FRS

Financial Reporting Specialists

# Example Financial Report

frs.com.au

Financial Reporting Specialists Pty Limited ABN 72 121 807 494

**FRS Listed Comprehensive Limited**
**Appendix 4E**
**Preliminary final report**

## 1. Company details

| | |
|---|---|
| Name of entity: | FRS Listed Comprehensive Limited |
| ABN: | 12 345 678 901 |
| Reporting period: | For the year ended 30 June 2023 |
| Previous period: | For the year ended 30 June 2022 |

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## 2. Results for announcement to the market

| | | | | $'000 |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 7.3% | to | 467,835 |
| Profit from ordinary activities after tax attributable to the owners of FRS Listed Comprehensive Limited | up | 74.8% | to | 27,126 |
| Profit for the year attributable to the owners of FRS Listed Comprehensive Limited | up | 74.8% | to | 27,126 |

*Dividends*

| | Amount per security Cents | Franked amount per security Cents |
|---|---|---|
| Final dividend for the year ended 30 June 2022 paid on [date] | 15.0 | 15.0 |
| Interim dividend for the year ended 30 June 2023 paid on [date] | 5.0 | 5.0 |

On [date] the directors declared a dividend of 17 cents per ordinary share with a record date of [date] to be paid on [date].

*Comments*
The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $27,126,000 (30 June 2022: $15,520,000).

All three of the consolidated entity's divisions improved their profit results. The computer manufacturing division further increased its profit following the re-engineering of its processes, which has resulted in increased production and a reduction in product defects. The computer retailing division had a 7.2% increase in sales largely from higher value products. The computer distribution division benefited greatly from the final integration of the acquired CompCarrier business, which saw its existing administrative function better utilised.

Whilst less than 25% of sales are provided on credit, the consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay in the current environment. As a result, we have increased our allowance of expected credit losses as at 30 June 2023.

The financial position of the consolidated entity is strong with excellent liquidity and a large asset base, which is being fully utilised. With the predicted continued profitability of the consolidated entity, bank borrowings are expected to reduce significantly during the year ending 30 June 2024 from current cash on deposit and future earnings, without necessarily reducing dividend payments.

The computer industry is a fast moving industry and the rate of technological change is astronomical. The main risk for the consolidated entity, and therefore the focus of management, is inventory management. During the financial year the inventory module of the management information system was updated to provide 'real time' information on stock turn and the identification of slow moving inventory. This allows management to make special offers to customers to clear the inventory before it becomes completely obsolete.

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## 3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net tangible assets per ordinary security | 149.66 | 146.35 |

## 4. Control gained over entities

| | | |
|---|---|---|
| Name of entities (or group of entities) | FRS CompCarrier Pty Limited | |
| Date control gained | [date] | |
| | | **$'000** |
| Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material) | | 670 |
| Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material) | | - |

## 5. Loss of control over entities

| | | |
|---|---|---|
| Name of entities (or group of entities) | FRS Retailing International Limited | |
| Date control lost | [date] | |
| | | **$'000** |
| Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material) | | 1,138 |
| Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material) | | 1,314 |

## 6. Details of associates and joint venture entities

| | Reporting entity's percentage holding | | Contribution to profit/(loss) (where material) | |
|---|---|---|---|---|
| **Name of associate / joint venture** | **Reporting period %** | **Previous period %** | **Reporting period $'000** | **Previous period $'000** |
| Compdesign Partnership | 35.00% | 35.00% | 4,587 | 3,802 |
| *Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)* | | | | |
| Profit/(loss) from ordinary activities before income tax | | | 4,587 | 3,802 |
| Income tax on operating activities | | | 1,376 | 1,141 |

## 7. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unmodified opinion has been issued.

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## 8. Attachments

*Details of attachments (if any):*

The Annual Report of FRS Listed Comprehensive Limited for the year ended 30 June 2023 is attached.

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## 9. Signed

Signed ____________________________ Date: 24 August 2023

Daniel Example
Director
Sydney

# FRS Listed Comprehensive Limited

**ABN 12 345 678 901**

## Annual Report - 30 June 2023

**FRS Listed Comprehensive Limited**
**Corporate directory**
**30 June 2023**

| | |
|---|---|
| Directors | Anthony Example<br>Brad Example<br>Christina Example<br>Daniel Example |
| Company secretary | Fabian Example |
| Notice of annual general meeting | The details of the annual general meeting of FRS Listed Comprehensive Limited are:<br>6th Floor<br>Universal Administration Building<br>12 Highland Street<br>Sydney NSW 2000<br>[time] on [day] [date] |
| Registered office | 10th Floor<br>Universal Administration Building<br>12 Highland Street<br>Sydney NSW 2000<br>Phone: 1800 123 456 |
| Principal place of business | 5th Floor<br>FRS Business Centre<br>247 Edward Street<br>Brisbane QLD 4000<br>Phone: 1800 234 567 |
| Share register | ShaReg Australia Limited<br>3rd Floor<br>AIR Tower<br>66 Hay Street<br>Perth WA 6000<br>Phone: 1300 808 280 |
| Auditor | Accounting Firm 123<br>Level 18<br>BLB Complex<br>312 Druitt Street<br>Sydney NSW 2000 |
| Solicitors | Harrington Legal<br>Level 3<br>Harrington United Building<br>12 Collins Street<br>Melbourne VIC 3000 |
| Bankers | Federation Bank<br>Level 4<br>Federation Square<br>65 Market Street<br>Sydney NSW 2000 |
| Stock exchange listing | FRS Listed Comprehensive Limited shares are listed on the Australian Securities Exchange (ASX code: FRS) |
| Website | www.frs.com |
| Corporate Governance Statement | www.frs.com/cgs |

**FRS Listed Comprehensive Limited**
**Operating and Financial Review**
**30 June 2023**

The purpose of the Operating and Financial Review ('OFR') is to enhance periodic financial reporting and provide shareholders with additional information regarding the consolidated entity's operations, financial position, business strategies and prospects. The OFR complements the financial statements and allows shareholders to find relevant information on the consolidated entity in a single location, rather than having to piece together information from various past continuous disclosure announcements that shareholders may not have necessarily read.

**Our business**
The consolidated entity is a leading manufacturer and supplier of computer equipment, offering state of the art laptops, desktops, tablets and motion detection devices throughout Australia.

Across our business, we directly employ approximately 2,500 people and maintain over 35 retail outlets. Our manufacturing and central distribution function is based in Newcastle, Australia, and employs over 1,200 people. Our Summit computers are offered from our 35 Summitech branded retail outlets and four Summit Business Centres. Our customers are largely represented by individual consumers, small to medium sized businesses and government departments.

*Business acquisitions*
On [date] FRS Logistics Pty Limited, a subsidiary of FRS Listed Comprehensive Limited, acquired 100% of the ordinary shares of FRS CompCarrier Pty Limited (formerly known as CompCarrier Pty Limited). Refer to the company's ASX announcement on [date] and note [X] to the financial statements for further details. The computer distribution division was significantly enhanced by this acquisition. There were no other significant changes to our businesses during the year.

**Our business strategy**
The consolidated entity operates in a highly competitive market that is constantly innovating. Our business strategy relies upon the following key elements:
- Efficient manufacturing and distribution process so that time between order and delivery is minimal;
- Customer contact points: Retail outlets have served as our primary customer contact point, however the extension of our Business Centres has seen full business solutions being sought by our increasing small-to-medium enterprise ('SME') business base. Our increasing online presence provides for complete coverage across Australia;
- Innovative product: Our research and development teams continue to strive to produce better products through listening and analysing the needs of our growing customer base and identifying trends in international markets. Our consultants regularly provide feedback to our strategy team for new product ideas; and
- Key relationships: In order to remain fluid in our design capabilities, we rely greatly on the cooperation of our Chinese material suppliers with which we have long term supply contracts.

The continued implementation of strategies to ensure that the business is capable of supporting our growth objectives, whilst maintaining a focus on both innovation and profitability across our divisions will benefit shareholders through continued payment of dividends and share price growth.

**FRS Listed Comprehensive Limited**
**Operating and Financial Review**
**30 June 2023**

## Financial performance

| | 2023 $'000 | 2022 $'000 | Change % |
|---|---|---|---|
| **Sales revenue** | | | |
| Laptops | 376,696 | 344,285 | 9.4% |
| Desktops | 51,844 | 58,921 | (12.0)% |
| Components | 34,514 | 28,777 | 19.9% |
| **Total** | 463,054 | 431,983 | 7.2% |
| | | | |
| **Segment results** | | | |
| Computer manufacturing | 13,181 | 11,835 | 11.4% |
| Computer retailing | 91,348 | 79,356 | 15.1% |
| Computer distribution | 3,609 | 1,232 | 192.9% |
| Other | 124 | 2,027 | (93.9)% |
| Earnings before interest, tax, depreciation and amortisation ('EBITDA') | 108,262 | 94,450 | 14.6% |
| | | | |
| **Profit after income tax expense for the year** | 27,268 | 15,749 | 73.1% |
| | | | |
| Basic earnings per share (cents) | 18.47 | 11.01 | 67.8% |
| Dividends paid (cents) | 20.00 | 12.00 | 66.7% |
| | | | |
| Net cash from operating activities | 83,126 | 58,303 | 42.6% |
| | | | |
| Dividends paid | 29,383 | 17,616 | 66.8% |

All three of the consolidated entity's divisions improved their profit results. The computer manufacturing division further increased its profit following the re-engineering of its processes which has resulted in increased production and a reduction in product defects. The computer retailing division had a 7.2% increase in sales largely from customers acquiring product for home offices. The computer distribution division benefited greatly from the final integration of the acquired CompCarrier business, which saw its existing administrative function better utilised. Refer to the company's ASX announcement issued on [date] for further details.

Whilst less than 25% of sales are provided on credit, the consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay in an environment of rising interest rates and inflationary pressures. As a result, we have increased our allowance of expected credit losses as at 30 June 2023.

## Financial position

| | 2023 $'000 | 2022 $'000 | Change % |
|---|---|---|---|
| Cash and cash equivalents | 26,136 | 5,346 | 388.9% |
| Inventories | 38,692 | 42,071 | (8.0)% |
| Total current assets | 90,715 | 67,314 | 34.8% |
| Total non-current assets | 533,922 | 565,777 | (5.6)% |
| Total assets | 624,637 | 633,091 | (1.3)% |
| | | | |
| Total current liabilities | 72,201 | 59,315 | 21.7% |
| Total non-current liabilities | 338,705 | 358,847 | (5.6)% |
| Total liabilities | 410,906 | 418,162 | (1.7)% |
| | | | |
| Total equity | 213,731 | 214,929 | (0.6)% |

The financial position of the consolidated entity is strong with excellent liquidity and a large asset base, which is being fully utilised. With the predicted continued profitability of the consolidated entity, bank borrowings are expected to reduce significantly during the year ending 30 June 2024 from current cash on deposit and future earnings, without necessarily reducing dividend payments.

**Going concern [ONLY REQUIRED IF AN ISSUE]**
[Provide details of any doubt about the solvency of the entity, or any issues or uncertainties about the entity as a 'going concern']

**Business risks**
The following is a summary of material business risks that could adversely affect our financial performance and growth potential in future years and how we propose to mitigate such risks.

*Macroeconomic risks*
As the products sold by the consolidated entity are discretionary for many customers, the consolidated entity's financial performance can be impacted by current and future economic conditions which it cannot control, such as increases in interest rates and inflation. The consolidated entity stays abreast of these conditions, focuses on its internal debtor controls and diversifies its customer base to help manage these risks.

*Inventory management*
The computer industry is a fast moving industry, and the rate of technological change can be extremely fast. The main risk for the consolidated entity, and therefore the focus of management, is inventory management. During the financial year the inventory module of the management information system was updated to provide 'real time' information on stock turn and the identification of slow moving inventory. This allows management to make special offers to customers to clear the inventory before it becomes outdated.

*Competitive market and changes to market trends*
The consolidated entity operates in a highly competitive market. Innovation is constant and superior products that may be released to the market could result in pricing pressures upon our product and result in unfavourable product positioning within the market. We manage this risk through maintaining product development teams that are highly experienced and remain abreast of the latest technological advances and implications for our current and future products. We also continue to invest in our brand which continues to be well regarded within Australia.

*Production costs*
Unless we can successfully achieve lower production costs, we remain exposed to competitors with cheaper comparable product. Our strategy to establish an Indonesian production base is well established and will be implemented from next year. Lower labour costs overseas will assist us to manage production costs.

*Material supply costs and availability*
We are reliant upon a steady supply of raw material into Australia pursuant to long term supply contracts. During the financial year the consolidated entity was able to acquire sufficient quantities of semiconductor chips to meet its production levels. However, the chip crisis effecting supply imbalance is expected to continue throughout 2024 and there is a risk that we may not be able to source enough chips for our future production needs.

Without a corporate office in Asia, we are unable to take advantage of cheaper suppliers under shorter term contracts and must maintain expensive transport insurance in relation to risks associated with materials transport. To address these issues, we are currently establishing an office in Hong Kong and establishing relationships amongst key alternative suppliers.

*Privacy and data breach*
The consolidated entity handles personal and sensitive information. The consolidated entity is dedicated to keeping its workforce appropriately trained and updated with privacy and data breach training and initiatives. Throughout the financial year, the consolidated entity issued training to all staff in relation to privacy, cybersecurity and data breaches.

*Work, health and safety ('WHS')*
The consolidated entity has a zero-risk tolerance for serious safety incidents. During the financial year, the consolidated entity continued to improve its WHS practices by using the existing safety culture across the business to continue to develop and train its workforce on WHS matters.

*Reliance on key personnel*
The consolidated entity engaged in activities during the financial year to develop the skills and experience of potential successors as part of its succession planning initiatives.

*Regulatory compliance*
The consolidated entity is subject to a number of Australian laws and regulations such as consumer protection laws, importation laws, privacy laws and those relating to workplace health and safety. The consolidated entity maintains sufficient internal controls to ensure continued compliance.

*Cybersecurity and Information technology ('IT') infrastructure*
During the year, the consolidated entity conducted a review of its cybersecurity resilience and is in the process of working with an external consultant to implement its improved cybersecurity and IT infrastructure plan. The consolidated entity constantly monitors for alerts issued by the Australian Cyber Security Centre.

**Prospects for future financial years**

*Change to product mix*
There has been a squeeze on profit margins of desktop and laptop computers and a strong demand for tablets and motion detection devices. Management plans to increase production of its high margin tablets and ramp up the research and development of its motion detection devices, particularly the body motion device. Also on the horizon are the virtual keyboard and the eye-retina mouse, both of which can be deployed in a number of industries and for individuals with physical disability and special needs. As the economic environment continues to improve and with the new higher margin products being sold, management are confident that the prospects for the consolidated entity will continue to improve in the foreseeable future.

*More efficient manufacturing to increase profits*
In order to continue our cost management focus, we continue to look for opportunities for more efficient manufacturing processes. As mentioned in the company's market update provided to the ASX on [date], we have begun to search for a suitable manufacturing location in Indonesia for the production of components and we envisage that we will have begun overseas production by [date]. Online sales are now directly processed by the manufacturing division in order to retain stock within retail outlets. This will result in a saving in distribution costs and increased profitability.

*Expansion and leverage off distribution networks*
During the financial year, the acquisition of FRS CompCarrier Pty Limited significantly increased the size of the distribution division. With a significant order book at the time of acquisition, sales to external customers from this division are expected to materially increase in the next financial year. Due to contractual confidentiality in relation to this acquisition, further details in relation to future business cannot be provided. Continued integration of this business into the existing structures and servicing of existing customers of that business will be profitable for the distribution division going forward. Our quick-delivery strategy has led to the creation of a secondary distribution centre in Perth to channel product into Western Australia.

*Expand customer base*
Our strategy to expand our business customer base has led to four Business Centres now being open to provide full-range IT solutions to the SME business and government market segments. Greater sales leverage is achievable with business customers as multiple units and products are packaged. As individual consumer purchases increasingly move to online, we have redirected labour resources from retail stores to business centres.

*Online presence*
Our online strategy has expanded our customer base and raised product awareness around the world. Sales can be generated without significant overhead and this is therefore a more attractive customer contact point when compared to costs association with retail store expansion. We will be looking to increase the range of products available online once we can secure adequate levels of supply.

**Statements made by the auditor regarding going concern [ONLY REQUIRED IF AUDIT QUALIFICATION OR EMPHASIS OF MATTER]**
The directors have prepared the financial statements on the basis that the consolidated entity is a going concern. The auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but has drawn attention to a material uncertainty that they consider to exist in an 'emphasis of matter' paragraph contained within their auditor's report. This matter relates to the availability of continued debt funding from the consolidated entity's banking partners with the current facilities expiring in November 2023. Further information on the current facility is contained in note [X] to the financial statements. Management have been in discussions with the current lenders and are pleased to advise that a new facility is expected to be signed in the new year with favourable conditions. Any further information as to the terms and conditions of the proposed facility is confidential to negotiations and cannot be disclosed at this point in time.

**FRS Listed Comprehensive Limited**
**Directors' report**
**30 June 2023**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of FRS Listed Comprehensive Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

## Directors
The following persons were directors of FRS Listed Comprehensive Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Anthony Example
Brad Example
Christina Example
Daniel Example
Elizabeth Example (resigned on 20 August 2023)

## 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 | |
|---|---|---|
| | **2023 $'000** | **2022 $'000** |
| Final dividend for the year ended 30 June 2022 (2022: 30 June 2021) of 15 cents (2022: 8 cents) per ordinary share | 22,037 | 11,744 |
| Interim dividend for the year ended 30 June 2023 (2022: 30 June 2022) of 5 cents (2022: 4 cents) per ordinary share | 7,346 | 5,872 |
| | 29,383 | 17,616 |

On [date] the directors declared a final dividend for the year ended 30 June 2023 of 17 cents per ordinary share to be paid on [date], a total estimated distribution of $24,975,000 based on the number of ordinary shares on issue as at [date]. As the dividend was fully franked, there are no income tax consequences for the owners of FRS Listed Comprehensive Limited relating to this dividend.

## Review of operations
The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $27,126,000 (30 June 2022: $15,520,000).

Refer to the 'Operating and Financial Review' for further information.

## Significant changes in the state of affairs
On [date] FRS Logistics Pty Limited, a subsidiary of FRS Listed Comprehensive 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.

On [date] the consolidated entity sold FRS Retailing International Limited (incorporated in New Zealand), a subsidiary of FRS Listed Comprehensive Limited, for consideration of $270,000 resulting in a loss on disposal before income tax of $637,000. Whilst FRS Retailing International Limited was sufficiently profitable up to the date of sale, future losses were projected due to new retail regulations being introduced into New Zealand. Also, its geographical isolation meant that it was difficult to incorporate into the consolidated entity's long term strategy and the directors decided to dispose of it.

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**
On [date] FRS Manufacturing Pty Limited, a subsidiary of FRS Listed Comprehensive Limited, acquired 100% of the ordinary shares of FRS Components Pty Limited (formerly known as Wilkie Edward Pty Limited) for the total consideration transferred of $3,780,000. This is a computer component manufacturing business and operates in the computer manufacturing division of the consolidated entity. It was acquired to shorten the time between component order and delivery.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2023 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**
There has been a squeeze on the margins of desktop and laptop computers and a strong demand for tablets and motion detection devices. Management plans to increase production of its high margin tablets and ramp up the research and development of its motion detection devices, particularly the body motion device. Also on the horizon are the virtual keyboard and the eye-retina mouse, both of which can be deployed in a number of industries and for individuals with motion difficulties in their hands.

With the manufacturing facilities forecast to be at maximum capacity within the next 6 months, management are actively looking for new premises to house additional machines to increase capacity.

As the economic environment continues to improve and the new higher margin products being sold, management are confident that the prospects of the consolidated entity will continue to improve in the foreseeable future.

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

**Information on directors**

| | |
|---|---|
| Name: | Anthony Example |
| Title: | Non-Executive Chairman |
| Qualifications: | BSc, MBA |
| Experience and expertise: | Anthony has over 40 years of experience in the computer industry, being a pioneer of the personal computer ('PC') age in Australia. He is the former Managing Director of Computer Technologies Limited, having retired from that position at the age of 55. Anthony joined the Board of FRS Listed Comprehensive Limited in July 2021 and was elected Chairman in October 2021. |
| Other current directorships: | Non-Executive Director of Computer DisAbility Limited (since January 2004) |
| Former directorships (last 3 years): | Executive Director of Computer Technologies Limited (from July 1997 to July 2021) |
| Special responsibilities: | Chairman of the Nomination and Remuneration Committee |
| Interests in shares: | None |
| Interests in options: | None |
| Contractual rights to shares: | None |

| | |
|---|---|
| Name: | Brad Example |
| Title: | Managing Director and Chief Executive Officer |
| Qualifications: | BSc, BA, MBA |
| Experience and expertise: | Brad has over 30 years of experience in the computer industry and developed the OzStar computer language. Brad joined the consolidated entity in 1996 and was promoted to Managing Director in July 1999. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Member of the Nomination and Remuneration Committee |
| Interests in shares: | 5,886,200 ordinary shares |
| Interests in options: | None |
| Contractual rights to shares: | None |

| | |
|---|---|
| Name: | Christina Example |
| Title: | Finance Director |
| Qualifications: | B.Com, MBA, CA (Australia), FCA (England and Wales) |
| Experience and expertise: | Christina has 24 years of experience in finance, including expertise in management reporting, financial reporting and financial forecasting. Christina joined the consolidated entity in 2016 as the Finance Director. |
| Other current directorships: | Non-Executive Director of Early Childhood Education Limited (since March 2018) |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Member of the Nomination and Remuneration Committee and the Audit and Risk Committee |
| Interests in shares: | 73,569 ordinary shares |
| Interests in options: | None |
| Contractual rights to shares: | None |

| | |
|---|---|
| Name: | Daniel Example |
| Title: | Non-Executive Director |
| Qualifications: | BA |
| Experience and expertise: | Daniel has held various directorships over the past 40 years and has a broad range of skills that aide in the long-term strategic planning of the consolidated entity. Daniel was FRS Listed Comprehensive Limited's founder in 1989 and was the Managing Director up to July 1999. He became a Non-Executive Director from July 2013. |
| Other current directorships: | Non-Executive Director of Computer DisAbility Limited (since April 2007) and Secure Payment Processes Limited (since December 2008) |
| Former directorships (last 3 years): | Non-Executive Director of Computer Importers of Australia Limited (from February 2002 to March 2021) |
| Special responsibilities: | Member of the Nomination and Remuneration Committee and Chairman of the Audit and Risk Committee |
| Interests in shares: | 20,500,000 ordinary shares |
| Interests in options: | None |
| Contractual rights to shares: | None |

| | |
|---|---|
| Name: | Elizabeth Example (resigned on 20 August 2023) |
| Title: | Former Non-Executive Director |
| Qualifications: | BSc |
| Experience and expertise: | Elizabeth has held various directorships over the past 20 years in the logistics industry and joined the consolidated entity as a Non-Executive Director in October 2011 to aide in the integration of the computer distribution division. |
| Other current directorships: | Non-Executive Director of LogiComp Limited (since July 2001) and Ontrack Distribution Limited (since December 2004) |
| Former directorships (last 3 years): | Non-Executive Director of Dahl Systems Limited (from March 2003 to September 2021) |
| Special responsibilities: | Former Member of the Nomination and Remuneration Committee and the Audit and Risk Committee |
| Interests in shares: | Not applicable as no longer a director |
| Interests in options: | Not applicable as no longer a director |
| Contractual rights to shares: | Not applicable as no longer a director |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company secretary**
Fabian Example (BA, LLB) has held the role of Company Secretary since November 1997. He was previously the Company Secretary of Northwestern Bank of NSW Limited for 14 years. Fabian is a member of the Governance Institute of Australia ('GIA').

**Meetings of directors**
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

| | Full board | | Nomination and Remuneration Committee | | Audit and Risk Committee | |
|---|---|---|---|---|---|---|
| | Attended | Held | Attended | Held | Attended | Held |
| Anthony Example | 12 | 12 | 2 | 2 | - | - |
| Brad Example | 12 | 12 | 1 | 2 | - | - |
| Christina Example | 10 | 12 | 2 | 2 | 2 | 2 |
| Daniel Example | 12 | 12 | 2 | 2 | 2 | 2 |
| Elizabeth Example | 8 | 12 | 2 | 2 | 2 | 2 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

**Remuneration report (audited)**
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

*Non-executive directors remuneration*
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on [date], where the shareholders approved a maximum annual aggregate remuneration of $300,000.

*Executive remuneration*
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2023.

*Consolidated entity performance and link to remuneration*
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

*Use of remuneration consultants*
During the financial year ended 30 June 2023, the consolidated entity, through the Nomination and Remuneration Committee, engaged Fuji and Co, remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs. This has resulted in share-based payments remuneration in the form of options (LTI) being implemented. Fuji and Co was paid $28,200 for these services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include requiring that the consultant not communicate with affected key management personnel without a member of the Nomination and Remuneration Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

*Voting and comments made at the company's 2022 Annual General Meeting ('AGM')*
At the 2022 AGM, 91% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***

*Amounts of remuneration*
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of FRS Listed Comprehensive Limited:
- Anthony Example - Non-Executive Chairman
- Daniel Example - Non-Executive Director
- Elizabeth Example - Non-Executive Director
- Brad Example - Managing Director and Chief Executive Officer
- Christina Example - Finance Director

And the following persons:
- Fabian Example - Company Secretary and Legal Counsel
- Grace Example - General Manager - Computer Manufacturing
- Henry Example - General Manager - Computer Retailing
- Isabel Example - General Manager - Computer Distribution
- Jack Example - General Manager - Asset Deployment (resigned on 8 January 2023)
- Kylie Example - General Manager - Asset Deployment (appointed on 17 January 2023)

Changes since the end of the reporting period:
Elizabeth Example resigned as a Non-Executive Director on 20 August 2023.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|
| **2023** | Cash salary and fees $ | Cash bonus $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity-settled shares $ | Equity-settled options $ | Total $ |
| *Non-Executive Directors:* | | | | | | | | |
| Anthony Example (Chairman) | 75,000 | - | - | - | - | - | - | 75,000 |
| Daniel Example | 40,000 | - | - | - | - | - | - | 40,000 |
| Elizabeth Example | 40,000 | - | - | - | - | - | - | 40,000 |
| *Executive Directors:* | | | | | | | | |
| Brad Example | 326,154 | 150,000 | 12,630 | 19,308 | 9,083 | 100,000 | - | 617,175 |
| Christina Example | 195,846 | 45,000 | 1,250 | 19,308 | 4,334 | 85,000 | - | 350,738 |
| *Other Key Management Personnel:* | | | | | | | | |
| Fabian Example | 161,846 | 12,000 | 1,250 | 16,515 | 3,667 | 35,000 | - | 230,278 |
| Grace Example | 117,212 | 10,000 | 1,250 | 12,085 | 2,417 | - | 1,023 | 143,987 |
| Henry Example | 126,442 | 10,000 | 8,460 | 12,962 | 3,083 | - | 1,937 | 162,884 |
| Isabel Example | 112,962 | 10,000 | 1,250 | 11,681 | 2,333 | - | - | 138,226 |
| Jack Example * | 78,079 | 13,000 | 650 | 8,653 | (14,858) | 30,000 | - | 115,524 |
| Kylie Example ** | 66,923 | - | 577 | 6,358 | - | - | - | 73,858 |
| | 1,340,464 | 250,000 | 27,317 | 106,870 | 10,059 | 250,000 | 2,960 | 1,987,670 |

* Represents remuneration from 1 July 2022 to 8 January 2023
** Represents remuneration from 17 January 2023 to 30 June 2023

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|
| **2022** | Cash salary and fees $ | Cash bonus $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity-settled shares $ | Equity-settled options $ | Total $ |
| *Non-Executive Directors:* | | | | | | | | |
| Anthony Example (Chairman) | 70,000 | - | - | - | - | - | - | 70,000 |
| Daniel Example | 37,500 | - | - | - | - | - | - | 37,500 |
| Elizabeth Example | 37,500 | - | - | - | - | - | - | 37,500 |
| *Executive Directors:* | | | | | | | | |
| Brad Example | 301,808 | 130,000 | 12,280 | 18,783 | 8,250 | - | - | 471,121 |
| Christina Example | 184,846 | 45,000 | 1,250 | 18,783 | 4,150 | - | - | 254,029 |
| *Other Key Management Personnel:* | | | | | | | | |
| Fabian Example | 153,462 | 7,500 | 1,250 | 15,291 | 2,917 | - | - | 180,420 |
| Grace Example | 111,692 | - | 1,250 | 10,611 | 2,416 | - | 1,431 | 127,400 |
| Henry Example | 117,654 | - | 8,170 | 11,177 | 2,417 | - | - | 139,418 |
| Isabel Example | 106,615 | 10,000 | 1,250 | 11,078 | 1,917 | - | - | 130,860 |
| Jack Example | 132,123 | 26,000 | 1,250 | 15,022 | 3,125 | - | - | 177,520 |
| | 1,253,200 | 218,500 | 26,700 | 100,745 | 25,192 | - | 1,431 | 1,625,768 |

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| Name | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| *Non-Executive Directors:* | | | | | | |
| Anthony Example | 100% | 100% | - | - | - | - |
| Daniel Example | 100% | 100% | - | - | - | - |
| Elizabeth Example | 100% | 100% | - | - | - | - |
| *Executive Directors:* | | | | | | |
| Brad Example | 60% | 72% | 24% | 28% | 16% | - |
| Christina Example | 63% | 82% | 13% | 18% | 24% | - |
| *Other Key Management Personnel:* | | | | | | |
| Fabian Example | 80% | 96% | 5% | 4% | 15% | - |
| Grace Example | 92% | 100% | 7% | - | 1% | - |
| Henry Example | 93% | 100% | 6% | - | 1% | - |
| Isabel Example | 93% | 92% | 7% | 8% | - | - |
| Jack Example | 63% | 85% | 11% | 15% | 26% | - |
| Kylie Example | 100% | - | - | - | - | - |

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

| Name | Cash bonus paid/payable 2023 | Cash bonus paid/payable 2022 | Cash bonus forfeited 2023 | Cash bonus forfeited 2022 |
|---|---|---|---|---|
| *Executive Directors:* | | | | |
| Brad Example | 94% | 88% | 6% | 12% |
| Christina Example | 79% | 83% | 21% | 17% |
| *Other Key Management Personnel:* | | | | |
| Fabian Example | 38% | 25% | 62% | 75% |
| Grace Example | 43% | - | 57% | 100% |
| Henry Example | 40% | - | 60% | 100% |
| Isabel Example | 45% | 48% | 55% | 52% |
| Jack Example | 46% | 100% | 54% | - |

***Service agreements***

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|---|---|
| Name: | Brad Example |
| Title: | Managing Director and Chief Executive Officer |
| Agreement commenced: | [date] |
| Term of agreement: | 5 years |
| Details: | Base salary for the year ending 30 June 2024 of $350,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 6 month termination notice by either party, cash bonus of 5-50% as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | Christina Example |
| Title: | Finance Director |
| Agreement commenced: | [date] |
| Term of agreement: | 4 years |
| Details: | Base salary for the year ending 30 June 2024 of $205,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party, cash bonus of 5-30% as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | Fabian Example |
| Title: | Company Secretary and Legal Counsel |
| Agreement commenced: | [date] |
| Term of agreement: | 2 years |
| Details: | Base salary for the year ending 30 June 2024 of $165,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party, cash bonus of 5-20% as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | Grace Example |
| Title: | General Manager - Computer Manufacturing |
| Agreement commenced: | [date] |
| Term of agreement: | 2 years |
| Details: | Base salary for the year ending 30 June 2024 of $120,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party, cash bonus of 5-20% as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | Henry Example |
| Title: | General Manager - Computer Retailing |
| Agreement commenced: | [date] |
| Term of agreement: | 2 years |
| Details: | Base salary for the year ending 30 June 2024 of $130,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party, cash bonus of 5-20% as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | Isabel Example |
| Title: | General Manager - Computer Distribution |
| Agreement commenced: | [date] |
| Term of agreement: | 2 years |
| Details: | Base salary for the year ending 30 June 2024 of $115,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party, cash bonus of 5-20% as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | Kylie Example |
| Title: | General Manager - Asset Deployment |
| Agreement commenced: | [date] |
| Term of agreement: | 3 years |
| Details: | Base salary for the year ending 30 June 2024 of $145,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party, cash bonus of 5-20% as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

***Share-based compensation***

*Issue of shares*
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

| Name | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Brad Example | [date] | 40,000 | $2.50 | 100,000 |
| Christina Example | [date] | 34,000 | $2.50 | 85,000 |
| Fabian Example | [date] | 14,000 | $2.50 | 35,000 |
| Jack Example | [date] | 12,000 | $2.50 | 30,000 |

*Options*
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Number of options granted | Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|---|---|---|---|---|---|---|
| Grace Example | 10,000 | [date] | [date] | [date] | $3.00 | $0.489 |
| Henry Example | 7,500 | [date] | [date] | [date] | $3.00 | $0.489 |

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

| Name | Value of options granted during the year $ | Value of options exercised during the year $ | Value of options lapsed during the year $ | Remuneration consisting of options for the year % |
|---|---|---|---|---|
| Grace Example | 4,890 | 1,027 | - | 1% |
| Henry Example | 3,668 | - | - | 2% |

***Additional information***
The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

| | 2023 $'000 | 2022 $'000 | 2021 $'000 | 2020 $'000 | 2019 $'000 |
|---|---|---|---|---|---|
| Sales revenue | 463,054 | 431,983 | 419,871 | 407,354 | 401,547 |
| EBITDA | 108,262 | 94,450 | 81,208 | 79,315 | 77,862 |
| EBIT | 55,986 | 42,039 | 29,874 | 26,573 | 24,142 |
| Profit after income tax | 27,268 | 15,749 | 10,417 | 8,496 | 6,740 |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Share price at financial year end ($) | 2.85 | 2.47 | 2.21 | 1.89 | 1.71 |
| Total dividends declared (cents per share) | 20.00 | 12.00 | 10.50 | 9.00 | 8.00 |
| Basic earnings per share (cents per share) | 18.47 | 11.01 | 10.37 | 9.29 | 8.18 |

***Additional disclosures relating to key management personnel***

*Shareholding*
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Daniel Example | 15,000,000 | - | 5,500,000 | - | 20,500,000 |
| Elizabeth Example | 2,550,000 | - | - | - | 2,550,000 |
| Brad Example | 4,246,200 | 40,000 | 1,600,000 | - | 5,886,200 |
| Christina Example | 39,569 | 34,000 | - | - | 73,569 |
| Fabian Example | 6,493 | 14,000 | - | - | 20,493 |
| Grace Example | 2,000 | - | 10,000 | - | 12,000 |
| Henry Example | 33,089 | - | 7,491 | - | 40,580 |
| Isabel Example | 10,060 | - | - | (5,000) | 5,060 |
| Jack Example * | - | 12,000 | - | (12,000) | - |
| | 21,887,411 | 100,000 | 7,117,491 | (17,000) | 29,087,902 |

* Disposals/other represents disposals of 7,000 shares during the period and 5,000 shares held at resignation date

*Option holding*
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Options over ordinary shares* | | | | | |
| Grace Example | 10,000 | 10,000 | (10,000) | - | 10,000 |
| Henry Example | - | 7,500 | - | - | 7,500 |
| | 10,000 | 17,500 | (10,000) | - | 17,500 |

*Other transactions with key management personnel and their related parties*
During the financial year, payments for marketing services from BE Promotions Pty Limited (director-related entity of Brad Example) of $81,238 were made. The current trade payable balance as at 30 June 2023 was $7,108. All transactions were made on normal commercial terms and conditions and at market rates.

***This concludes the remuneration report, which has been audited.***

**Shares under option**
Unissued ordinary shares of FRS Listed Comprehensive Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| [date] | [date] | $3.00 | 17,500 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of options**
The following ordinary shares of FRS Listed Comprehensive Limited were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted:

| Date options granted | Exercise price | Number of shares issued |
|---|---|---|
| [date] | $2.50 | 10,000 |

**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.

**Non-audit services**
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 52 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 52 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of Accounting Firm 123**
There are no officers of the company who are former partners of Accounting Firm 123.

**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.

**Auditor**
Accounting Firm 123 continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

____________________________
Daniel Example
Director

24 August 2023
Sydney

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

The following is a summary of our approach towards environmental, social and governance (ESG) issues across the consolidated entity.

## Environmental

*Environmental matters*
The consolidated entity is subject to significant environmental regulation in respect of its manufacturing activities. The relevant authorities are kept updated and, to the best of the directors' knowledge and belief, all responsibilities under the regulations have been discharged and there have been no breaches of any environmental regulation.

Environmental matters are considered in our FRS Planet plan, including:
- Our policies are designed to ensure employees comply with the relevant environmental legislation
- What natural resources are used in the consolidated entity's products, where they originate from, how they are sourced, if there is a synthetic alternative and the recyclable elements
- The waste management and pollution caused in the entire life cycle of our products
- The consolidated entity has science based targets for each region in which it operates, including the aim of halving emissions by 2030 (Scope 1) and achieving net zero by 2040 (Scope 2)
- Switch to renewable energy sources of electricity by 2027
- Energy efficiency targets are implemented at a local level
- How the consolidated entity and its suppliers will reduce the overall carbon footprint

During the financial year, the consolidated entity stopped using XYB Conductors, as their products contain heavy metals that have been found to contaminate soil when improperly disposed of.

*Greenhouse gas emissions*
The carbon dioxide emissions by the consolidated entity during the year ended 30 June 2023 were as follows:

| | **Consolidated** | |
|---|---|---|
| | **2023** | **2022** |
| Fuel combustion | 5,897 | 6,237 |
| Facility operation | 1,672 | 1,433 |
| Purchased electricity | 7,645 | 7,816 |
| Scope 1 - Tonnes of carbon dioxide emitted | 15,214 | 15,486 |
| Scope 2 - Tonnes of carbon dioxide emitted | 76,153 | 78,819 |
| Scope 3 - Tonnes of carbon dioxide emitted | 104,367 | 108,542 |

The future carbon dioxide emissions targets for the consolidated entity are as follows:

| | 2023 | 2024 | 2025 | 2030 | 2040 |
|---|---|---|---|---|---|
| Scope 1 - Tonnes of carbon dioxide emitted | 14,500 | 13,400 | 12,100 | 7,600 | 1,900 |
| Scope 2 - Tonnes of carbon dioxide emitted | 72,000 | 67,000 | 60,000 | 38,000 | 9,500 |
| Scope 3 - Tonnes of carbon dioxide emitted | 99,000 | 92,000 | 83,000 | 52,000 | 13,000 |

The greenhouse gas emissions are categorised as follows:
- Scope 1: Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity
- Scope 2: Indirect greenhouse gas emissions that occur from the generation of purchased electricity, heat or steam consumed by an entity
- Scope 3: Indirect emissions outside of Scope 2 emissions that occur in the value chain of an entity, including both upstream and downstream emissions

*Waste and water*
The waste produced and water consumed by the consolidated entity during the year ended 30 June 2023 was as follows:

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| Landfill | 988 | 1,167 |
| Recycled | 894 | 835 |
| Secure paper recycled | 797 | 896 |
| Tonnes of waste produced | 2,679 | 2,898 |
| Kilolitres of water used | 188,677 | 216,102 |

## Social

*Social matters*
Social matters cover a vast range of potential issues including responsible business policies. Our policies set out our commitment to high social standards and the requirements for our supply chain.

The following policies are in place:
- Code of Conduct
- Corporate social responsibility
- Data protection and data privacy
- Information security
- Competition and anti-trust
- Conflicts of interest
- Privacy
- Disaster recovery and business continuity
- Tax strategy

The consolidated entity recognises that a social contribution is an important part of its role in society and it actively balances the needs of shareholders, employees, customers and communities in which it operates. The consolidated entity diverts free products and resources to communities via the 'Computers for the Community Charity' program, where hundreds of new computers are provided free-of-charge every year to community groups. There is always greater demand than supply, but the consolidated entity strives to lessen this gap over time.

The consolidated entity fosters business relationships with its customers by acting on feedback from its customer focus groups (such as the increased expiry of gift cards), reducing the delivery timeframes (which is why FRS CompCarrier Pty Limited was acquired) and offering advanced technology that customers desire (such as the play cube).

The consolidated entity fosters business relationships with its suppliers by working together to develop new products (research and development on motion detection devices continues), ensuring the relationship is mutually beneficial and paying invoices as quickly as possible (further reduced to within 30 days).

*Employees*
The consolidated entity aims to ensure that it has a safe operating environment with an inclusive and diverse culture and the best talent and skills for our future success.

The following policies are in place:
- Code of Conduct
- Recruitment and retention
- Inclusion and diversity
- Parents returning to work
- Education and training
- Health and safety
- Whistleblowing

The ratio of the highest paid employee in relation to all employees is set out below:

| Year | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|---|---|---|---|
| 30 June 2023 | 11:1 | 5:1 | 4:1 |
| 30 June 2022 | 14:1 | 7:1 | 5:1 |

The proportion of females in the consolidated entity is as follows:

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **%** | **%** |
| Directors | 40.0% | 40.0% |
| Senior management | 37.9% | 34.5% |
| Employees | 59.1% | 58.7% |

The age diversity in the consolidated entity is as follows:

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **%** | **%** |
| Under 25 years | 7.1% | 6.9% |
| 25-34 years | 32.3% | 30.7% |
| 35-44 years | 32.5% | 32.4% |
| 45-54 years | 18.6% | 19.9% |
| 55-64 years | 8.1% | 8.9% |
| Over 65 years | 1.4% | 1.2% |

The other diversity dimensions in the consolidated entity are as follows:

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **%** | **%** |
| Indigenous workforce (ancestry) | 1.3% | 1.2% |
| Employees who identify as having a disability | 7.1% | 6.5% |
| Employees who identify as LGBTIQ+ | 4.8% | 4.9% |
| Employees who identify as non-binary | 0.5% | 0.4% |

The consolidated entity gives full consideration to employment applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the consolidated entity's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

The consolidated entity operates a framework for employee information and consultation. During the year, the policy of providing employees with information about the consolidated entity has been continued through the newsletter 'FRS News' in which employees have also been encouraged to present their suggestions and views on the consolidated entity's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the consolidated entity's profit sharing schemes and are encouraged to invest in the consolidated entity through participation in share option schemes.

*Human rights*
The consolidated entity is committed to operating in accordance with the International Bill of Human Rights and embraces, supports and respects the human rights of everyone it works with and complies with the appropriate human rights legislation in the countries in which it operates.

The following policies are in place:
- Human rights
- Modern slavery and human trafficking
- Discrimination and harassment

During the financial year, the consolidated entity stopped sourcing computer components from a Bodiland supplier who had breached the modern slavery and human trafficking policy.

## Governance

*Governance processes, controls and procedures*
The consolidated entity recognises that good governance is essential to delivering on our strategic and environmental goals. There are various processes, controls and procedures in place to ensure good governance, underpinned by the Code of Conduct and policies in place. These ensure that our employees understand the expectations on our business to meet employment standards, maintain a safe and healthy workplace, respect human rights and protect customers.

*Anti-bribery and corruption*
It is important that the consolidated entity operates to high ethical standards and complies with all applicable laws. Employees and supply chain partners are made aware of the consolidated entity's strategy and how their behaviours affect delivery.

The following policies are in place:
- Anti-bribery and corruption
- Anti-money laundering

## General information

The financial statements cover FRS Listed Comprehensive Limited as a consolidated entity consisting of FRS Listed Comprehensive 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 Listed Comprehensive Limited's functional and presentation currency.

FRS Listed Comprehensive Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

**Registered office**

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

**Principal place of business**

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 August 2023. The directors have the power to amend and reissue the financial statements.

**FRS Listed Comprehensive Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2023**

| | Note | Consolidated 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Revenue from continuing operations** | 5 | 442,127 | 411,854 |
| | | | |
| Share of profits of associates accounted for using the equity method | 6 | 3,211 | 2,661 |
| Other income | 7 | 692 | 1,692 |
| Interest revenue calculated using the effective interest method | | 1,057 | 531 |
| Net gain on derecognition of financial assets at amortised cost | | 50 | - |
| | | | |
| **Expenses** | | | |
| Changes in inventories | | (3,379) | (706) |
| Raw materials and consumables used | | (115,660) | (109,917) |
| Employee benefits expense | | (217,234) | (210,693) |
| Depreciation and amortisation expense | 8 | (51,963) | (52,060) |
| Impairment of goodwill | 8 | (500) | - |
| Impairment of receivables | | (491) | (432) |
| Net fair value loss on investment properties | 8 | (600) | - |
| Other expenses | | (2,136) | (2,225) |
| Finance costs | 8 | (18,930) | (21,092) |
| | | | |
| **Profit before income tax expense from continuing operations** | | 36,244 | 19,613 |
| | | | |
| Income tax expense | 9 | (10,114) | (5,178) |
| | | | |
| Profit after income tax expense from continuing operations | | 26,130 | 14,435 |
| | | | |
| Profit after income tax expense from discontinued operations | 10 | 1,138 | 1,314 |
| | | | |
| **Profit after income tax expense for the year** | | 27,268 | 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 |
| Actuarial gain on defined benefit plans, net of tax | | 105 | 50 |
| 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) |
| Derecognition of foreign currency reserve | | 769 | - |
| | | | |
| Other comprehensive income for the year, net of tax | | 642 | 1,205 |
| | | | |
| **Total comprehensive income for the year** | | 27,910 | 16,954 |
| | | | |
| Profit for the year is attributable to: | | | |
| Non-controlling interest | | 142 | 229 |
| Owners of FRS Listed Comprehensive Limited | 46 | 27,126 | 15,520 |
| | | | |
| | | 27,268 | 15,749 |

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

**FRS Listed Comprehensive Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2023**

| | Note | Consolidated 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Total comprehensive income for the year is attributable to: | | | |
| Continuing operations | | 142 | 369 |
| Discontinued operations | | - | - |
| Non-controlling interest | | 142 | 369 |
| | | | |
| Continuing operations | | 26,630 | 15,271 |
| Discontinued operations | | 1,138 | 1,314 |
| Owners of FRS Listed Comprehensive Limited | | 27,768 | 16,585 |
| | | | |
| | | 27,910 | 16,954 |
| | | **Cents** | **Cents** |
| **Earnings per share for profit from continuing operations attributable to the owners of FRS Listed Comprehensive Limited** | | | |
| Basic earnings per share | 66 | 17.69 | 10.08 |
| Diluted earnings per share | 66 | 17.64 | 10.09 |
| **Earnings per share for profit from discontinued operations attributable to the owners of FRS Listed Comprehensive Limited** | | | |
| Basic earnings per share | 66 | 0.77 | 0.93 |
| Diluted earnings per share | 66 | 0.77 | 0.92 |
| **Earnings per share for profit attributable to the owners of FRS Listed Comprehensive Limited** | | | |
| Basic earnings per share | 66 | 18.47 | 11.01 |
| Diluted earnings per share | 66 | 18.41 | 11.02 |

Refer to note 3 for detailed information on Restatement of comparatives.

**FRS Listed Comprehensive Limited**
**Statement of financial position**
**As at 30 June 2023**

| | Note | 2023 $'000 | Consolidated 2022 $'000 | 1 Jul 2021 $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 11 | 26,136 | 5,346 | 4,734 |
| Trade and other receivables | 12 | 13,003 | 11,991 | 12,465 |
| Contract assets | 13 | 2,617 | 2,144 | 2,511 |
| Inventories | 14 | 38,692 | 42,071 | 43,830 |
| Financial assets at fair value through profit or loss | 15 | 360 | - | - |
| Other | 16 | 3,907 | 3,419 | 3,172 |
| | | 84,715 | 64,971 | 66,712 |
| Non-current assets classified as held for sale | 17 | 6,000 | - | - |
| Assets of disposal groups classified as held for sale | 18 | - | 2,343 | - |
| Total current assets | | 90,715 | 67,314 | 66,712 |
| **Non-current assets** | | | | |
| Receivables | 19 | 145 | 145 | 145 |
| Investments accounted for using the equity method | 20 | 34,192 | 30,981 | 28,320 |
| Financial assets at fair value through other comprehensive income | 21 | 170 | - | - |
| Investment properties | 22 | 46,900 | 47,500 | 46,000 |
| Property, plant and equipment | 23 | 116,698 | 128,129 | 143,028 |
| Right-of-use assets | 24 | 305,485 | 332,116 | 356,938 |
| Intangibles | 25 | 12,170 | 11,616 | 11,991 |
| Deferred tax | 26 | 15,900 | 12,931 | 9,612 |
| Other | 27 | 2,262 | 2,359 | 2,024 |
| Total non-current assets | | 533,922 | 565,777 | 598,058 |
| **Total assets** | | 624,637 | 633,091 | 664,770 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 28 | 18,876 | 15,836 | 17,763 |
| Contract liabilities | 29 | 2,269 | 2,135 | 1,974 |
| Borrowings | 30 | 4,500 | 3,273 | 3,644 |
| Lease liabilities | 31 | 22,072 | 20,905 | 20,410 |
| Derivative financial instruments | 32 | 122 | 107 | 69 |
| Income tax | 33 | 6,701 | 2,351 | 2,707 |
| Employee benefits | 34 | 8,084 | 7,877 | 8,001 |
| Provisions | 35 | 3,494 | 2,837 | 2,695 |
| Other | 36 | 2,083 | 1,831 | 3,564 |
| | | 68,201 | 57,152 | 60,827 |
| Liabilities directly associated with assets classified as held for sale | 37 | 4,000 | 2,163 | - |
| Total current liabilities | | 72,201 | 59,315 | 60,827 |
| **Non-current liabilities** | | | | |
| Borrowings | 38 | 18,978 | 18,967 | 111,428 |
| Lease liabilities | 39 | 301,714 | 322,745 | 338,567 |
| Deferred tax | 40 | 4,665 | 4,333 | 3,263 |
| Employee benefits | 41 | 10,818 | 10,528 | 10,713 |
| Provisions | 42 | 1,445 | 1,040 | 831 |
| Retirement benefit obligations | 43 | 1,085 | 1,234 | 1,306 |
| Total non-current liabilities | | 338,705 | 358,847 | 466,108 |
| **Total liabilities** | | 410,906 | 418,162 | 526,935 |

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

**FRS Listed Comprehensive Limited**
**Statement of financial position**
**As at 30 June 2023**

| | Note | 2023 $'000 | Consolidated 2022 $'000 | 1 Jul 2021 $'000 |
|---|---|---|---|---|
| **Net assets** | | 213,731 | 214,929 | 137,835 |
| **Equity** | | | | |
| Issued capital | 44 | 182,953 | 182,678 | 104,922 |
| Reserves | 45 | 4,045 | 3,508 | 2,493 |
| Retained profits | 46 | 9,370 | 11,522 | 13,568 |
| Equity attributable to the owners of FRS Listed Comprehensive Limited | | 196,368 | 197,708 | 120,983 |
| Non-controlling interest | 47 | 17,363 | 17,221 | 16,852 |
| **Total equity** | | 213,731 | 214,929 | 137,835 |

Refer to note 3 for detailed information on Restatement of comparatives.

**FRS Listed Comprehensive Limited**
**Statement of changes in equity**
**For the year ended 30 June 2023**

| Consolidated | Issued capital $'000 | Reserves $'000 | Retained profits $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2021 | 104,922 | 2,493 | 12,841 | 16,852 | 137,108 |
| Adjustment for correction of error (note 3) | - | - | 727 | - | 727 |
| Balance at 1 July 2021 - restated | 104,922 | 2,493 | 13,568 | 16,852 | 137,835 |
| Profit after income tax expense for the year | - | - | 15,520 | 229 | 15,749 |
| Other comprehensive income for the year, net of tax | - | 1,015 | 50 | 140 | 1,205 |
| Total comprehensive income for the year | - | 1,015 | 15,570 | 369 | 16,954 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs (note 44) | 77,756 | - | - | - | 77,756 |
| Dividends paid (note 48) | - | - | (17,616) | - | (17,616) |
| Balance at 30 June 2022 | 182,678 | 3,508 | 11,522 | 17,221 | 214,929 |

Refer to note 3 for detailed information on Restatement of comparatives.

| Consolidated | Issued capital $'000 | Reserves $'000 | Retained profits $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2022 | 182,678 | 3,508 | 11,522 | 17,221 | 214,929 |
| Profit after income tax expense for the year | - | - | 27,126 | 142 | 27,268 |
| Other comprehensive income for the year, net of tax | - | 537 | 105 | - | 642 |
| Total comprehensive income for the year | - | 537 | 27,231 | 142 | 27,910 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs (note 44) | 25 | - | - | - | 25 |
| Share-based payments (note 67) | 250 | - | - | - | 250 |
| Dividends paid (note 48) | - | - | (29,383) | - | (29,383) |
| Balance at 30 June 2023 | 182,953 | 4,045 | 9,370 | 17,363 | 213,731 |

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

**FRS Listed Comprehensive Limited**
**Statement of cash flows**
**For the year ended 30 June 2023**

| | Note | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 507,999 | 474,832 |
| Payments to suppliers and employees (inclusive of GST) | | (401,934) | (390,936) |
| | | 106,065 | 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 | 63 | 83,126 | 58,303 |
| **Cash flows from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | 58 | (8,072) | (155) |
| Payments for investments | | (510) | - |
| Payments for property, plant and equipment | | (6,215) | (3,048) |
| Proceeds from sale of subsidiary | | 41 | - |
| 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 | | (13,010) | (2,953) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 25 | 78,750 |
| Proceeds from borrowings | | 12,000 | - |
| Share issue transaction costs | | - | (1,420) |
| Dividends paid | 48 | (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 | | (48,243) | (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 | 11 | 26,136 | 4,251 |

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

## Note 1. Significant accounting policies

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

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

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

### Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*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 57.

### Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of FRS Listed Comprehensive Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. FRS Listed Comprehensive 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.

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.

## Note 1. Significant accounting policies (continued)

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.

### Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### Foreign currency translation
The financial statements are presented in Australian dollars, which is FRS Listed Comprehensive 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.

*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.

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

*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 Listed Comprehensive 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.

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.

## Note 1. Significant accounting policies (continued)

### Discontinued operations
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

### 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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

**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.

## Note 1. Significant accounting policies (continued)

### Employee benefits

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

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

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

*Retirement benefit obligations*
All employees of the consolidated entity are entitled to benefits from the consolidated entity's superannuation plan on retirement, disability or death. The consolidated entity has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from entities in the consolidated entity and the consolidated entity's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the statement of financial position, and is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised, in the period in which they occur, in other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time ('the vesting period'). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

*Share-based payments*
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

## Note 1. Significant accounting policies (continued)

### 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.

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.

### Earnings per share

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the owners of FRS Listed Comprehensive Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## Note 1. Significant accounting policies (continued)

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

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

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

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

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

### Rounding of amounts

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

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## 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.

*Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 67 for further information.

*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.

*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.

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

*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, historical collection rates and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 12, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

*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.

*Fair value measurement hierarchy*
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 50 for further information.

*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. Refer to note 25 for further information.

*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. Restatement of comparatives

*Correction of error*
An error was discovered in the consolidated entity's management information system ('MIS') whereby prices for raw materials in inventory were incorrect. This was caused by an internal error in the MIS software where GST was not correctly deducted in all cases from the cost, which first occurred in the year ended 30 June 2021. Therefore, some inventory items were overstated by as much as 10% of their actual cost on a 'first in first out' basis. This error resulted in the inventory asset being overstated, raw materials and consumables used expense being overstated, other payables liability (being GST) being overstated and provision for income tax liability being understated. Extracts (being only those line items affected) are disclosed below.

**FRS Listed Comprehensive Limited**
**Notes to the financial statements**
**30 June 2023**

## Note 3. Restatement of comparatives (continued)

*Statement of profit or loss and other comprehensive income*

| | Consolidated | | |
|---|---|---|---|
| **Extract** | **2022 $'000 Reported** | **$'000 Adjustment** | **2022 $'000 Restated** |
| **Expenses** | | | |
| Changes in inventories | (751) | 45 | (706) |
| Raw materials and consumables used | (111,554) | 1,637 | (109,917) |
| **Profit before income tax expense from continuing operations** | 17,931 | 1,682 | 19,613 |
| Income tax expense | (5,814) | 636 | (5,178) |
| Profit after income tax expense from continuing operations | 12,117 | 2,318 | 14,435 |
| Profit after income tax expense from discontinued operations | 1,314 | - | 1,314 |
| **Profit after income tax expense for the year** | 13,431 | 2,318 | 15,749 |
| Other comprehensive income for the year, net of tax | 1,205 | - | 1,205 |
| **Total comprehensive income for the year** | 14,636 | 2,318 | 16,954 |
| Profit for the year is attributable to: | | | |
| Non-controlling interest | 229 | - | 229 |
| Owners of FRS Listed Comprehensive Limited | 13,202 | 2,318 | 15,520 |
| | 13,431 | 2,318 | 15,749 |
| Total comprehensive income for the year is attributable to: | | | |
| Continuing operations | 369 | - | 369 |
| Discontinued operations | - | - | - |
| Non-controlling interest | 369 | - | 369 |
| Continuing operations | 12,953 | 2,318 | 15,271 |
| Discontinued operations | 1,314 | - | 1,314 |
| Owners of FRS Listed Comprehensive Limited | 14,267 | 2,318 | 16,585 |
| | 14,636 | 2,318 | 16,954 |

**Note 3. Restatement of comparatives (continued)**

| | Cents Reported | Cents Adjustment | Cents Restated |
|---|---|---|---|
| **Earnings per share for profit from continuing operations attributable to the owners of FRS Listed Comprehensive Limited** | | | |
| Basic earnings per share | 9.24 | 0.84 | 10.08 |
| Diluted earnings per share | 9.14 | 0.95 | 10.09 |
| **Earnings per share for profit from discontinued operations attributable to the owners of FRS Listed Comprehensive Limited** | | | |
| Basic earnings per share | 0.93 | - | 0.93 |
| Diluted earnings per share | 0.92 | - | 0.92 |
| **Earnings per share for profit attributable to the owners of FRS Listed Comprehensive Limited** | | | |
| Basic earnings per share | 10.17 | 0.84 | 11.01 |
| Diluted earnings per share | 10.07 | 0.95 | 11.02 |

*Statement of financial position at the beginning of the earliest comparative period*

| | | Consolidated | |
|---|---|---|---|
| **Extract** | **1 Jul 2021 $'000 Reported** | **$'000 Adjustment** | **1 Jul 2021 $'000 Restated** |
| **Assets** | | | |
| **Current assets** | | | |
| Inventories | 44,272 | (442) | 43,830 |
| Total current assets | 67,154 | (442) | 66,712 |
| **Total assets** | 665,212 | (442) | 664,770 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 19,244 | (1,481) | 17,763 |
| Income tax | 2,395 | 312 | 2,707 |
| Total current liabilities | 61,996 | (1,169) | 60,827 |
| **Total liabilities** | 528,104 | (1,169) | 526,935 |
| **Net assets** | 137,108 | 727 | 137,835 |
| **Equity** | | | |
| Retained profits | 12,841 | 727 | 13,568 |
| **Total equity** | 137,108 | 727 | 137,835 |

## Note 3. Restatement of comparatives (continued)

*Statement of financial position at the end of the earliest comparative period*

| | | Consolidated | |
|---|---|---|---|
| **Extract** | **2022 $'000 Reported** | **$'000 Adjustment** | **2022 $'000 Restated** |
| **Assets** | | | |
| **Current assets** | | | |
| Inventories | 42,558 | (487) | 42,071 |
| Total current assets | 67,801 | (487) | 67,314 |
| **Total assets** | 633,578 | (487) | 633,091 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 19,044 | (3,208) | 15,836 |
| Income tax | 1,534 | 817 | 2,351 |
| Total current liabilities | 61,706 | (2,391) | 59,315 |
| **Total liabilities** | 420,553 | (2,391) | 418,162 |
| **Net assets** | 213,025 | 1,904 | 214,929 |
| **Equity** | | | |
| Retained profits | 9,618 | 1,904 | 11,522 |
| **Total equity** | 213,025 | 1,904 | 214,929 |

## Note 4. Operating segments

*Identification of reportable operating segments*
The consolidated entity is organised into three operating segments based on differences in products and services provided: computer manufacturing, computer retailing and computer distribution. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Other segments represent the investment property holdings and rental income of the consolidated entity.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

*Types of products and services*
The principal products and services of each of these operating segments are as follows:

| | |
|---|---|
| Computer manufacturing | the manufacture and wholesaling of computers in Australia |
| Computer retailing | the retailing of computers predominately in Australia |
| Computer distribution | the freight and cartage of computers to customers in Australia |

*Intersegment transactions*
Intersegment transactions were made at market rates. The computer retailing operating segment purchases finished goods from the computer manufacturing operating segment and pays for freight costs to the computer distribution operating segment. Intersegment transactions are eliminated on consolidation.

## Note 4. Operating segments (continued)

*Intersegment receivables, payables and loans*
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

*Major customers*
During the year ended 30 June 2023, approximately $69,400,000 (2022: $77,800,000) of the consolidated entity's external revenue was derived from sales to a major Australian retailer through the computer retailing and computer distribution operating segments.

**Note 4. Operating segments (continued)**

*Operating segment information*

| Consolidated - 2023 | Computer manufacturing $'000 | Computer retailing $'000 | Computer distribution $'000 | Other segments $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external customers | 26,465 | 432,893 | 3,696 | - | 463,054 |
| Intersegment sales | 200,017 | - | 8,905 | - | 208,922 |
| Total sales revenue | 226,482 | 432,893 | 12,601 | - | 671,976 |
| Other revenue | - | - | - | 3,694 | 3,694 |
| Total segment revenue | 226,482 | 432,893 | 12,601 | 3,694 | 675,670 |
| Intersegment eliminations | | | | | (208,922) |
| *Unallocated revenue:* | | | | | |
| Interest revenue | | | | | 1,087 |
| **Total revenue** | | | | | 467,835 |
| | | | | | |
| **EBITDA** | 13,181 | 91,348 | 3,609 | 124 | 108,262 |
| Depreciation and amortisation | | | | | (52,276) |
| Interest revenue | | | | | 1,087 |
| Finance costs | | | | | (18,930) |
| **Profit before income tax expense** | | | | | 38,143 |
| Income tax expense | | | | | (10,875) |
| **Profit after income tax expense** | | | | | 27,268 |
| *Material items include:* | | | | | |
| Share of profits of associates | 3,211 | - | - | - | 3,211 |
| Write off of inventories | (212) | (326) | - | - | (538) |
| Net fair value loss on investment properties | - | - | - | (600) | (600) |
| | | | | | |
| **Assets** | | | | | |
| Segment assets | 156,885 | 419,496 | 21,405 | - | 597,786 |
| Intersegment eliminations | | | | | (16,630) |
| *Unallocated assets:* | | | | | |
| Cash and cash equivalents | | | | | 18,551 |
| Ordinary shares | | | | | 530 |
| Land and buildings | | | | | 8,500 |
| Deferred tax asset | | | | | 15,900 |
| **Total assets** | | | | | 624,637 |
| *Total assets includes:* | | | | | |
| Investments in associates | 34,192 | - | - | - | 34,192 |
| Acquisition of non-current assets | 365 | 5,027 | 9,091 | - | 14,483 |
| | | | | | |
| **Liabilities** | | | | | |
| Segment liabilities | 41,390 | 358,941 | 6,861 | - | 407,192 |
| Intersegment eliminations | | | | | (16,630) |
| *Unallocated liabilities:* | | | | | |
| Provision for income tax | | | | | 6,701 |
| Bank loans | | | | | 6,000 |
| Convertible notes payable | | | | | 2,978 |
| Deferred tax liability | | | | | 4,665 |
| **Total liabilities** | | | | | 410,906 |

**Note 4. Operating segments (continued)**

| Consolidated - 2022 | Computer manufacturing $'000 | Computer retailing $'000 | Computer distribution $'000 | Other segments $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external customers | 24,339 | 403,776 | 3,868 | - | 431,983 |
| Intersegment sales | 191,423 | - | 2,808 | - | 194,231 |
| Total sales revenue | 215,762 | 403,776 | 6,676 | - | 626,214 |
| Other revenue | - | - | - | 3,358 | 3,358 |
| Total segment revenue | 215,762 | 403,776 | 6,676 | 3,358 | 629,572 |
| Intersegment eliminations | | | | | (194,231) |
| *Unallocated revenue:* | | | | | |
| Interest revenue | | | | | 543 |
| **Total revenue** | | | | | 435,884 |
| | | | | | |
| **EBITDA** | 11,835 | 79,356 | 1,232 | 2,027 | 94,450 |
| Depreciation and amortisation | | | | | (52,411) |
| Interest revenue | | | | | 543 |
| Finance costs | | | | | (21,092) |
| **Profit before income tax expense** | | | | | 21,490 |
| Income tax expense | | | | | (5,741) |
| **Profit after income tax expense** | | | | | 15,749 |
| *Material items include:* | | | | | |
| Share of profits of associates | 2,661 | - | - | - | 2,661 |
| Write off of inventories | (45) | (67) | - | - | (112) |
| | | | | | |
| **Assets** | | | | | |
| Segment assets | 169,239 | 450,538 | 8,245 | - | 628,022 |
| Intersegment eliminations | | | | | (17,222) |
| *Unallocated assets:* | | | | | |
| Cash and cash equivalents | | | | | 860 |
| Land and buildings | | | | | 8,500 |
| Deferred tax asset | | | | | 12,931 |
| **Total assets** | | | | | 633,091 |
| *Total assets includes:* | | | | | |
| Investments in associates | 30,981 | - | - | - | 30,981 |
| Acquisition of non-current assets | 230 | 4,436 | 716 | - | 5,382 |
| | | | | | |
| **Liabilities** | | | | | |
| Segment liabilities | 38,899 | 379,147 | 1,687 | - | 419,733 |
| Intersegment eliminations | | | | | (17,222) |
| *Unallocated liabilities:* | | | | | |
| Provision for income tax | | | | | 2,351 |
| Bank loans | | | | | 6,000 |
| Convertible notes payable | | | | | 2,967 |
| Deferred tax liability | | | | | 4,333 |
| **Total liabilities** | | | | | 418,162 |

## Note 4. Operating segments (continued)

*Geographical information*

| | Sales to external customers | | Geographical non-current assets | |
|---|---|---|---|---|
| | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| Australia | 424,034 | 399,416 | 179,882 | 192,376 |
| New Zealand | 39,020 | 32,567 | - | - |
| | 463,054 | 431,983 | 179,882 | 192,376 |

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

## Note 5. Revenue

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| **From continuing operations** | | |
| *Revenue from contracts with customers* | | |
| Sale of goods | 434,737 | 404,628 |
| Rendering of services | 3,696 | 3,868 |
| | 438,433 | 408,496 |
| *Other revenue* | | |
| Rent from investment properties | 3,623 | 3,310 |
| Other revenue | 71 | 48 |
| | 3,694 | 3,358 |
| Revenue from continuing operations | 442,127 | 411,854 |

## Note 5. Revenue (continued)

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

| Consolidated - 2023 | Computer manufacturing $'000 | Computer retailing $'000 | Computer distribution $'000 | Total $'000 |
|---|---|---|---|---|
| *Major product lines* | | | | |
| Laptops | 13,395 | 339,533 | 3,292 | 356,220 |
| Desktops | 4,214 | 44,540 | 404 | 49,158 |
| Components | 8,856 | 24,199 | - | 33,055 |
| | 26,465 | 408,272 | 3,696 | 438,433 |
| *Geographical regions* | | | | |
| Australia | 22,938 | 383,312 | 3,696 | 409,946 |
| New Zealand | 2,293 | 12,106 | - | 14,399 |
| Rest of the World | 1,234 | 12,854 | - | 14,088 |
| | 26,465 | 408,272 | 3,696 | 438,433 |
| *Timing of revenue recognition* | | | | |
| Goods transferred at a point in time | 26,465 | 408,272 | - | 434,737 |
| Services transferred over time | - | - | 3,696 | 3,696 |
| | 26,465 | 408,272 | 3,696 | 438,433 |

| Consolidated - 2022 | Computer manufacturing $'000 | Computer retailing $'000 | Computer distribution $'000 | Total $'000 |
|---|---|---|---|---|
| *Major product lines* | | | | |
| Laptops | 12,114 | 309,691 | 3,355 | 325,160 |
| Desktops | 4,842 | 50,448 | 513 | 55,803 |
| Components | 7,383 | 20,150 | - | 27,533 |
| | 24,339 | 380,289 | 3,868 | 408,496 |
| *Geographical regions* | | | | |
| Australia | 21,614 | 363,978 | 3,868 | 389,460 |
| New Zealand | 1,911 | 7,169 | - | 9,080 |
| Rest of the World | 814 | 9,142 | - | 9,956 |
| | 24,339 | 380,289 | 3,868 | 408,496 |
| *Timing of revenue recognition* | | | | |
| Goods transferred at a point in time | 24,339 | 380,289 | - | 404,628 |
| Services transferred over time | - | - | 3,868 | 3,868 |
| | 24,339 | 380,289 | 3,868 | 408,496 |

## Note 6. Share of profits of associates accounted for using the equity method

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Share of profit - associates | 3,211 | 2,661 |

## Note 7. Other income

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| 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 | 692 | 1,692 |

## Note 8. Expenses

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Profit before income tax from continuing operations includes the following specific expenses: | | |
| *Cost of sales* | | |
| Cost of sales | 284,451 | 277,984 |
| *Depreciation* | | |
| Leasehold improvements | 5,000 | 5,405 |
| Plant and equipment | 12,167 | 13,379 |
| Buildings right-of-use assets | 13,582 | 13,582 |
| Plant and equipment right-of-use assets | 18,570 | 17,468 |
| Total depreciation | 49,319 | 49,834 |
| *Amortisation* | | |
| Development | 321 | 321 |
| Patents and trademarks | 32 | 32 |
| Customer contracts | 229 | - |
| Software | 22 | 22 |
| Customer acquisition costs | 1,288 | 1,164 |
| Customer fulfilment costs | 752 | 687 |
| Total amortisation | 2,644 | 2,226 |

## Note 8. Expenses (continued)

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Total depreciation and amortisation | 51,963 | 52,060 |
| *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* | | |
| Variable lease payments | 1,167 | 1,098 |
| Short-term lease payments | 902 | 127 |
| Low-value assets lease payments | 135 | 119 |
| | 2,204 | 1,344 |
| *Superannuation expense* | | |
| Defined contribution superannuation expense | 13,683 | 13,032 |
| Defined benefit superannuation expense | 4,406 | 4,597 |
| Total superannuation expense | 18,089 | 17,629 |
| *Share-based payments expense* | | |
| Share-based payments expense | 253 | 1 |
| *Research costs* | | |
| Research costs | 124 | 107 |
| *Write off of assets* | | |
| Inventories | 538 | 112 |
| *Expenses on investment properties* | | |
| Direct operating expenses from property that generated rental income | 61 | 59 |
| Direct operating expenses from property that did not generate rental income | 8 | 3 |
| Total expenses on investment properties | 69 | 62 |

## Note 9. Income tax expense

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| *Income tax expense* | | |
| Current tax | 13,595 | 8,175 |
| Deferred tax - origination and reversal of temporary differences | (2,617) | (2,434) |
| Adjustment recognised for prior periods | (103) | - |
| Aggregate income tax expense | 10,875 | 5,741 |
| Income tax expense is attributable to: | | |
| Profit from continuing operations | 10,114 | 5,178 |
| Profit from discontinued operations | 761 | 563 |
| Aggregate income tax expense | 10,875 | 5,741 |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax assets (note 26) | (2,559) | (2,904) |
| Increase/(decrease) in deferred tax liabilities (note 40) | (58) | 470 |
| Deferred tax - origination and reversal of temporary differences | (2,617) | (2,434) |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense from continuing operations | 36,244 | 19,613 |
| Profit before income tax expense from discontinued operations | 1,899 | 1,877 |
| | 38,143 | 21,490 |
| Tax at the statutory tax rate of 30% | 11,443 | 6,447 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | 32 | 41 |
| Impairment of goodwill | 150 | - |
| Share-based payments | 75 | - |
| Share of profits - associates | (963) | (798) |
| Loss on disposal of subsidiary | 191 | - |
| Sundry items | 50 | 51 |
| | 10,978 | 5,741 |
| Adjustment recognised for prior periods | (103) | - |
| Income tax expense | 10,875 | 5,741 |

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| *Amounts charged/(credited) directly to equity* | | |
| Deferred tax assets (note 26) | 39 | (415) |
| Deferred tax liabilities (note 40) | 15 | 600 |
| | 54 | 185 |

## Note 10. Discontinued operations

*Description*
On [date] the consolidated entity sold FRS Retailing International Limited (incorporated in New Zealand), a subsidiary of FRS Listed Comprehensive Limited, for consideration of $270,000 resulting in a loss on disposal before income tax of $637,000. Whilst FRS Retailing International Limited was sufficiently profitable up to the date of sale, future losses were projected due to new retail regulations being introduced into New Zealand. Also, its geographical isolation meant that it was difficult to incorporate into the consolidated entity's long term strategy and the directors decided to dispose of it.

*Financial performance information*

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Sale of goods | 24,621 | 23,487 |
| Interest received | 30 | 12 |
| Total revenue | 24,651 | 23,499 |
| | | |
| Changes in inventories | (144) | (76) |
| Raw materials and consumables used | (11,365) | (11,133) |
| Employee benefits expense | (7,916) | (8,035) |
| Depreciation and amortisation expense | (313) | (351) |
| Other expenses | (2,377) | (2,027) |
| Total expenses | (22,115) | (21,622) |
| | | |
| Profit before income tax expense | 2,536 | 1,877 |
| Income tax expense | (761) | (563) |
| | | |
| Profit after income tax expense | 1,775 | 1,314 |
| | | |
| Loss on disposal before income tax | (637) | - |
| Income tax expense | - | - |
| | | |
| Loss on disposal after income tax expense | (637) | - |
| | | |
| Profit after income tax expense from discontinued operations | 1,138 | 1,314 |

*Cash flow information*

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Net cash from operating activities | 1,847 | 1,642 |
| Net cash used in investing activities | (1,836) | (1,604) |
| | | |
| Net increase in cash and cash equivalents from discontinued operations | 11 | 38 |

## Note 10. Discontinued operations (continued)

*Carrying amounts of assets and liabilities disposed*

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Cash and cash equivalents | 189 | - |
| Trade and other receivables | 387 | - |
| Inventories | 833 | - |
| Other current assets | 28 | - |
| Property, plant and equipment | 441 | - |
| Other non-current assets | 46 | - |
| Total assets | 1,924 | - |
| Trade and other payables | 1,150 | - |
| Provisions | 676 | - |
| Total liabilities | 1,826 | - |
| Net assets | 98 | - |

*Details of the disposal*

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Total sale consideration | 270 | - |
| Carrying amount of net assets disposed | (98) | - |
| Derecognition of foreign currency reserve | (769) | - |
| Disposal costs | (40) | - |
| Loss on disposal before income tax | (637) | - |
| Loss on disposal after income tax | (637) | - |

## Note 11. Current assets - cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Cash on hand | 104 | 93 |
| Cash at bank | 14,132 | 4,853 |
| Cash on deposit | 11,900 | 400 |
| | 26,136 | 5,346 |

*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:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Balances as above | 26,136 | 5,346 |
| Cash and cash equivalents - classified as held for sale (note 18) | - | 178 |
| Bank overdraft (note 30) | - | (1,273) |
| Balance as per statement of cash flows | 26,136 | 4,251 |

## Note 12. Current assets - trade and other receivables

| | Consolidated 2023 $'000 | 2022 $'000 |
|---|---|---|
| Trade receivables | 13,998 | 12,818 |
| Less: Allowance for expected credit losses | (1,062) | (874) |
| | 12,936 | 11,944 |
| Other receivables | 60 | 43 |
| Interest receivable | 7 | 4 |
| | 13,003 | 11,991 |

*Allowance for expected credit losses*
The consolidated entity has recognised a loss of $491,000 in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

| | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|---|---|---|---|---|---|---|
| **Consolidated** | **2023 %** | **2022 %** | **2023 $'000** | **2022 $'000** | **2023 $'000** | **2022 $'000** |
| Not overdue | 2% | 1% | 6,988 | 6,330 | 140 | 63 |
| 0 to 3 months overdue | 7% | 5% | 5,028 | 4,051 | 352 | 203 |
| 3 to 6 months overdue | 14% | 10% | 1,453 | 1,762 | 203 | 176 |
| Over 6 months overdue | 50% | 50% | 734 | 863 | 367 | 432 |
| | | | 14,203 | 13,006 | 1,062 | 874 |

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the current environment. As a result, the calculation of expected credit losses has been revised as at 30 June 2023 and rates have increased in each category up to 6 months overdue.

Movements in the allowance for expected credit losses are as follows:

| | Consolidated 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening balance | 874 | 659 |
| Additional provisions recognised | 491 | 432 |
| Receivables written off during the year as uncollectable | (287) | (209) |
| Unused amounts reversed | (16) | (8) |
| Closing balance | 1,062 | 874 |

## Note 13. Current assets - contract assets

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Contract assets | 2,617 | 2,144 |

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening balance | 2,144 | 2,511 |
| Additions | 5,687 | 4,788 |
| Cumulative catch-up adjustments | 1,531 | 1,374 |
| Transfer to trade receivables | (6,745) | (6,529) |
| Closing balance | 2,617 | 2,144 |

## Note 14. Current assets - inventories

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Raw materials | 6,817 | 6,081 |
| Work in progress | 16,040 | 17,434 |
| Finished goods | 15,631 | 18,369 |
| Stock in transit | 204 | 187 |
| | 38,692 | 42,071 |

## Note 15. Current assets - financial assets at fair value through profit or loss

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Listed ordinary shares - designated at fair value through profit or loss | 82 | - |
| Listed ordinary shares - held for trading | 278 | - |
| | 360 | - |

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening fair value | - | - |
| Additions | 310 | - |
| Revaluation increments | 50 | - |
| Closing fair value | 360 | - |

Refer to note 50 for further information on fair value measurement.

## Note 16. Current assets - other

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Prepayments | 1,087 | 883 |
| Security deposits | 60 | 30 |
| Customer acquisition costs | 1,417 | 1,274 |
| Customer fulfilment costs | 672 | 614 |
| Right of return assets | 671 | 618 |
| | 3,907 | 3,419 |

## Note 17. Current assets - non-current assets classified as held for sale

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'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. The land is not allocated to an operating segment.

## Note 18. Current assets - assets of disposal groups classified as held for sale

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Cash and cash equivalents | - | 178 |
| Trade and other receivables | - | 363 |
| Inventories | - | 977 |
| Other current assets | - | 25 |
| Property, plant and equipment | - | 754 |
| Other non-current assets | - | 46 |
| | - | 2,343 |

The assets identified above represents the assets of FRS Retailing International Limited (incorporated in New Zealand), a subsidiary of FRS Listed Comprehensive Limited, which was sold on [date]. Refer to note 10 for further information.

## Note 19. Non-current assets - receivables

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Other receivables | 145 | 145 |

The other receivables are due to be repaid by 30 June 2026 and the effect of discounting is considered not to be material. This receivable is not past due nor impaired.

## Note 20. Non-current assets - investments accounted for using the equity method

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Investment in associate | 34,192 | 30,981 |

Refer to note 60 for further information on interests in associates.

## Note 21. Non-current assets - financial assets at fair value through other comprehensive income

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Unlisted ordinary shares | 170 | - |

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening fair value | - | - |
| Additions | 200 | - |
| Disposals | (80) | - |
| Revaluation increments | 50 | - |
| Closing fair value | 170 | - |

Refer to note 50 for further information on fair value measurement.

## Note 22. Non-current assets - investment properties

| | Consolidated 2023 $'000 | Consolidated 2022 $'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:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening fair value | 47,500 | 46,000 |
| Revaluation increments | - | 1,500 |
| Revaluation decrements | (600) | - |
| Closing fair value | 46,900 | 47,500 |

Refer to note 50 for further information on fair value measurement.

## Note 22. Non-current assets - investment properties (continued)

*Lessor commitments*

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Minimum lease commitments receivable but not recognised in the financial statements: | | |
| 1 year or less | 3,723 | 3,580 |
| Between 1 and 2 years | 3,872 | 3,723 |
| Between 2 and 3 years | 4,027 | 3,872 |
| Between 3 and 4 years | 4,188 | 4,027 |
| Between 4 and 5 years | 4,356 | 4,188 |
| Over 5 years | 14,140 | 18,496 |
| | 34,306 | 37,886 |

## Note 23. Non-current assets - property, plant and equipment

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Land and buildings - at independent valuation | 52,500 | 58,500 |
| Leasehold improvements - at cost | 32,260 | 25,860 |
| Less: Accumulated depreciation | (17,473) | (12,473) |
| | 14,787 | 13,387 |
| Plant and equipment - at cost | 105,512 | 100,267 |
| Less: Accumulated depreciation | (56,101) | (44,025) |
| | 49,411 | 56,242 |
| | 116,698 | 128,129 |

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

| **Consolidated** | Land and buildings $'000 | Leasehold improvements $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2021 | 56,500 | 17,478 | 69,050 | 143,028 |
| Additions | - | 2,308 | 740 | 3,048 |
| Classified as held for sale (note 17) | - | (994) | (111) | (1,105) |
| Disposals | - | - | (58) | (58) |
| Revaluation increments | 2,000 | - | - | 2,000 |
| Depreciation expense | - | (5,405) | (13,379) | (18,784) |
| Balance at 30 June 2022 | 58,500 | 13,387 | 56,242 | 128,129 |
| Additions | - | 6,400 | 365 | 6,765 |
| Additions through business combinations (note 58) | - | - | 6,060 | 6,060 |
| Classified as held for sale (note 17) | (6,000) | - | - | (6,000) |
| Disposals | - | - | (1,089) | (1,089) |
| Depreciation expense | - | (5,000) | (12,167) | (17,167) |
| Balance at 30 June 2023 | 52,500 | 14,787 | 49,411 | 116,698 |

## Note 23. Non-current assets - property, plant and equipment (continued)

Refer to note 50 for further information on fair value measurement.

*Land and buildings stated under the historical cost convention*
If land and buildings were stated under the historical cost convention, the amounts would be as follows:

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Land and buildings - at cost | 46,000 | 52,000 |
| Less: Accumulated depreciation | (1,059) | (1,007) |
| | 44,941 | 50,993 |

## Note 24. Non-current assets - right-of-use assets

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'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.

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.

For impairment testing, the right-of-use assets have been allocated to the computer retailing cash-generating unit. Refer to note 25 for further information on the impairment testing key assumptions and sensitivity analysis.

## Note 25. Non-current assets - intangibles

| | Consolidated 2023 $'000 | Consolidated 2022 $'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 and previous financial year are set out below:

| **Consolidated** | Goodwill $'000 | Development $'000 | Patents and trademarks $'000 | Customer contracts $'000 | Software $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at 1 July 2021 | 9,500 | 2,245 | 160 | - | 86 | 11,991 |
| Amortisation expense | - | (321) | (32) | - | (22) | (375) |
| | | | | | | |
| Balance at 30 June 2022 | 9,500 | 1,924 | 128 | - | 64 | 11,616 |
| Additions through business combinations (note 58) | 408 | - | - | 1,250 | - | 1,658 |
| Impairment of assets | (500) | - | - | - | - | (500) |
| Amortisation expense | - | (321) | (32) | (229) | (22) | (604) |
| | | | | | | |
| Balance at 30 June 2023 | 9,408 | 1,603 | 96 | 1,021 | 42 | 12,170 |

*Impairment testing*
Goodwill acquired through business combinations have been allocated to the following cash-generating units:

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Computer retailing | 8,700 | 9,200 |
| Computer distribution | 708 | 300 |
| | | |
| | 9,408 | 9,500 |

**Note 25. Non-current assets - intangibles (continued)**

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the computer retailing division:
- 18% (2022: 18%) pre-tax discount rate;
- 2% (2022: 5%) per annum projected revenue growth rate;
- 5% (2022: 8%) per annum increase in operating costs and overheads.

The discount rate of 18% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the computer retailing division, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 2% revenue growth rate is prudent and justified, based on the general slowing in the market.

Compared to prior years, management have reduced their estimation of the increase in operating costs and overheads, due to the lower inflation rate and also an effort by the consolidated entity to contain costs.

There were no other key assumptions for the computer retailing division.

Based on the above, an impairment charge of $500,000 has been applied as the carrying amount of goodwill exceeded its recoverable amount for the computer retailing division.

The following key assumptions were used in the discounted cash flow model for the computer distribution division:
- 17% (2022: 18%) pre-tax discount rate;
- 5% (2022: 5%) per annum projected revenue growth rate.

The discount rate of 17% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the computer distribution division, the risk free rate and the volatility of the share price relative to market movements.

Management have estimated a 5% growth in accordance with the acquisition strategy and have no reason to revise this estimation based on current performance.

There were no other key assumptions for the computer distribution division.

Based on the above, the recoverable amount of the computer distribution division exceeded the carrying amount by $1,250,000.

*Sensitivity*
As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:
- Revenue would need to decrease by more than 1% for the computer distribution division before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 1% for the computer distribution division before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of computer distribution division's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge for the computer retailing division's goodwill.

## Note 26. Non-current assets - deferred tax

| | Consolidated 2023 $'000 | 2022 $'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 | 5,671 | 5,699 |
| Retirement benefit obligations | 326 | 370 |
| Leases | 5,899 | 3,853 |
| Provision for legal claims | 18 | - |
| Provision for lease make good | 503 | 321 |
| Provision for warranties | 961 | 851 |
| Accrued expenses | 531 | 278 |
| Refund liabilities | 296 | 283 |
| | 15,593 | 12,543 |
| Amounts recognised in equity: | | |
| Transaction costs on share issue | 270 | 356 |
| Derivative financial instruments | 37 | 32 |
| | 307 | 388 |
| Deferred tax asset | 15,900 | 12,931 |
| *Movements:* | | |
| Opening balance | 12,931 | 9,612 |
| Credited to profit or loss (note 9) | 2,559 | 2,904 |
| Credited/(charged) to equity (note 9) | (39) | 415 |
| Additions through business combinations (note 58) | 449 | - |
| Closing balance | 15,900 | 12,931 |

## Note 27. Non-current assets - other

| | Consolidated 2023 $'000 | 2022 $'000 |
|---|---|---|
| Security deposits | 1,214 | 1,399 |
| Customer acquisition costs | 564 | 517 |
| Customer fulfilment costs | 484 | 443 |
| | 2,262 | 2,359 |

## Note 28. Current liabilities - trade and other payables

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Trade payables | 16,993 | 14,270 |
| Other payables | 1,883 | 1,566 |
| | 18,876 | 15,836 |

Refer to note 49 for further information on financial instruments.

## Note 29. Current liabilities - contract liabilities

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Contract liabilities | 2,269 | 2,135 |

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

| | | |
|---|---|---|
| Opening balance | 2,135 | 1,974 |
| Payments received in advance | 1,441 | 1,473 |
| Cumulative catch-up adjustments | 174 | 249 |
| Transfer to revenue - included in the opening balance | (1,141) | (1,236) |
| Transfer to revenue - performance obligations satisfied in previous periods | (208) | (178) |
| Transfer to revenue - other balances | (132) | (147) |
| Closing balance | 2,269 | 2,135 |

*Unsatisfied performance obligations*
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $3,891,000 as at 30 June 2023 ($3,507,000 as at 30 June 2022) and is expected to be recognised as revenue in future periods as follows:

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Within 6 months | 1,482 | 1,344 |
| 6 to 12 months | 1,128 | 1,032 |
| 12 to 18 months | 874 | 817 |
| 18 to 24 months | 407 | 314 |
| | 3,891 | 3,507 |

## Note 30. Current liabilities - borrowings

| | Consolidated | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Bank overdraft | - | 1,273 |
| Bank loans | 4,500 | 2,000 |
| | 4,500 | 3,273 |

Refer to note 38 for further information on assets pledged as security and financing arrangements.

Refer to note 49 for further information on financial instruments.

## Note 31. Current liabilities - lease liabilities

| | Consolidated | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Lease liability | 22,072 | 20,905 |

Refer to note 49 for further information on financial instruments.

## Note 32. Current liabilities - derivative financial instruments

| | Consolidated | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Forward foreign exchange contracts - cash flow hedges | 122 | 107 |

Refer to note 49 for further information on financial instruments.

Refer to note 50 for further information on fair value measurement.

## Note 33. Current liabilities - income tax

| | Consolidated | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Provision for income tax | 6,701 | 2,351 |

## Note 34. Current liabilities - employee benefits

| | Consolidated | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Employee benefits | 8,084 | 7,877 |

## Note 34. Current liabilities - employee benefits (continued)

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

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

| | Consolidated | |
|---|---|---|
| | **2023 $'000** | **2022 $'000** |
| Employee benefits obligation expected to be settled after 12 months | 1,603 | 1,292 |

## Note 35. Current liabilities - provisions

| | Consolidated | |
|---|---|---|
| | **2023 $'000** | **2022 $'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 - 2023** | 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 36. Current liabilities - other**

| | Consolidated | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Accrued expenses | 1,096 | 889 |
| Refund liabilities | 987 | 942 |
| | 2,083 | 1,831 |

**Note 37. Current liabilities - liabilities directly associated with assets classified as held for sale**

| | Consolidated | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Trade payables | - | 1,441 |
| Other payables | - | 62 |
| Accrued expenses | - | 38 |
| Bank loans | 4,000 | - |
| Provisions - employee benefits | - | 592 |
| Provisions - lease make good | - | 30 |
| | 4,000 | 2,163 |

The liabilities as at 30 June 2023 represents the bank loan secured over the vacant land currently for sale. Refer to note 17 for further information.

The liabilities as at 30 June 2022 represents the liabilities of FRS Retailing International Limited (incorporated in New Zealand), a subsidiary of FRS Listed Comprehensive Limited, which was sold on [date]. Refer to note 10 for further information.

**Note 38. Non-current liabilities - borrowings**

| | Consolidated | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Bank loans | 16,000 | 16,000 |
| Convertible notes payable | 2,978 | 2,967 |
| | 18,978 | 18,967 |

Refer to note 49 for further information on financial instruments.

On [date] the consolidated entity issued 30,000 7.5% convertible notes, with a face value of $100 each, for total proceeds of $3,000,000. Interest is paid quarterly in arrears at a rate of 7.5% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on [date]. The conversion rate is 45 ordinary shares for each note held, which is based on the market price per share at the date of the issue of the notes ($2.21), but subject to adjustments for reconstructions of equity.

Total transactions costs were $55,000 at the date of issue and unamortised transaction costs of $22,000 (2022: $33,000) have been offset against the convertible notes payable liability.

The convertible notes are unsecured.

## Note 38. Non-current liabilities - borrowings (continued)

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

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Bank overdraft | - | 1,273 |
| Bank loans | 24,500 | 18,000 |
| | 24,500 | 19,273 |

*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 2023 $'000 | Consolidated 2022 $'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 | 24,500 | 18,000 |
| | 24,500 | 19,273 |
| Unused at the reporting date | | |
| Bank overdraft | 5,000 | 3,727 |
| Bank loans | 15,500 | 7,000 |
| | 20,500 | 10,727 |

## Note 39. Non-current liabilities - lease liabilities

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Lease liability | 301,714 | 322,745 |

Refer to note 49 for further information on financial instruments.

## Note 40. Non-current liabilities - deferred tax

| | Consolidated 2023 $'000 | 2022 $'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 | 3,263 |
| Charged/(credited) to profit or loss (note 9) | (58) | 470 |
| Charged to equity (note 9) | 15 | 600 |
| Additions through business combinations (note 58) | 375 | - |
| Closing balance | 4,665 | 4,333 |

## Note 41. Non-current liabilities - employee benefits

| | Consolidated 2023 $'000 | 2022 $'000 |
|---|---|---|
| Employee benefits | 10,818 | 10,528 |

## Note 42. Non-current liabilities - provisions

| | Consolidated 2023 $'000 | 2022 $'000 |
|---|---|---|
| Lease make good | 1,445 | 1,040 |

*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 42. 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 - 2023** | Lease make good $'000 |
|---|---|
| Carrying amount at the start of the year | 1,040 |
| Additional provisions recognised | 550 |
| Amounts transferred to current | (230) |
| Unwinding of discount | 85 |
| Carrying amount at the end of the year | 1,445 |

## Note 43. Non-current liabilities - retirement benefit obligations

*Superannuation plan*
All employees of the consolidated entity are entitled to benefits from the consolidated entity's superannuation plan on retirement, disability or death. The consolidated entity has one plan with a defined benefit section and a defined contribution section. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from entities in the consolidated entity and the consolidated entity's legal or constructive obligation is limited to these contributions.

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution plan is disclosed in note 8.

*Statement of financial position amounts*
The amounts recognised in the statement of financial position are determined as follows:

| | **Consolidated** | |
|---|---|---|
| | **2023 $'000** | **2022 $'000** |
| Present value of the defined benefit obligation | 60,622 | 53,358 |
| Fair value of defined benefit plan assets | (59,537) | (52,124) |
| Net liability in the statement of financial position | 1,085 | 1,234 |

*Categories of plan assets*
The major categories of plan assets are as follows:

| | **Consolidated** | |
|---|---|---|
| | **2023 $'000** | **2022 $'000** |
| Cash and cash equivalents | 9,022 | 6,784 |
| Equity instruments | 16,085 | 13,897 |
| Debt instruments | 9,470 | 10,138 |
| Property | 24,742 | 21,079 |
| Other assets | 218 | 226 |
| | 59,537 | 52,124 |

## Note 43. Non-current liabilities - retirement benefit obligations (continued)

*Reconciliations*

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Reconciliation of the present value of the defined benefit obligation, which is partly funded: | | |
| Balance at the beginning of the year | 53,358 | 46,476 |
| Current service cost | 5,132 | 5,057 |
| Interest cost | 3,027 | 2,702 |
| Actuarial gains | (404) | (420) |
| Benefits paid | (491) | (457) |
| Balance at the end of the year | 60,622 | 53,358 |
| Reconciliation of the fair value of plan assets: | | |
| Balance at the beginning of the year | 52,124 | 45,170 |
| Return on plan assets | 3,753 | 3,162 |
| Actuarial losses | (255) | (348) |
| Contributions by entities in the consolidated entity | 4,406 | 4,597 |
| Benefits paid | (491) | (457) |
| Balance at the end of the year | 59,537 | 52,124 |

*Amounts recognised in the statement of profit or loss and other comprehensive income*
The amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Current service cost | 5,132 | 5,057 |
| Interest cost | 3,027 | 2,702 |
| Past service cost | (3,753) | (3,182) |
| Total amount recognised in profit or loss | 4,406 | 4,577 |
| Actuarial gains | 149 | 72 |
| Total amount recognised in other comprehensive income | 149 | 72 |

*Significant actuarial assumptions*
The significant actuarial assumptions used (expressed as weighted averages) were as follows:

| | Consolidated 2023 % | Consolidated 2022 % |
|---|---|---|
| Discount rate | 5.7% | 5.9% |
| Return on plan assets | 7.2% | 7.0% |
| Future salary increases | 4.0% | 4.0% |

The retirement benefit obligation would increase/decrease by $100,000 if one of the following variables changed with all other assumptions remaining constant: the discount rate changed by 3.7%; return on plan assets changed by 0.2%; or future salary increases changed by 2.3%.

## Note 43. Non-current liabilities - retirement benefit obligations (continued)

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.

*Risk exposure*
The plan is exposed to a variety of risks including foreign currency risk on its overseas investments, interest rate risk on its cash and debt instruments and price risk on its equity instruments. Its diversified portfolio does mitigate any one particular risk, including concentration risks.

The plan has an asset-liability matching strategy to manage risk. Its target is to maintain equity instruments of 25% and property of 40% of plan assets. Sufficient cash reserves are maintained to ensure liquidity, including having the ability to pay benefits and have the flexibility to invest in opportunities as they arise.

*Employer contributions*
Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary and the current agreed contribution rate is 12% of salaries. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 30 June 2022.

The weighted average duration of the defined benefit obligation is 5 years (2022: 6 years). The expected maturity analysis of undiscounted defined benefit obligations is as follows:

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Within one year | 219 | 219 |
| One to five years | 866 | 876 |
| More than five years | - | 139 |
| | 1,085 | 1,234 |

The consolidated entity has no legal obligation to settle the defined benefit liability with an immediate contribution or additional one-off contributions.

## Note 44. Equity - issued capital

| | Consolidated | | | |
|---|---|---|---|---|
| | 2023 Shares | 2022 Shares | 2023 $'000 | 2022 $'000 |
| Ordinary shares - fully paid | 146,910,000 | 146,800,000 | 182,953 | 182,678 |

*Movements in ordinary share capital*

| **Details** | **Date** | **Shares** | **Issue price** | **$'000** |
|---|---|---|---|---|
| Balance | 1 July 2021 | 111,800,000 | | 104,922 |
| Issue of shares | [date] | 35,000,000 | $2.25 | 78,750 |
| Share issue transaction costs, net of tax | [date] | | | (994) |
| Balance | 30 June 2022 | 146,800,000 | | 182,678 |
| Issue of shares on the exercise of options | [date] | 10,000 | $2.50 | 25 |
| Issue of shares to key management personnel | [date] | 100,000 | $2.50 | 250 |
| Balance | 30 June 2023 | 146,910,000 | | 182,953 |

## Note 44. Equity - issued capital (continued)

*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.

*Share buy-back*
There is no current on-market share buy-back.

*Capital risk management*
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

## Note 45. Equity - reserves

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Revaluation surplus reserve | 4,095 | 4,095 |
| Financial assets at fair value through other comprehensive income reserve | 35 | - |
| Foreign currency reserve | - | (512) |
| Hedging reserve - cash flow hedges | (85) | (75) |
| | 4,045 | 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.

*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.

## Note 45. Equity - reserves (continued)

*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 and previous financial year are set out below:

| **Consolidated** | Revaluation surplus $'000 | Financial assets at fair value through OCI $'000 | Foreign currency $'000 | Hedging $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2021 | 2,835 | - | (294) | (48) | 2,493 |
| Revaluation - gross | 1,800 | - | - | (38) | 1,762 |
| Deferred tax | (540) | - | - | 11 | (529) |
| Foreign currency translation | - | - | (218) | - | (218) |
| | | | | | |
| Balance at 30 June 2022 | 4,095 | - | (512) | (75) | 3,508 |
| Revaluation - gross | - | 50 | - | (15) | 35 |
| Deferred tax | - | (15) | - | 5 | (10) |
| Foreign currency translation | - | - | (257) | - | (257) |
| Derecognition of reserve | - | - | 769 | - | 769 |
| | | | | | |
| Balance at 30 June 2023 | 4,095 | 35 | - | (85) | 4,045 |

## Note 46. Equity - retained profits

| | **Consolidated 2023 $'000** | **Consolidated 2022 $'000** |
|---|---|---|
| Retained profits at the beginning of the financial year | 11,522 | 13,568 |
| Profit after income tax expense for the year | 27,126 | 15,520 |
| Dividends paid (note 48) | (29,383) | (17,616) |
| Actuarial gain on defined benefit plans, net of tax | 105 | 50 |
| | | |
| Retained profits at the end of the financial year | 9,370 | 11,522 |

## Note 47. Equity - non-controlling interest

| | **Consolidated 2023 $'000** | **Consolidated 2022 $'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% (2022: 10%) equity holding in FRS Manufacturing Pty Limited.

## Note 48. Equity - dividends

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

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Final dividend for the year ended 30 June 2022 (2022: 30 June 2021) of 15 cents (2022: 8 cents) per ordinary share | 22,037 | 11,744 |
| Interim dividend for the year ended 30 June 2023 (2022: 30 June 2022) of 5 cents (2022: 4 cents) per ordinary share | 7,346 | 5,872 |
| | 29,383 | 17,616 |

On [date] the directors declared a final dividend for the year ended 30 June 2023 of 17 cents per ordinary share to be paid on [date], a total estimated distribution of $24,975,000 based on the number of ordinary shares on issue as at [date]. As the dividend was fully franked, there are no income tax consequences for the owners of FRS Listed Comprehensive Limited relating to this dividend.

*Franking credits*

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'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 49. Financial instruments

***Financial risk management objectives***
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

***Market risk***

*Foreign currency risk*
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

**Note 49. Financial instruments (continued)**

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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.

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date were as follows:

| | Sell Australian dollars | | Average exchange rates | |
|---|---|---|---|---|
| | 2023 $'000 | 2022 $'000 | 2023 | 2022 |
| **Buy US dollars** | | | | |
| Maturity: | | | | |
| 0 - 3 months | 121 | 89 | 0.9123 | 0.8132 |
| 3 - 6 months | 34 | 23 | 0.9057 | 0.8294 |
| **Buy Euros** | | | | |
| Maturity: | | | | |
| 0 - 3 months | 274 | 207 | 0.6342 | 0.5861 |
| 3 - 6 months | 86 | 49 | 0.6355 | 0.6082 |
| **Buy New Zealand dollars** | | | | |
| Maturity: | | | | |
| 0 - 3 months | 182 | 163 | 1.2345 | 1.2643 |
| 3 - 6 months | 107 | 71 | 1.2407 | 1.2847 |

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| **Consolidated** | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| US dollars | 35 | 18 | 64 | 69 |
| Euros | 7 | 21 | 82 | 74 |
| New Zealand dollars | 45 | 32 | 61 | 52 |
| | 87 | 71 | 207 | 195 |

The consolidated entity had net liabilities denominated in foreign currencies of $120,000 (assets of $87,000 less liabilities of $207,000) as at 30 June 2023 (2022: $124,000 (assets of $71,000 less liabilities of $195,000)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2022: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $12,000 lower/$6,000 higher (2022: $6,000 lower/$6,000 higher) and equity would have been $8,000 lower/$4,000 higher (2022: $4,000 lower/$4,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management’s assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2023 was $13,000 (2022: loss of $6,000).

*Price risk*
The consolidated entity is not exposed to any significant price risk.

**Note 49. Financial instruments (continued)**

*Interest rate risk*
The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk. The policy is to maintain approximately 60% of current borrowings at fixed rates using interest rate swaps to achieve this when necessary.

The consolidated entity's bank loans outstanding, totalling $24,500,000 (2022: $18,000,000), are principal and interest payment loans. Monthly cash outlays of approximately $170,000 (2022: $120,000) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2022: 100) basis points would have an adverse/favourable effect on profit before tax of $245,000 (2022: $180,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, minimum principal repayments of $8,500,000 (2022: $2,000,000) are due during the year ending 30 June 2024 (2022: 30 June 2023).

***Credit risk***
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 12, due to the current environment, the calculation of expected credit losses has been revised as at 30 June 2023 and rates have increased in each category up to 6 months overdue.

The consolidated entity has a credit risk exposure with a major Australian retailer, which as at 30 June 2023 owed the consolidated entity $10,680,000 (76% of trade receivables) (2022: $9,510,000 (74% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2023. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

***Liquidity risk***
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Financing arrangements*
Unused borrowing facilities at the reporting date:

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Bank overdraft | 5,000 | 3,727 |
| Bank loans | 15,500 | 7,000 |
| | 20,500 | 10,727 |

**Note 49. Financial instruments (continued)**

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 3 years (2022: 4 years).

*Remaining contractual maturities*
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| **Consolidated - 2023** | Weighted average interest rate % | 1 year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | - | 16,993 | - | - | - | 16,993 |
| Other payables | - | 1,883 | - | - | - | 1,883 |
| *Interest-bearing - fixed rate* | | | | | | |
| Bank loans | 8.20% | 10,161 | 9,464 | 7,808 | - | 27,433 |
| Convertible notes payable | 7.50% | 225 | 3,004 | - | - | 3,229 |
| Lease liability | 5.03% | 37,574 | 37,542 | 112,415 | 290,764 | 478,295 |
| Total non-derivatives | | 66,836 | 50,010 | 120,223 | 290,764 | 527,833 |
| **Derivatives** | | | | | | |
| Forward foreign exchange contracts net settled | - | 122 | - | - | - | 122 |
| Total derivatives | | 122 | - | - | - | 122 |

| **Consolidated - 2022** | Weighted average interest rate % | 1 year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | - | 15,711 | - | - | - | 15,711 |
| Other payables | - | 1,628 | - | - | - | 1,628 |
| *Interest-bearing - variable* | | | | | | |
| Bank overdraft | 12.80% | 1,355 | - | - | - | 1,355 |
| *Interest-bearing - fixed rate* | | | | | | |
| Bank loans | 8.20% | 3,394 | 9,464 | 7,972 | - | 20,830 |
| Convertible notes payable | 7.50% | 225 | 225 | 3,004 | - | 3,454 |
| Lease liability | 5.03% | 37,107 | 37,574 | 112,523 | 328,200 | 515,404 |
| Total non-derivatives | | 59,420 | 47,263 | 123,499 | 328,200 | 558,382 |
| **Derivatives** | | | | | | |
| Forward foreign exchange contracts net settled | - | 107 | - | - | - | 107 |
| Total derivatives | | 107 | - | - | - | 107 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## Note 49. Financial instruments (continued)

***Fair value of financial instruments***
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

***Hedge accounting***
The effects of hedge accounting on the statement of financial position at the reporting date were as follows:

| **Consolidated** | Nominal amount $'000 | Carrying amount $'000 | Change in fair value $'000 | Hedging reserve $'000 | Cost of reserve $'000 |
|---|---|---|---|---|---|
| Forward foreign exchange contracts for purchases at 30 June 2022 | 602 | 107 | (9) | (75) | (20) |
| Forward foreign exchange contracts for purchases at 30 June 2023 | 804 | 122 | 4 | (85) | (19) |

Movements in hedging reserves by risk category during the current and previous financial year are set out below:

| **Consolidated** | Spot component $'000 | Value of options $'000 | Cost of reserve $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2021 | (76) | 46 | (18) | (48) |
| Change in fair value of hedging instrument recognised in other comprehensive income | (73) | 64 | - | (9) |
| Costs of hedging deferred and recognised in other comprehensive income | - | - | (17) | (17) |
| Reclassified to the cost of inventory - recognised in other comprehensive income | (24) | - | 14 | (10) |
| Reclassified from other comprehensive income to profit or loss | (2) | - | - | (2) |
| Deferred tax | 29 | (19) | 1 | 11 |
| Balance at 30 June 2022 | (146) | 91 | (20) | (75) |
| Change in fair value of hedging instrument recognised in other comprehensive income | (8) | 12 | - | 4 |
| Costs of hedging deferred and recognised in other comprehensive income | - | - | (15) | (15) |
| Reclassified to the cost of inventory - recognised in other comprehensive income | (20) | - | 16 | (4) |
| Deferred tax | 9 | (4) | - | 5 |
| Balance at 30 June 2023 | (165) | 99 | (19) | (85) |

## Note 50. Fair value measurement

*Fair value hierarchy*
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

| **Consolidated - 2023** | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| *Assets* | | | | |
| Ordinary shares at fair value through profit or loss | 360 | - | - | 360 |
| Ordinary shares at fair value through other comprehensive income | - | - | 170 | 170 |
| Investment properties | - | - | 46,900 | 46,900 |
| Land and buildings | - | - | 58,500 | 58,500 |
| Total assets | 360 | - | 105,570 | 105,930 |
| *Liabilities* | | | | |
| Forward foreign exchange contracts | - | 122 | - | 122 |
| Total liabilities | - | 122 | - | 122 |

| **Consolidated - 2022** | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| *Assets* | | | | |
| Investment properties | - | - | 47,500 | 47,500 |
| Land and buildings | - | - | 58,500 | 58,500 |
| Total assets | - | - | 106,000 | 106,000 |
| *Liabilities* | | | | |
| Forward foreign exchange contracts | - | 107 | - | 107 |
| Total liabilities | - | 107 | - | 107 |

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*
Unquoted investments have been valued using a discounted cash flow model.

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.

**Note 50. Fair value measurement (continued)**

The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 30 June 2022 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.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

*Level 3 assets and liabilities*
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

| **Consolidated** | Ordinary shares at fair value through OCI $'000 | Investment properties $'000 | Land and buildings $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2021 | - | 46,000 | 56,500 | 102,500 |
| Gains recognised in profit or loss | - | 1,500 | - | 1,500 |
| Gains recognised in other comprehensive income | - | - | 2,000 | 2,000 |
| Balance at 30 June 2022 | - | 47,500 | 58,500 | 106,000 |
| Losses recognised in profit or loss | - | (600) | - | (600) |
| Gains recognised in other comprehensive income | 50 | - | - | 50 |
| Additions | 200 | - | - | 200 |
| Disposals | (80) | - | - | (80) |
| Balance at 30 June 2023 | 170 | 46,900 | 58,500 | 105,570 |

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

| Description | Unobservable inputs | Range (weighted average) | Sensitivity |
|---|---|---|---|
| Ordinary shares at fair value through other comprehensive income | Growth rate | 2.5% to 3.5% (3.0%) | 0.25% change would increase/decrease fair value by $5,000 |
| | Discount rate | 8.0% to 11.0% (9.5%) | 1.00% change would increase/decrease fair value by $14,000 |
| Investment properties | Rental yield | 7.5% to 9.0% (8.5%) | 0.75% change would increase/decrease fair value by $352,000 |
| | Rental growth | 1.25% to 2.0% (1.75%) | 0.25% change would increase/decrease fair value by $117,000 |
| | Long-term vacancy rate | 5.0% to 9.0% (7.5%) | 0.75% change would increase/decrease fair value by $276,000 |
| | Discount rate | 4.0% to 6.0% (5.25%) | 0.5% change would increase/decrease fair value by $57,000 |
| Land and buildings | Rental yield | 6.0% to 8.0% (7.5%) | 0.75% change would increase/decrease fair value by $440,000 |
| | Discount rate | 5.0% to 7.0% (6.25%) | 0.5% change would increase/decrease fair value by $61,000 |

## Note 51. 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 | |
|---|---|---|
| | 2023 | 2022 |
| | $ | $ |
| Short-term employee benefits | 1,617,781 | 1,498,400 |
| Post-employment benefits | 106,870 | 100,745 |
| Long-term benefits | 10,059 | 25,192 |
| Share-based payments | 252,960 | 1,431 |
| | 1,987,670 | 1,625,768 |

## Note 52. 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 | |
|---|---|---|
| | 2023 | 2022 |
| | $ | $ |
| *Audit services - Accounting Firm 123* | | |
| Audit or review 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 or review 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 or review of the financial statements | 26,500 | 23,000 |

## Note 53. 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 54. Contingent liabilities

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

The consolidated entity has given bank guarantees as at 30 June 2023 of $3,105,000 (2022: $2,844,000) to various landlords.

## Note 55. Commitments

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'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 56. Related party transactions

*Parent entity*
FRS Listed Comprehensive Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 59.

*Associates*
Interests in associates are set out in note 60.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 51 and the remuneration report included in the directors' report.

## Note 56. Related party transactions (continued)

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

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| 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 | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| 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 57. Parent entity information

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

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Profit after income tax | 24,967 | 21,383 |
| Total comprehensive income | 24,967 | 21,383 |

## Note 57. Parent entity information (continued)

*Statement of financial position*

| | Parent | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Total current assets | 25,206 | 899 |
| Total assets | 304,040 | 283,025 |
| Total current liabilities | 11,195 | 2,771 |
| 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 | 252 | 4,668 |
| Total equity | 183,505 | 187,621 |

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

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*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 58. Business combinations

On [date] FRS Logistics Pty Limited, a subsidiary of FRS Listed Comprehensive 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. It was acquired to better utilise the existing computer distribution division administrative function. The goodwill of $408,000 represents the expected synergies from merging this business with the computer distribution division and eliminating third party freight costs. The acquired business contributed revenues of $5,428,000 and profit after tax of $670,000 to the consolidated entity for the period from [date] to 30 June 2023. If the acquisition occurred on 1 July 2022 the full year contributions would have been revenues of $5,901,000 and profit after tax of $729,000. The values identified in relation to the acquisition of CompCarrier are final as at 30 June 2023.

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 |
| | |
| Acquisition costs expensed to profit or loss | 182 |
| | |
| Cash used to acquire business, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 8,230 |
| Less: cash and cash equivalents | (3) |
| Less: payments made in prior periods | (155) |
| | |
| Net cash used | 8,072 |

The fair value of trade receivables is $822,000. The gross contractual amount for trade receivables due is $874,000, of which $52,000 is not expected to be collected.

## Note 59. Interests in subsidiaries

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

| Name | Principal place of business / Country of incorporation | Ownership interest 2023 % | Ownership interest 2022 % |
|---|---|---|---|
| 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% |

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in note 1:

| | | | Parent | | Non-controlling interest | |
|---|---|---|---|---|---|---|
| Name | Principal place of business / Country of incorporation | Principal activities | Ownership interest 2023 % | Ownership interest 2022 % | Ownership interest 2023 % | Ownership interest 2022 % |
| FRS Manufacturing Pty Limited * | Australia | Computer manufacturing | 90.00% | 90.00% | 10.00% | 10.00% |

* the non-controlling interests hold 25% of the voting rights of FRS Manufacturing Pty Limited

## Note 59. Interests in subsidiaries (continued)

*Summarised financial information*
Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

| | FRS Manufacturing Pty Limited | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| *Summarised statement of financial position* | | |
| Current assets | 48,800 | 50,443 |
| Non-current assets | 163,318 | 162,342 |
| Total assets | 212,118 | 212,785 |
| Current liabilities | 25,735 | 22,452 |
| Non-current liabilities | 18,183 | 23,047 |
| Total liabilities | 43,918 | 45,499 |
| Net assets | 168,200 | 167,286 |
| *Summarised statement of profit or loss and other comprehensive income* | | |
| Revenue | 231,564 | 219,870 |
| Expenses | (229,506) | (216,649) |
| Profit before income tax expense | 2,058 | 3,221 |
| Income tax expense | (644) | (935) |
| Profit after income tax expense | 1,414 | 2,286 |
| Other comprehensive income | - | 1,400 |
| Total comprehensive income | 1,414 | 3,686 |
| *Statement of cash flows* | | |
| Net cash from operating activities | 9,262 | 12,284 |
| Net cash used in investing activities | (7,962) | (11,212) |
| Net cash used in financing activities | (2,500) | (500) |
| Net increase/(decrease) in cash and cash equivalents | (1,200) | 572 |
| *Other financial information* | | |
| Profit attributable to non-controlling interests | 142 | 229 |
| Accumulated non-controlling interests at the end of reporting period | 17,363 | 17,221 |

*Significant restrictions*
FRS Manufacturing Pty Limited cannot move its manufacturing location without the prior consent of the non-controlling interests.

## Note 60. 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 2023 % | Ownership interest 2022 % |
|---|---|---|---|
| Compdesign Partnership | Australia | 35.00% | 35.00% |

*Summarised financial information*

| | Compdesign Partnership 2023 $'000 | Compdesign Partnership 2022 $'000 |
|---|---|---|
| *Summarised statement of financial position* | | |
| Current assets | 28,994 | 26,806 |
| Non-current assets | 205,203 | 198,240 |
| Total assets | 234,197 | 225,046 |
| Current liabilities | 19,440 | 16,486 |
| Non-current liabilities | 117,066 | 120,043 |
| Total liabilities | 136,506 | 136,529 |
| Net assets | 97,691 | 88,517 |
| *Summarised statement of profit or loss and other comprehensive income* | | |
| Revenue | 109,706 | 97,951 |
| Expenses | (96,601) | (87,089) |
| Profit before income tax | 13,105 | 10,862 |
| Income tax expense | (3,931) | (3,259) |
| Profit after income tax | 9,174 | 7,603 |
| Other comprehensive income | - | - |
| Total comprehensive income | 9,174 | 7,603 |
| *Reconciliation of the consolidated entity's carrying amount* | | |
| Opening carrying amount | 30,981 | 28,320 |
| Share of profit after income tax | 3,211 | 2,661 |
| Closing carrying amount | 34,192 | 30,981 |

*Contingent liabilities*

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Share of bank guarantees | 276 | 266 |

## Note 60. Interests in associates (continued)

*Commitments*

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Share of capital commitments | 175 | 74 |

*Significant restrictions*
Compdesign Partnership must reduce its bank loans to under $50,000,000 and achieve pre-determined profit targets before any cash dividends can be distributed.

## Note 61. 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 Listed Comprehensive 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 Listed Comprehensive Limited, they also represent the 'Extended Closed Group'.

## Note 61. Deed of cross guarantee (continued)

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 | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Revenue | 416,059 | 387,389 |
| Other income | 270 | - |
| Interest revenue calculated using the effective interest method | 1,087 | 543 |
| 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** | | |
| Actuarial gain on defined benefit plans, net of tax | 105 | 50 |
| 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 | 130 | 23 |
| **Total comprehensive income for the year** | 25,346 | 15,244 |

| Equity - retained profits | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Retained profits at the beginning of the financial year | 6,904 | 9,249 |
| Profit after income tax expense | 25,216 | 15,221 |
| Dividends paid | (29,383) | (17,616) |
| Actuarial gain on defined benefit plans, net of tax | 105 | 50 |
| Retained profits at the end of the financial year | 2,842 | 6,904 |

## Note 61. Deed of cross guarantee (continued)

| Statement of financial position | 2023 $'000 | 2022 $'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 | 11,955 | 9,157 |
| Other | 1,922 | 1,769 |
| | 548,449 | 571,937 |
| **Total assets** | 605,710 | 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 |
| Retirement benefit obligations | 1,085 | 1,234 |
| | 356,615 | 361,137 |
| **Total liabilities** | 419,615 | 413,582 |
| **Net assets** | 186,095 | 189,857 |
| **Equity** | | |
| Issued capital | 182,953 | 182,678 |
| Reserves | 300 | 275 |
| Retained profits | 2,842 | 6,904 |
| **Total equity** | 186,095 | 189,857 |

## Note 62. Events after the reporting period

On [date] FRS Manufacturing Pty Limited, a subsidiary of FRS Listed Comprehensive Limited, acquired 100% of the ordinary shares of FRS Components Pty Limited (formerly known as Wilkie Edward Pty Limited) for the total consideration transferred of $3,780,000. This is a computer component manufacturing business and operates in the computer manufacturing division of the consolidated entity. It was acquired to shorten the time between component order and delivery.

Details of the acquisition are as follows:

| | Fair value<br>$'000 |
|---|---:|
| Cash and cash equivalents | 271 |
| Trade receivables | 346 |
| Raw materials | 82 |
| Finished goods | 205 |
| Plant and equipment | 2,844 |
| Deferred tax asset | 49 |
| Trade payables | (242) |
| Other payables | (51) |
| Employee benefits | (147) |
| | |
| Net assets acquired | 3,357 |
| Goodwill | 423 |
| | |
| Acquisition-date fair value of the total consideration transferred | 3,780 |
| | |
| Representing: | |
| Cash paid or payable to vendor | 3,780 |

Apart from the dividend declared as disclosed in note 48, no other matter or circumstance has arisen since 30 June 2023 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 63. Reconciliation of profit after income tax to net cash from operating activities

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Profit after income tax expense for the year | 27,268 | 15,749 |
| Adjustments for: | | |
| Depreciation and amortisation | 52,276 | 52,411 |
| Impairment of goodwill | 500 | - |
| Net gain on disposal of non-current assets | (422) | (192) |
| Net fair value gain on other financial assets | (50) | - |
| Net fair value loss/(gain) on investment properties | 600 | (1,500) |
| Share of profit - associates | (3,211) | (2,661) |
| Share-based payments | 250 | - |
| Foreign exchange differences | (269) | (226) |
| Unwinding of the discount on provisions | 85 | 62 |
| Loss on disposal of subsidiary | 637 | - |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (214) | 111 |
| Decrease/(increase) in contract assets | (473) | 367 |
| Decrease in inventories | 3,523 | 782 |
| Increase in deferred tax assets | (2,559) | (2,834) |
| Increase in prepayments | (101) | (168) |
| Increase in other operating assets | (2,382) | (3,976) |
| Increase/(decrease) in trade and other payables | 2,179 | (457) |
| Increase in contract liabilities | 134 | 161 |
| Increase/(decrease) in provision for income tax | 4,350 | (356) |
| Increase/(decrease) in deferred tax liabilities | (58) | 470 |
| Increase in employee benefits | 452 | 283 |
| Increase in other provisions | 397 | 249 |
| Increase in other operating liabilities | 214 | 28 |
| Net cash from operating activities | 83,126 | 58,303 |

## Note 64. Non-cash investing and financing activities

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Additions to the right-of-use assets | 5,521 | 6,228 |
| Leasehold improvements - lease make good | 550 | - |
| Shares issued under employee share plan | 250 | - |
| | 6,321 | 6,228 |

### Note 65. Changes in liabilities arising from financing activities

| **Consolidated** | Bank loans $'000 | Convertible notes $'000 | Lease liability $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2021 | 112,000 | 2,956 | 358,977 | 473,933 |
| Net cash used in financing activities | (94,000) | - | (21,555) | (115,555) |
| Acquisition of leases | - | - | 6,228 | 6,228 |
| Other changes | - | 11 | - | 11 |
| Balance at 30 June 2022 | 18,000 | 2,967 | 343,650 | 364,617 |
| Net cash from/(used in) financing activities | 6,500 | - | (25,385) | (18,885) |
| Acquisition of leases | - | - | 5,521 | 5,521 |
| Other changes | - | 11 | - | 11 |
| Balance at 30 June 2023 | 24,500 | 2,978 | 323,786 | 351,264 |

### Note 66. Earnings per share

| | **Consolidated** | |
|---|---|---|
| | **2023 $'000** | **2022 $'000** |
| *Earnings per share for profit from continuing operations* | | |
| Profit after income tax | 26,130 | 14,435 |
| Non-controlling interest | (142) | (229) |
| Profit after income tax attributable to the owners of FRS Listed Comprehensive Limited | 25,988 | 14,206 |
| Interest savings on convertible notes | 158 | 158 |
| Profit after income tax attributable to the owners of FRS Listed Comprehensive Limited used in calculating diluted earnings per share | 26,146 | 14,364 |
| | **Cents** | **Cents** |
| Basic earnings per share | 17.69 | 10.08 |
| Diluted earnings per share | 17.64 | 10.09 |

| | **Consolidated** | |
|---|---|---|
| | **2023 $'000** | **2022 $'000** |
| *Earnings per share for profit from discontinued operations* | | |
| Profit after income tax attributable to the owners of FRS Listed Comprehensive Limited | 1,138 | 1,314 |
| | **Cents** | **Cents** |
| Basic earnings per share | 0.77 | 0.93 |
| Diluted earnings per share | 0.77 | 0.92 |

## Note 66. Earnings per share (continued)

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| *Earnings per share for profit* | | |
| Profit after income tax | 27,268 | 15,749 |
| Non-controlling interest | (142) | (229) |
| Profit after income tax attributable to the owners of FRS Listed Comprehensive Limited | 27,126 | 15,520 |
| Interest savings on convertible notes | 158 | 158 |
| Profit after income tax attributable to the owners of FRS Listed Comprehensive Limited used in calculating diluted earnings per share | 27,284 | 15,678 |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | 18.47 | 11.01 |
| Diluted earnings per share | 18.41 | 11.02 |

| | Number | Number |
|---|---|---|
| *Weighted average number of ordinary shares* | | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 146,882,904 | 140,950,685 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | 565 | 385 |
| Convertible notes | 1,350,000 | 1,350,000 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 148,233,469 | 142,301,070 |

## Note 67. Share-based payments

On [date], 100,000 shares were issued to key management personnel at an issue price of $2.50 per share and a total transactional value of $250,000.

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of options granted under the plan:

2023

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 01/10/2020 | 30/09/2022 | $2.50 | 10,000 | - | (10,000) | - | - |
| 01/10/2022 | 30/09/2026 | $3.00 | - | 17,500 | - | - | 17,500 |
| | | | 10,000 | 17,500 | (10,000) | - | 17,500 |
| Weighted average exercise price | | | $2.50 | $3.00 | $2.50 | $0.00 | $3.00 |

## Note 67. Share-based payments (continued)

2022

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 01/10/2020 | 30/09/2022 | $2.50 | 10,000 | - | - | - | 10,000 |
| | | | 10,000 | - | - | - | 10,000 |
| Weighted average exercise price | | | $2.50 | $0.00 | $0.00 | $0.00 | $2.50 |

Set out below are the options exercisable at the end of the financial year:

| Grant date | Expiry date | 2023 Number | 2022 Number |
|---|---|---|---|
| 01/10/2020 | 30/09/2022 | - | 10,000 |
| | | - | 10,000 |

The weighted average share price during the financial year was $2.66 (2022: $2.34).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.25 years (2022: 0.25 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| 01/10/2022 | 30/09/2026 | $2.61 | $3.00 | 18.00% | 4.75% | 5.93% | $0.489 |

**FRS Listed Comprehensive Limited**
**Directors' declaration**
**30 June 2023**

In the directors' opinion:

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

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 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 61 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

Daniel Example
Director

24 August 2023
Sydney

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**FRS Listed Comprehensive Limited**
**Shareholder information**
**30 June 2023**

The shareholder information set out below was applicable as at 31 July 2023.

**Distribution of equitable securities**
Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | |
|---|---|---|
| | Number of holders | % of total shares issued |
| 1 to 1,000 | 1,920 | 0.65 |
| 1,001 to 5,000 | 828 | 1.41 |
| 5,001 to 10,000 | 1,239 | 6.33 |
| 10,001 to 100,000 | 496 | 9.36 |
| 100,001 and over | 16 | 82.25 |
| | 4,499 | 100.00 |
| Holding less than a marketable parcel | 6 | - |

**Equity security holders**

*Twenty largest quoted equity security holders*
The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| Madison Capital | 25,000,000 | 17.02 |
| Daniel and Claire Example Superannuation Fund (Daniel Example) | 20,500,000 | 13.95 |
| Federation Australia Bank AcTrade Limited | 20,000,000 | 13.61 |
| Passive Investment Limited | 15,000,000 | 10.21 |
| Manufacturers Credit Union Superannuation Fund | 15,000,000 | 10.21 |
| Blizzard Growth Solutions Pty Limited | 6,684,293 | 4.55 |
| Andrew Brown Superannuation Fund | 6,462,912 | 4.40 |
| BE No 2 Superannuation Fund (Brad Example) | 5,886,200 | 4.01 |
| Egan and Forsyth Investments Pty Limited | 3,000,000 | 2.04 |
| Greater Prospects Pty Limited | 1,243,955 | 0.85 |
| Wilber Carroll Superannuation Fund | 840,321 | 0.57 |
| Alder and Associates Pty Limited | 745,632 | 0.51 |
| Chee Leung Superannuation Fund | 150,000 | 0.10 |
| Townsend Holdings Pty Limited | 112,488 | 0.08 |
| Prestige Cars Pty Limited | 100,000 | 0.07 |
| Richard Long Family Trust | 100,000 | 0.07 |
| Technical Revolution Pty Limited | 89,437 | 0.06 |
| The Yorke Family Trust | 83,482 | 0.06 |
| Lister Trading Pty Limited | 81,345 | 0.06 |
| Craig and Mary Donaldson Superannuation Fund | 76,437 | 0.05 |
| | 121,156,502 | 82.48 |

*Unquoted equity securities*

| | Number on issue | Number of holders |
|---|---|---|
| Options over ordinary shares issued | 17,500 | 2 |

**FRS Listed Comprehensive Limited**
**Shareholder information**
**30 June 2023**

**Substantial holders**
Substantial holders in the company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| Madison Capital | 25,000,000 | 17.02 |
| Daniel and Claire Example Superannuation Fund (Daniel Example) | 20,500,000 | 13.95 |
| Federation Australia Bank AcTrade Limited | 20,000,000 | 13.61 |
| Passive Investment Limited | 15,000,000 | 10.21 |
| Manufacturers Credit Union Superannuation Fund | 15,000,000 | 10.21 |

**Voting rights**
The voting rights attached to ordinary shares are set out below:

*Ordinary shares*
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.

There are no other classes of equity securities.

**Restricted securities**

| Class | Expiry date | Number of shares |
|---|---|---|
| Ordinary shares | [date] | 25,000 |
| Ordinary shares | [date] | 18,900 |
| Ordinary shares | [date] | 21,500 |
| | | 65,400 |

**Securities subject to voluntary escrow**

| Class | Expiry date | Number of shares |
|---|---|---|
| Ordinary shares | [date] | 28,350 |
| Ordinary shares | [date] | 23,600 |
| Ordinary shares | [date] | 35,000 |
| | | 86,950 |