 4,095 |
| Financial assets at fair value through other comprehensive income reserve | 35 | - |
| Foreign currency reserve | (769) | (512) |
| Hedging reserve - cash flow hedges | (85) | (75) |
| | 3,276 | 3,508 |

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

## Note 40. Equity - reserves (continued)

*Financial assets at fair value through other comprehensive income reserve*
The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

*Foreign currency reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*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.

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

| **Consolidated** | Revaluation surplus $'000 | Financial assets at fair value through OCI $'000 | Foreign currency $'000 | Hedging $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2021 | 4,095 | - | (512) | (75) | 3,508 |
| Revaluation - gross | - | 50 | - | (15) | 35 |
| Deferred tax | - | (15) | - | 5 | (10) |
| Foreign currency translation | - | - | (257) | - | (257) |
| Balance at 30 June 2022 | 4,095 | 35 | (769) | (85) | 3,276 |

## Note 41. Equity - retained profits

| | **Consolidated 2022 $'000** | **Consolidated 2021 $'000** |
|---|---|---|
| Retained profits at the beginning of the financial year | 12,386 | 14,482 |
| Profit after income tax expense for the year | 27,763 | 15,520 |
| Dividends paid (note 43) | (29,383) | (17,616) |
| Retained profits at the end of the financial year | 10,766 | 12,386 |

## Note 42. Equity - non-controlling interest

| | **Consolidated 2022 $'000** | **Consolidated 2021 $'000** |
|---|---|---|
| Issued capital | 16,000 | 16,000 |
| Reserves | 455 | 455 |
| Retained profits | 908 | 766 |
| | 17,363 | 17,221 |

The non-controlling interest has a 10% (2021: 10%) equity holding in FRS Manufacturing Pty Limited.

## Note 43. Equity - dividends

*Dividends*
Dividends paid during the financial year were as follows:

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Final dividend for the year ended 30 June 2021 (2021: 30 June 2020) | 22,037 | 11,744 |
| Interim dividend for the year ended 30 June 2022 (2021: 30 June 2021) | 7,346 | 5,872 |
| | 29,383 | 17,616 |

*Franking credits*

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% | 11,520 | 10,621 |

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

## Note 44. Key management personnel disclosures

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Aggregate compensation | 1,757,032 | 1,642,995 |

## Note 45. 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, its network firms and unrelated firms:

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| *Audit services - Accounting Firm 123* | | |
| Audit of the financial statements | 243,000 | 230,000 |
| | | |
| *Other services - Accounting Firm 123* | | |
| Preparation of the tax return | 12,950 | 12,400 |
| Transfer pricing review | 5,500 | 5,000 |
| | 18,450 | 17,400 |
| | 261,450 | 247,400 |
| | | |
| *Audit services - network firms* | | |
| Audit of the financial statements | - | 15,000 |
| | | |
| *Other services - network firms* | | |
| Due diligence | - | 22,450 |
| Transfer pricing review | 18,000 | 64,500 |
| | 18,000 | 86,950 |
| | 18,000 | 101,950 |
| | | |
| *Audit services - unrelated firms* | | |
| Audit of the financial statements | 26,500 | 23,000 |

## Note 46. Contingent assets

FRS Manufacturing Pty Limited, a subsidiary, will be paid a success premium of up to $3,000,000 by Compdesign Partnership, in which it holds a 35% interest, if the rights to a computer manufacturing process are sold to a Korean based company. The likelihood of this proceeding is highly probable. No asset has been recognised within these financial statements.

FRS Manufacturing Pty Limited, a subsidiary, has an outstanding insurance claim with respect to inventory that was damaged in the Queensland floods that occurred during the financial year. An assessment is currently being undertaken by the insurer as to whether it was the cause of a flood or rising waters, which will affect the payout. Because the insurance proceeds are not virtually certain, no asset has been recognised within these financial statements. The inventory of approximately $400,000 has been written off during the current financial year.

## Note 47. 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 consolidated entity will not be found to be at fault and any compensation will be covered by the consolidated entity's insurance policy. Accordingly, no provision has been provided within these financial statements.

The consolidated entity has given bank guarantees as at 30 June 2022 of $3,105,000 (2021: $2,844,000) to various landlords.

## Note 48. Commitments

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| *Capital commitments* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Investment properties | 170 | 170 |
| Property, plant and equipment | 1,165 | 1,145 |
| Intangible assets | 160 | - |

## Note 49. Related party transactions

*Parent entity*
FRS Large Proprietary Simplified Disclosures Pty Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 52.

*Associates*
Interests in associates are set out in note 53.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 44.

*Transactions with related parties*
The following transactions occurred with related parties:

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| Payment for goods and services: | | |
| Payment for services from associate | 3,397,327 | 3,234,986 |
| Payment for services from key management personnel | 81,238 | 67,905 |

*Receivable from and payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| Current payables: | | |
| Trade payables to associate | 361,334 | 345,876 |
| Trade payables to key management personnel | 7,108 | 6,388 |

*Loans to/from related parties*
There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## Note 50. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent 2022 $'000 | Parent 2021 $'000 |
|---|---|---|
| Profit after income tax | 29,737 | 21,383 |
| Total comprehensive income | 29,737 | 21,383 |

*Statement of financial position*

| | Parent 2022 $'000 | Parent 2021 $'000 |
|---|---|---|
| Total current assets | 24,976 | 899 |
| Total assets | 308,810 | 283,025 |
| Total current liabilities | 11,173 | 2,738 |
| Total liabilities | 120,535 | 95,404 |
| Equity | | |
| Issued capital | 182,953 | 182,678 |
| Revaluation surplus reserve | 350 | 350 |
| Financial assets at fair value through other comprehensive income reserve | 35 | - |
| Hedging reserve - cash flow hedges | (85) | (75) |
| Retained profits | 5,022 | 4,668 |
| Total equity | 188,275 | 187,621 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Note 51. Business combinations

On [date] FRS Logistics Pty Limited, a subsidiary of FRS Large Proprietary Simplified Disclosures Pty Limited, acquired 100% of the ordinary shares of FRS CompCarrier Pty Limited (formerly known as CompCarrier Pty Limited) for the total consideration transferred of $8,230,000. This is a freight business and the goodwill of $408,000 represents the expected synergies from merging this business with the computer distribution division and eliminating third party freight costs.

Details of the acquisition are as follows:

| | Fair value $'000 |
|---|---|
| Cash and cash equivalents | 3 |
| Trade receivables | 822 |
| Prepayments | 106 |
| Plant and equipment | 6,060 |
| Customer contracts | 1,250 |
| Deferred tax asset | 449 |
| Trade payables | (364) |
| Deferred tax liability | (375) |
| Employee benefits | (129) |
| Net assets acquired | 7,822 |
| Goodwill | 408 |
| Acquisition-date fair value of the total consideration transferred | 8,230 |
| Representing: | |
| Cash paid or payable to vendor | 8,230 |

## Note 52. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

| Name | Principal place of business / Country of incorporation | Ownership interest 2022 % | Ownership interest 2021 % |
|---|---|---|---|
| FRS Manufacturing Pty Limited | Australia | 90.00% | 90.00% |
| FRS Retailing Pty Limited | Australia | 100.00% | 100.00% |
| FRS Logistics Pty Limited | Australia | 100.00% | 100.00% |
| FRS CompCarrier Pty Limited | Australia | 100.00% | - |
| FRS Retailing International Limited | New Zealand | 100.00% | 100.00% |

*Significant restrictions*
FRS Manufacturing Pty Limited cannot pay dividends without the prior consent of the non-controlling interests.

## Note 53. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

| Name | Principal place of business / Country of incorporation | Ownership interest 2022 % | Ownership interest 2021 % |
|---|---|---|---|
| Compdesign Partnership | Australia | 35.00% | 35.00% |

## Note 54. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

FRS Large Proprietary Simplified Disclosures Pty Limited
FRS Retailing Pty Limited
FRS Logistics Pty Limited
FRS CompCarrier Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by FRS Large Proprietary Simplified Disclosures Pty Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

| **Statement of profit or loss and other comprehensive income** | **2022 $'000** | **2021 $'000** |
|---|---|---|
| Revenue | 416,134 | 387,501 |
| Other income | 270 | - |
| Interest revenue calculated using the effective interest method | 1,012 | 431 |
| Net gain on derecognition of financial assets at amortised cost | 50 | - |
| Changes in inventories | (2,721) | (670) |
| Raw materials and consumables used | (168,599) | (160,222) |
| Employee benefits expense | (145,202) | (141,854) |
| Depreciation and amortisation expense | (40,588) | (38,653) |
| Impairment of goodwill | (500) | - |
| Impairment of receivables | (491) | (432) |
| Net fair value loss on investment properties | (600) | - |
| Other expenses | (4,942) | (5,424) |
| Finance costs | (17,761) | (18,202) |
| **Profit before income tax expense** | 36,062 | 22,475 |
| Income tax expense | (10,846) | (7,254) |
| **Profit after income tax expense** | 25,216 | 15,221 |
| **Other comprehensive income** | | |
| Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax | 35 | - |
| 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 | 25 | (27) |
| **Total comprehensive income for the year** | 25,241 | 15,194 |

## Note 54. Deed of cross guarantee (continued)

| **Equity - retained profits** | **2022 $'000** | **2021 $'000** |
|---|---|---|
| Retained profits at the beginning of the financial year | 8,138 | 10,533 |
| Profit after income tax expense | 25,216 | 15,221 |
| Dividends paid | (29,383) | (17,616) |
| Retained profits at the end of the financial year | 3,971 | 8,138 |

| **Statement of financial position** | **2022 $'000** | **2021 $'000** |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 25,264 | 3,504 |
| Trade and other receivables | 5,564 | 6,042 |
| Contract assets | 2,617 | 2,144 |
| Inventories | 15,835 | 18,556 |
| Financial assets at fair value through profit or loss | 360 | - |
| Other | 1,621 | 1,256 |
| Non-current assets classified as held for sale | 6,000 | - |
| | 57,261 | 31,502 |
| **Non-current assets** | | |
| Receivables | 145 | 145 |
| Financial assets at fair value through other comprehensive income | 170 | - |
| Other financial assets | 149,000 | 149,000 |
| Investment properties | 46,900 | 47,500 |
| Property, plant and equipment | 22,401 | 22,686 |
| Right-of-use assets | 305,485 | 332,116 |
| Intangibles | 10,471 | 9,564 |
| Deferred tax | 11,999 | 9,157 |
| Other | 1,922 | 1,769 |
| | 548,493 | 571,937 |
| **Total assets** | 605,754 | 603,439 |
| **Current liabilities** | | |
| Trade and other payables | 21,360 | 20,255 |
| Contract liabilities | 2,269 | 2,135 |
| Borrowings | 500 | 1,273 |
| Lease liabilities | 22,072 | 20,905 |
| Derivative financial instruments | 122 | 107 |
| Income tax | 6,701 | 2,351 |
| Employee benefits | 5,314 | 5,230 |
| Provisions | 290 | - |
| Other | 372 | 189 |
| Liabilities directly associated with assets classified as held for sale | 4,000 | - |
| | 63,000 | 52,445 |
| **Non-current liabilities** | | |
| Borrowings | 43,900 | 28,152 |
| Lease liabilities | 301,714 | 322,745 |
| Deferred tax | 2,130 | 1,727 |
| Employee benefits | 6,581 | 6,479 |
| Provisions | 1,205 | 800 |
| | 355,530 | 359,903 |
| **Total liabilities** | 418,530 | 412,348 |

## Note 54. Deed of cross guarantee (continued)

| Statement of financial position | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Net assets** | 187,224 | 191,091 |
| **Equity** | | |
| Issued capital | 182,953 | 182,678 |
| Reserves | 300 | 275 |
| Retained profits | 3,971 | 8,138 |
| **Total equity** | 187,224 | 191,091 |

## Note 55. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2022, 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 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Note 56. Non-cash investing and financing activities

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Additions to the right-of-use assets | 5,521 | 6,228 |
| Leasehold improvements - lease make good | 550 | - |
| | 6,071 | 6,228 |

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Simplified Disclosures, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 54 to the financial statements.

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 August 2022
Sydney

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