FRS

Financial Reporting Specialists

Example Financial Report

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FRS Listed Practical Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	FRS Listed Practical Limited
ABN:	12 345 678 901
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

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2. Results for announcement to the market

The consolidated entity has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

				$'000
Revenues from ordinary activities	up	6.7%	to	233,900
Profit from ordinary activities after tax attributable to the owners of FRS Listed Practical Limited	up	30.6%	to	15,413
Profit for the half-year attributable to the owners of FRS Listed Practical Limited	up	30.6%	to	15,413

Dividends

	Amount per security Cents	**Franked amount per security Cents**
Final dividend for the year ended 30 June 2019 paid on [date]	15.0	15.0

On [date] the directors declared an interim dividend for the year ending 30 June 2020 of 5 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 $15,413,000 (31 December 2018: $11,804,000).

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 6.7% 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.

AASB 16 'Leases' had a significant impact on the current period. The current profit before income tax expense was reduced by $3,544,000. This included an increased depreciation and amortisation expense of $15,568,000 and increased finance costs of $8,346,000, offset by a reduction in other expenses (reclassification of lease expenses) of $20,370,000. As at 31 December 2019, net current assets were reduced by $20,458,000 (attributable to current lease liabilities) and net assets were reduced by $10,805,000 (attributable to right-of-use assets, lease liabilities and deferred tax assets).

Notwithstanding the impact of AASB 16, the financial position of the consolidated entity remains strong with excellent liquidity and a large asset base, which is being fully utilised. With the predicted upturn in the economy and continued profitability of the consolidated entity, bank borrowings are expected to reduce significantly during the second half of the financial year ending 30 June 2020 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 half-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.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	149.32	152.27

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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%	2,308	2,053
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			2,308	2,053
Income tax on operating activities			692	616

7. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

Details of attachments (if any):

The Interim Report of FRS Listed Practical Limited for the half-year ended 31 December 2019 is attached.

9. Signed

Signed ____________________________ Date: 24 February 2020

Daniel Example
Director
Sydney

FRS Listed Practical Limited

ABN 12 345 678 901

Interim Report - 31 December 2019

FRS Listed Practical Limited
Directors' report
31 December 2019

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 Practical Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

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

Anthony Example
Brad Example
Christina Example
Daniel Example
Elizabeth Example (resigned on 20 February 2020)

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

Review of operations
The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $15,413,000 (31 December 2018: $11,804,000).

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 6.7% 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.

AASB 16 'Leases' had a significant impact on the current period. The current profit before income tax expense was reduced by $3,544,000. This included an increased depreciation and amortisation expense of $15,568,000 and increased finance costs of $8,346,000, offset by a reduction in other expenses (reclassification of lease expenses) of $20,370,000. As at 31 December 2019, net current assets were reduced by $20,458,000 (attributable to current lease liabilities) and net assets were reduced by $10,805,000 (attributable to right-of-use assets, lease liabilities and deferred tax assets).

Notwithstanding the impact of AASB 16, the financial position of the consolidated entity remains strong with excellent liquidity and a large asset base, which is being fully utilised. With the predicted upturn in the economy and continued profitability of the consolidated entity, bank borrowings are expected to reduce significantly during the second half of the financial year ending 30 June 2020 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 half-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.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

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

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Daniel Example
Director

24 February 2020
Sydney

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General information

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

FRS Listed Practical 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	Principal place of business
10th Floor Universal Administration Building 12 Highland Street Sydney NSW 2000	5th Floor FRS Business Centre 247 Edward Street Brisbane QLD 4000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2020.

FRS Listed Practical Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Revenue	3	233,357	218,931
Share of profits of associates accounted for using the equity method	4	1,616	1,437
Other income	5	692	192
Interest revenue calculated using the effective interest method		543	272
Net gain on derecognition of financial assets at amortised cost		50	-
Expenses			
Changes in inventories		(660)	(782)
Raw materials and consumables used		(63,486)	(65,515)
Employee benefits expense		(112,431)	(109,130)
Depreciation and amortisation expense		(26,138)	(10,979)
Impairment of receivables		(256)	(262)
Other expenses		(2,242)	(15,960)
Finance costs	6	(9,465)	(1,726)
Profit before income tax expense		21,580	16,478
Income tax expense		(6,096)	(4,560)
Profit after income tax expense for the half-year		15,484	11,918
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
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		(1)	(5)
Net change in the fair value of cash flow hedges taken to equity, net of tax		(3)	(12)
Foreign currency translation		(157)	(98)
Other comprehensive income for the half-year, net of tax		(126)	(117)
Total comprehensive income for the half-year		15,358	11,801
Profit for the half-year is attributable to:			
Non-controlling interest		71	114
Owners of FRS Listed Practical Limited		15,413	11,804
		15,484	11,918
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		71	114
Owners of FRS Listed Practical Limited		15,287	11,687
		15,358	11,801

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

FRS Listed Practical Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated	
		31 Dec 2019	**31 Dec 2018**
		$'000	**$'000**
		Cents	**Cents**
Basic earnings per share		10.49	8.37
Diluted earnings per share		10.49	8.37

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

FRS Listed Practical Limited
Statement of financial position
As at 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		26,136	22,258
Trade and other receivables		13,420	12,958
Contract assets		2,458	2,508
Inventories		39,525	40,185
Financial assets at fair value through profit or loss		360	-
Other		3,935	3,444
		85,834	81,353
Non-current assets classified as held for sale	7	6,000	-
Total current assets		91,834	81,353
Non-current assets			
Receivables		145	135
Investments accounted for using the equity method		34,192	32,576
Financial assets at fair value through other comprehensive income		170	-
Investment properties		46,900	46,900
Property, plant and equipment		117,139	129,690
Right-of-use assets	8	318,292	-
Intangibles		12,170	12,357
Deferred tax		14,490	9,407
Other		2,308	2,220
Total non-current assets		545,806	233,285
Total assets		637,640	314,638
Liabilities			
Current liabilities			
Trade and other payables		20,004	19,468
Contract liabilities		2,269	2,135
Borrowings	9	4,500	4,475
Lease liabilities	10	22,072	-
Derivative financial instruments		122	116
Income tax		6,701	4,497
Employee benefits		8,352	8,270
Provisions		3,494	3,362
Other		2,130	2,159
		69,644	44,482
Liabilities directly associated with assets classified as held for sale		4,000	-
Total current liabilities		73,644	44,482
Non-current liabilities			
Borrowings	11	19,000	21,630
Lease liabilities	12	310,978	-
Deferred tax		4,617	4,446
Employee benefits		11,149	10,975
Provisions		1,475	1,325
Total non-current liabilities		347,219	38,376
Total liabilities		420,863	82,858
Net assets		216,777	231,780

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

FRS Listed Practical Limited
Statement of financial position
As at 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Equity			
Issued capital		182,953	182,953
Reserves		3,276	3,402
Retained profits		13,185	28,133
Equity attributable to the owners of FRS Listed Practical Limited		199,414	214,488
Non-controlling interest		17,363	17,292
Total equity		216,777	231,780

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

FRS Listed Practical Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	182,678	3,625	15,636	17,107	219,046
Profit after income tax expense for the half-year	-	-	11,804	114	11,918
Other comprehensive income for the half-year, net of tax	-	(117)	-	-	(117)
Total comprehensive income for the half-year	-	(117)	11,804	114	11,801
Transactions with owners in their capacity as owners:					
Dividends paid (note 13)	-	-	(11,744)	-	(11,744)
Balance at 31 December 2018	182,678	3,508	15,696	17,221	219,103

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019	182,953	3,402	28,133	17,292	231,780
Adjustment for change in accounting policy (note 1)	-	-	(8,324)	-	(8,324)
Balance at 1 July 2019 - restated	182,953	3,402	19,809	17,292	223,456
Profit after income tax expense for the half-year	-	-	15,413	71	15,484
Other comprehensive income for the half-year, net of tax	-	(126)	-	-	(126)
Total comprehensive income for the half-year	-	(126)	15,413	71	15,358
Transactions with owners in their capacity as owners:					
Dividends paid (note 13)	-	-	(22,037)	-	(22,037)
Balance at 31 December 2019	182,953	3,276	13,185	17,363	216,777

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

FRS Listed Practical Limited
Statement of cash flows
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		254,020	237,416
Payments to suppliers and employees (inclusive of GST)		(201,866)	(214,235)
		52,154	23,181
Interest received		543	272
Other revenue		2,123	1,691
Interest and other finance costs paid		(9,465)	(1,726)
Income taxes paid		(5,266)	(4,231)
Net cash from operating activities		40,089	19,187
Cash flows from investing activities			
Payments for investments		(510)	-
Payments for property, plant and equipment		(8,072)	(1,524)
Proceeds from disposal of investments		80	-
Proceeds from disposal of property, plant and equipment		1,511	250
Net cash used in investing activities		(6,991)	(1,274)
Cash flows from financing activities			
Proceeds from borrowings		10,000	-
Dividends paid	13	(22,037)	(11,744)
Repayment of borrowings		(4,500)	(12,294)
Repayment of lease liabilities		(12,692)	-
Net cash used in financing activities		(29,229)	(24,038)
Net increase/(decrease) in cash and cash equivalents		3,869	(6,125)
Cash and cash equivalents at the beginning of the financial half-year		22,258	10,371
Effects of exchange rate changes on cash and cash equivalents		9	5
Cash and cash equivalents at the end of the financial half-year		26,136	4,251

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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

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

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

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $'000
Operating lease commitments as at 1 July 2019 (AASB 117)	504,707
Finance lease commitments as at 1 July 2019 (AASB 117)	4,774
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5% (AASB 16)	(118,294)
Short-term leases not recognised as a right-of-use asset (AASB 16)	(37)
Low-value assets leases not recognised as a right-of-use asset (AASB 16)	(82)
Accumulated depreciation as at 1 July 2019 (AASB 16)	(59,309)
Right-of-use assets (AASB 16)	331,759
Lease liabilities - current (AASB 16)	(20,812)
Lease liabilities - non-current (AASB 16)	(322,838)
Tax effect on the above adjustments	3,567
Reduction in opening retained profits as at 1 July 2019	(8,324)

Note 1. Significant accounting policies (continued)

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

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the 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.

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.

Note 2. 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 and components in Australia
Computer retailing	the retailing of computers and components predominately in Australia
Computer distribution	the freight and cartage of computers and components 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 2. 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.

Operating segment information

Consolidated - 31 Dec 2019	Computer manufacturing $'000	Computer retailing $'000	Computer distribution $'000	Other segments $'000	Total $'000
Revenue					
Sales to external customers	13,233	216,423	1,848	-	231,504
Intersegment sales	101,008	-	4,453	-	105,461
Total sales revenue	114,241	216,423	6,301	-	336,965
Other revenue	-	-	-	1,853	1,853
Total segment revenue	114,241	216,423	6,301	1,853	338,818
Intersegment eliminations					(105,461)
Unallocated revenue:					
Interest revenue					543
Total revenue					233,900
EBITDA	8,393	46,381	1,804	62	56,640
Depreciation and amortisation					(26,138)
Interest revenue					543
Finance costs					(9,465)
Profit before income tax expense					21,580
Income tax expense					(6,096)
Profit after income tax expense					15,484
Assets					
Segment assets	155,823	433,909	21,405	-	611,137
Intersegment eliminations					(15,568)
Unallocated assets:					
Cash and cash equivalents					18,551
Ordinary shares					530
Land and buildings					8,500
Deferred tax asset					14,490
Total assets					637,640
Liabilities					
Segment liabilities	41,390	367,862	6,861	-	416,113
Intersegment eliminations					(15,568)
Unallocated liabilities:					
Provision for income tax					6,701
Bank loans					9,000
Deferred tax liability					4,617
Total liabilities					420,863

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. Therefore, the current and comparative EBITDA are not directly comparable.

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2018	Computer manufacturing $'000	Computer retailing $'000	Computer distribution $'000	Other segments $'000	Total $'000
Revenue					
Sales to external customers	12,169	202,906	2,165	-	217,240
Intersegment sales	95,711	-	1,404	-	97,115
Total sales revenue	107,880	202,906	3,569	-	314,355
Other revenue	-	-	-	1,691	1,691
Total segment revenue	107,880	202,906	3,569	1,691	316,046
Intersegment eliminations					(97,115)
Unallocated revenue:					
Interest revenue					272
Total revenue					219,203
EBITDA	5,991	21,059	847	1,014	28,911
Depreciation and amortisation					(10,979)
Interest revenue					272
Finance costs					(1,726)
Profit before income tax expense					16,478
Income tax expense					(4,560)
Profit after income tax expense					11,918

Note 3. Revenue

	Consolidated	
	31 Dec 2019 $'000	**31 Dec 2018 $'000**
Revenue from contracts with customers		
Sale of goods	229,656	215,075
Rendering of services	1,848	2,165
	231,504	217,240
Other revenue		
Rent from investment properties	1,812	1,655
Other revenue	41	36
	1,853	1,691
Revenue	233,357	218,931

Note 3. Revenue (continued)

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

Consolidated - 31 Dec 2019	Computer manufacturing $'000	Computer retailing $'000	Computer distribution $'000	Total $'000
Major product lines				
Laptops	6,699	179,980	1,646	188,325
Desktops	2,106	23,614	202	25,922
Components	4,428	12,829	-	17,257
	13,233	216,423	1,848	231,504
Geographical regions				
Australia	11,478	191,632	1,848	204,958
New Zealand	1,147	18,364	-	19,511
Rest of the World	608	6,427	-	7,035
	13,233	216,423	1,848	231,504
Timing of revenue recognition				
Goods transferred at a point in time	13,233	216,423	-	229,656
Services transferred over time	-	-	1,848	1,848
	13,233	216,423	1,848	231,504

Consolidated - 31 Dec 2018	Computer manufacturing $'000	Computer retailing $'000	Computer distribution $'000	Total $'000
Major product lines				
Laptops	6,057	165,426	1,878	173,361
Desktops	2,421	26,783	287	29,491
Components	3,691	10,697	-	14,388
	12,169	202,906	2,165	217,240
Geographical regions				
Australia	10,807	183,007	2,165	195,979
New Zealand	955	15,328	-	16,283
Rest of the World	407	4,571	-	4,978
	12,169	202,906	2,165	217,240
Timing of revenue recognition				
Goods transferred at a point in time	12,169	202,906	-	215,075
Services transferred over time	-	-	2,165	2,165
	12,169	202,906	2,165	217,240

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

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Share of profit - associates	1,616	1,437

Note 5. Other income

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Net gain on disposal of property, plant and equipment	422	192
Insurance recoveries	270	-
Other income	692	192

Note 6. Expenses

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Profit before income tax includes the following specific expenses:		
Cost of sales		
Cost of sales	142,226	138,991
Finance costs		
Interest and finance charges paid/payable on borrowings	942	1,726
Interest and finance charges paid/payable on lease liabilities	8,523	-
Finance costs expensed	9,465	1,726
Net foreign exchange loss		
Net foreign exchange loss	9	4
Leases		
Minimum lease payments	-	17,437
Variable lease payments	584	-
Short-term lease payments	51	-
Low-value assets lease payments	67	-
	702	17,437
Superannuation expense		
Defined contribution superannuation expense	9,044	8,814
Write off of assets		
Inventories	269	56

Note 7. Current assets - non-current assets classified as held for sale

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Land	6,000	-

The vacant land situated at 22 Smith Street, Parramatta NSW is currently for sale and is expected to be sold within five months from the reporting date through an auction process. The proposed development of a head office building on the site has been abandoned and the land is now surplus to requirements. The land is not allocated to an operating segment.

Note 8. Non-current assets - right-of-use assets

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Land and buildings - right-of-use	271,636	-
Less: Accumulated depreciation	(30,559)	-
	241,077	-
Plant and equipment - right-of-use	123,603	-
Less: Accumulated depreciation	(46,388)	-
	77,215	-
	318,292	-

Additions to the right-of-use assets during the half-year were $2,761,000.

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.

Note 9. Current liabilities - borrowings

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Bank loans	4,500	3,000
Lease liability	-	1,475
	4,500	4,475

Note 10. Current liabilities - lease liabilities

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Lease liability	22,072	-

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Bank loans	19,000	19,000
Lease liability	-	2,630
	19,000	21,630

Note 12. Non-current liabilities - lease liabilities

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Lease liability	310,978	-

Note 13. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Final dividend for the year ended 30 June 2019 (31 Dec 2018: 30 June 2018) of 15 cents (31 Dec 2018: 8 cents) per ordinary share	22,037	11,744

On [date] the directors declared an interim dividend for the year ending 30 June 2020 of 5 cents per ordinary share to be paid on [date], a total estimated distribution of $7,346,000 based on the number of ordinary shares on issue as at [date]. The financial effect of dividends declared after the reporting date are not reflected in the 31 December 2019 financial statements and will be recognised in subsequent financial reports.

Note 14. 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 - 31 Dec 2019	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 - 30 Jun 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment properties	-	-	46,900	46,900
Land and buildings	-	-	58,500	58,500
Total assets	-	-	105,400	105,400
Liabilities				
Forward foreign exchange contracts	-	116	-	116
Total liabilities	-	116	-	116

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 half-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 14. 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 2018 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 financial half-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 2019	-	46,900	58,500	105,400
Gains recognised in other comprehensive income	50	-	-	50
Additions	200	-	-	200
Disposals	(80)	-	-	(80)
Balance at 31 December 2019	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 15. Contingent liabilities

During the financial half-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 potential compensation will be adequately covered by the consolidated entity's insurance policy. Accordingly, no provision has been provided within these financial statements.

The consolidated entity has given bank guarantees as at 31 December 2019 of $3,105,000 (30 Jun 2019: $2,844,000) to various landlords.

Note 16. Events after the reporting period

Apart from the dividend declared as disclosed in note 13, no other matter or circumstance has arisen since 31 December 2019 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.

FRS Listed Practical Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and

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

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Daniel Example
Director

24 February 2020
Sydney

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