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FRS Large Proprietary Simplified Disclosures Pty Limited

ABN 12 345 678 901

Annual Report - 31 December 2020

FRS Large Proprietary Simplified Disclosures Pty Limited
Directors' report
31 December 2020

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 31 December 2020.

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 February 2021)

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	
	2020 $'000	2019 $'000
Final dividend for the year ended 31 December 2019 (2019: 31 December 2018)	22,037	11,744
Interim dividend for the year ended 31 December 2020 (2019: 31 December 2019)	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 (31 December 2019: $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 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the 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 31 December 2020 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 February 2021
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 Universal Administration Building 12 Highland Street Sydney NSW 2000	5th Floor FRS Business Centre 247 Edward Street 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 February 2021. 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 31 December 2020

	Note	Consolidated 2020 $'000	2019 $'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 31 December 2020

	Note	Consolidated 2020 $'000	2019 $'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 31 December 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'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 31 December 2020

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2019	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 31 December 2019	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 January 2020	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 31 December 2020	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 31 December 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'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.

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 January 2020. 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 January 2020. 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 31 December 2020 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.

Note 3. Revenue

	Consolidated 2020 $'000	Consolidated 2019 $'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 2020 $'000	Consolidated 2019 $'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 2020 $'000	Consolidated 2019 $'000
Share of profit - associates	3,211	2,661

Note 5. Other income

	Consolidated 2020 $'000	Consolidated 2019 $'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 2020 $'000	Consolidated 2019 $'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	
	2020	**2019**
	$'000	**$'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	
	2020	**2019**
	$'000	**$'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 2020 $'000	Consolidated 2019 $'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:

	Consolidated 2020 $'000	Consolidated 2019 $'000
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 2020 $'000	Consolidated 2019 $'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 2020 $'000	Consolidated 2019 $'000
Contract assets	2,617	2,144

Note 11. Current assets - inventories

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

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

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

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

	Consolidated 2020 $'000	Consolidated 2019 $'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 2020 $'000	Consolidated 2019 $'000
Other receivables	145	145

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

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

	Consolidated 2020 $'000	Consolidated 2019 $'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	
	2020 $'000	2019 $'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	
	2020 $'000	2019 $'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:

	2020 $'000	2019 $'000
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	
	2020 $'000	2019 $'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 2020 $'000	Consolidated 2019 $'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 January 2020	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 31 December 2020	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 31 December 2019 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 2020 $'000	Consolidated 2019 $'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.

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 2020 $'000	Consolidated 2019 $'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 January 2020	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 31 December 2020	9,408	1,603	96	1,021	42	12,170

Note 22. Non-current assets - deferred tax

	Consolidated 2020 $'000	Consolidated 2019 $'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 2020 $'000	Consolidated 2019 $'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	
	2020 $'000	2019 $'000
Trade payables	18,070	15,711
Other payables	1,934	1,595
	20,004	17,306

Note 25. Current liabilities - contract liabilities

	Consolidated	
	2020 $'000	2019 $'000
Contract liabilities	2,269	2,135

Note 26. Current liabilities - borrowings

	Consolidated	
	2020 $'000	2019 $'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	
	2020 $'000	2019 $'000
Lease liability	22,072	20,905

Note 28. Current liabilities - derivative financial instruments

	Consolidated	
	2020 $'000	2019 $'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	
	2020	**2019**
	$'000	**$'000**
Provision for income tax	6,701	2,351

Note 30. Current liabilities - employee benefits

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Employee benefits	8,352	8,143

Note 31. Current liabilities - provisions

	Consolidated	
	2020	**2019**
	$'000	**$'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 - 2020	Lease make good $'000	Legal claims $'000	Warranties $'000
Carrying amount at the start of the year	-	-	2,837
Additional provisions recognised	-	60	503
Amounts transferred from non-current	230	-	-
Amounts used	-	-	(91)
Unused amounts reversed	-	-	(45)
Carrying amount at the end of the year	230	60	3,204

Note 32. Current liabilities - other

	Consolidated	
	2020	**2019**
	$'000	**$'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	
	2020	**2019**
	$'000	**$'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	
	2020	**2019**
	$'000	**$'000**
Bank loans	19,000	19,000

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

	Consolidated	
	2020	**2019**
	$'000	**$'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 2020 $'000	Consolidated 2019 $'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 2023. The variable interest rate is 8.20% (2019: 8.80%).

Note 35. Non-current liabilities - lease liabilities

	Consolidated 2020 $'000	Consolidated 2019 $'000
Lease liability	301,714	322,745

Future lease payments
Future lease payments are due as follows:

	2020 $'000	2019 $'000
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 2020 $'000	Consolidated 2019 $'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 2020 $'000	Consolidated 2019 $'000
Employee benefits	11,149	10,854

Note 38. Non-current liabilities - provisions

	Consolidated 2020 $'000	Consolidated 2019 $'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 - 2020	Lease make good $'000
Carrying amount at the start of the year	1,070
Additional provisions recognised	550
Amounts transferred to current	(230)
Unwinding of discount	85
Carrying amount at the end of the year	1,475

Note 39. Equity - issued capital

	Consolidated			
	2020 Shares	**2019 Shares**	**2020 $'000**	**2019 $'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 January 2020	146,800,000		182,678
Issue of shares	[date]	10,000	$2.50	25
Issue of shares	[date]	100,000	$2.50	250
Balance	31 December 2020	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	
	2020 $'000	**2019 $'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 January 2020	4,095	-	(512)	(75)	3,508
Revaluation - gross	-	50	-	(15)	35
Deferred tax	-	(15)	-	5	(10)
Foreign currency translation	-	-	(257)	-	(257)
Balance at 31 December 2020	4,095	35	(769)	(85)	3,276

Note 41. Equity - retained profits

	Consolidated 2020 $'000	**Consolidated 2019 $'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 2020 $'000	**Consolidated 2019 $'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% (2019: 10%) equity holding in FRS Manufacturing Pty Limited.

Note 43. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2020 $'000	2019 $'000
Final dividend for the year ended 31 December 2019 (2019: 31 December 2018)	22,037	11,744
Interim dividend for the year ended 31 December 2020 (2019: 31 December 2019)	7,346	5,872
	29,383	17,616

Franking credits

	Consolidated	
	2020 $'000	2019 $'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	
	2020 $	2019 $
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 2020 $	Consolidated 2019 $
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 31 December 2020 of $3,105,000 (2019: $2,844,000) to various landlords.

Note 48. Commitments

	Consolidated	
	2020	**2019**
	$'000	**$'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	
	2020	**2019**
	$	**$**
Payment for goods and services:		
Payment for services from associate	3,397,327	3,234,986
Payment for marketing services from BE Promotions Pty Limited (director-related entity of Brad Example)	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	
	2020	**2019**
	$	**$**
Current payables:		
Trade payables to associate	361,334	345,876
Trade payables to BE Promotions Pty Limited (director-related entity of Brad Example)	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	
	2020 **$'000**	**2019** **$'000**
Profit after income tax	29,737	21,383
Total comprehensive income	29,737	21,383

Statement of financial position

	Parent	
	2020 **$'000**	**2019** **$'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 31 December 2020 and 31 December 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2020 and 31 December 2019.

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 2020 %**	**Ownership interest 2019 %**
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 2020 %**	**Ownership interest 2019 %**
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	**2020 $'000**	**2019 $'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	2020 $'000	2019 $'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	2020 $'000	2019 $'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	2020 $'000	2019 $'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 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the 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	
	2020 $'000	2019 $'000
Additions to the right-of-use assets	5,521	6,228
Leasehold improvements - lease make good	550	-
	6,071	6,228

FRS Large Proprietary Simplified Disclosures Pty Limited
Directors' declaration
31 December 2020

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 31 December 2020 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 February 2021
Sydney

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