IPD Group Ltd

ACN 111 178 351

Financial Statements

For the Year Ended 30 June 2020

IPD Group Ltd

111 178 351

Contents

For the Year Ended 30 June 2020

Directors' Report

30 June 2020

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2020.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Mohamed Yoosuff	
Experience	Finance Director joined the board in February 2005. He has previously held various senior management positions in manufacturing and distribution companies, including as the CFO and Company Secretary of a Listed Public Company on the ASX.
Michael Sainsbury	
Experience	Chief Executive Officer effective 1st July 2015, prior to this Michael spent 18 months as IPD's National Sales Manager. He comes with over 25 years' experience in Sales and Management within the Electrical industry, 17 of these with Schneider Electric where his most Senior role was General Manager of the EcoBusiness Australia Division.
David John Rafter	David Rafter Appointed as a director on 5th August 2019.
Experience	David is a widely experienced "C" suite executive and director, with broad industry experience in infrastructure, telecommunications, transport, resources, energy, property and industrial services across ANZ, Asia and UAE. David currently holds the role of CEO at Web FM, a global provider of construction and facilities management consulting and software solutions. Major roles across David's 30 year building services career include the CEO of O'Donnell Griffin, a $600m electrical engineering /contracting business and Haden Engineering a $300m HVAC construction and service company.
Andrew Graeme Moffat	Appointed as director on 4th March 2020
Experience	Andrew has in excess of 23 years of corporate and investment banking experience, including serving as a director of Equity Capital markets and Advisory for BNP Paribas Equities (Australia) Andrew is a Non-Executive Director of Pacific Star Network Limited and 360 Capital Group Limited, both of them publicly listed entities. His past public company directorships include Rubik Financial Limited, Keybridge Capital Limited, CCK Financial Solutions Limited, itX Group Limited and Infomedia Limited
Terry Chapman	Resigned as director 18th February 2020
Experience	Terry holds the position of Project Director for Westconnex, a multibillion infrastructure project in Sydney. Before joining Westconnex, Terry held a number of executive positions including as the Chief Executive Officer of WDS, Managing Director Constructions Australia and Executive Director Infrastructure for Brookfield Multiplex. He was also Chief Executive Transport and Systems with United Group Infrastructure from 2004 to 2008. Prior to that, Terry was employed for 23 years with Alstom Australia, in various positions including Chief Executive Alstom Transport Australia.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Directors' Report

30 June 2020

Principal activities

The principal activity of the Group is the distribution and servicing of electrical equipment in Australia and New Zealand.

The following significant changes in the nature of the principal activities occurred during the financial year:

- The Group acquired Addelec Power Services Pty Ltd on the 23rd August 2019 to enhance its service offering to its customers.

Operating results

The consolidated profit of the Group amounted to $3,975,000 (2019: loss of $224,000).

Review of operations

The net profit of the Company for the year after income tax was $3,975,000 (2019: loss of $224,000).

Revenue has increased by 15.5% during the year, with a gross margin of 38.4%% (2019: 41%). The increase in revenue during the year is primarily as a result of the acquisition of Addelec Power Services Pty Ltd on 23rd August 2019.

Working capital has been effectively managed throughout the financial year, with a strong end of year cash position of $11,633,000 (2019: $6,009,00). Since the arrival of the COVID19 outbreak in March 2020, the Board and management have instigated active risk management plans and business continuity protocols to mitigate impacts on the Company and its customers.

Significant changes in state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

On 23rd August 2019, the Company purchased 100 per cent of the shares of Addelec Power Services Pty Ltd (ACN 118 144 399) for $2.0M, by way of $1.8M cash settlement, plus $200,000 deferred cash settlement.

Matters or circumstances arising after the end of the year

The directors resolved on 21st July, 2020, to declare a fully franked dividend of $1,386,000, (sixty six cents per ordinary share), and pay $756,000 (thirty six cents per share) on 7th of August, 2020 and the remaining $630,000 (thirty cents per share) to be paid on a date to be determined by the directors.

On 1st of October, 2020, the Company purchased 100 percent of the shares in Control Logic Pty Ltd (ABN 14 611 620 234) . The purchase consideration for Control Logic consisted of 40% cash and 60% newly created shares in IPD.

The acquisition of Control Logic enhances the product and service offering of the overall business.

The initial accounting for business combination is incomplete at the time the Company's financial statements were authorised for issue and accordingly, details of the financial effect of the business combination have not been disclosed.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

No material changes to the principal activities currently undertaken by the Group are under active consideration. Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Company secretary

The following person held the position of Company secretary at the end of the financial year:

Directors' Report
30 June 2020

Company secretary

Mohamed Yoosuff has been the company secretary since 2004.

Indemnification and insurance of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Group, the company secretary and all executive officers of the company against a liability incurred as such a director, secretary or executive officer 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.

The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and can be found on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: ....
Michael Sainsbury

Director: ....
David Rafter

Dated: 30 October 2020

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of IPD Group Ltd and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

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SCOTT TOBUTT
PARTNER

30 OCTOBER 2020
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

	Note	2020 000's $	2019 000's $
Revenue	5	**87,530**	75,766
Cost of Goods Sold		**(53,908)**	(44,764)
Gross profit		**33,622**	31,002
Other Income	5	**533**	77
Impairment of goodwill		**-**	(1,976)
Selling and distribution expenses		**(14,919)**	(15,568)
Administration expenses		**(6,940)**	(5,025)
Marketing expenses		**(2,626)**	(4,039)
Occupancy expenses		**(3,983)**	(3,772)
Other expenses		**(337)**	(118)
Profit before income tax		**5,350**	581
Income tax expense	7	**(1,375)**	(805)
Profit/ (loss) for the year		**3,975**	(224)
Total comprehensive income for the year		**3,975**	(224)
Profit attributable to:			
Members of the parent entity		**3,975**	(224)
Total comprehensive income attributable to:			
Members of the parent entity		**3,975**	(224)

IPD Group Ltd

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Statement of Financial Position

As At 30 June 2020

	Note	2020 000's $	2019 000's $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**11,663**	6,009
Trade and other receivables	9	**16,946**	14,511
Inventories	10	**15,633**	15,334
Other financial assets		**-**	17
Current tax receivable	17	**-**	466
Other assets	12	**328**	1,044
TOTAL CURRENT ASSETS		**44,570**	37,381
NON-CURRENT ASSETS			
Property, plant and equipment	11	**2,797**	2,676
Deferred tax assets	17	**1,556**	617
Right-of-use assets	13	**13,914**	-
TOTAL NON-CURRENT ASSETS		**18,267**	3,293
TOTAL ASSETS		**62,837**	40,674
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	**15,062**	12,329
Current tax liabilities	17	**1,058**	-
Lease liabilities	14	**2,524**	-
Provisions	16	**2,295**	1,757
Other liabilities		**121**	-
TOTAL CURRENT LIABILITIES		**21,060**	14,086
NON-CURRENT LIABILITIES			
Lease liabilities	14	**12,585**	-
Provisions	16	**359**	323
TOTAL NON-CURRENT LIABILITIES		**12,944**	323
TOTAL LIABILITIES		**34,004**	14,409
NET ASSETS		**28,833**	26,265
EQUITY			
Issued capital	18	**2,260**	2,260
Retained earnings		**26,573**	24,005
TOTAL EQUITY		**28,833**	26,265

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2020

	Note	Ordinary Shares 000's $	Retained Earnings 000's $	Total 000's $
Balance at 1 July 2019		**2,260**	**24,005**	**26,265**
Profit attributable to members of the parent entity		**-**	**3,975**	**3,975**
Dividends paid or provided for	19	**-**	**(1,407)**	**(1,407)**
Balance at 30 June 2020		**2,260**	**26,573**	**28,833**
Balance at 1 July 2018		2,260	25,636	27,896
Loss attributable to members of the parent entity		-	(224)	(224)
Dividends paid or provided for	19	-	(1,407)	(1,407)
Balance at 30 June 2019		2,260	24,005	26,265

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the Year Ended 30 June 2020

	Note	2020 000's $	2019 000's $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**97,142**	87,445
Payments to suppliers and employees		**(85,730)**	(84,346)
Interest received		**13**	16
Finance costs		**(491)**	-
Income taxes paid		**(790)**	(1,242)
Net cash provided by operating activities	21	**10,144**	1,873
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for property, plant and equipment		**(605)**	(1,127)
Proceeds from sale of property, plant and equipment		**52**	151
Acquisition of subsidiary, net of cash acquired		**(1,159)**	-
Net cash used in investing activities		**(1,712)**	(976)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease obligations		**(1,371)**	-
Dividends paid to members of the entity		**(1,407)**	(1,407)
Net cash used in financing activities		**(2,778)**	(1,407)
Net increase/(decrease) in cash and cash equivalents held		**5,654**	(510)
Cash and cash equivalents at beginning of year		**6,009**	6,519
Cash and cash equivalents at end of financial year	8	**11,663**	6,009

Notes to the Financial Statements

For the Year Ended 30 June 2020

The financial report covers IPD Group Ltd and its controlled entities ('the Group'). IPD Group Ltd is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 30 October 2020.

Comparatives are consistent with prior years, unless otherwise stated.

The Group is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

1 Basis of Preparation

In the directors' opinion, the company is not a reporting entity since there are unlikely to exist users of the financial statements who are not able to command the preparation of reports tailored so as to satisfy specifically all of their information needs. This special purpose financial report has been prepared to meet the reporting requirements of the Corporations Act 2001

The financial statements have been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards and Accounting Interpretations, and disclosure requirements of AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flow, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 1054 Australian Additional Disclosures.

2 Change in Accounting Policy

Leases - Adoption of AASB 16

The Group has adopted AASB 16 Leases using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 Leases and associated Accounting Interpretations.

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below:

The Group as a lessee

Under AASB 117, the Group assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Group or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Group has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight-line basis.

2 Change in Accounting Policy

Leases - Adoption of AASB 16

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition, the Group has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Group's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- single discount rate was applied to all leases with similar characteristics;
- the right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 1 July 2019 rather than perform impairment testing of the right-of-use asset;
- excluded leases with an expiry date prior to 30 June 2020 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs.

The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Financial statement impact of adoption of AASB 16

The Group has recognised right-of-use assets of $16,004,879 and lease liabilities of $16,004,879 at 1 July 2019, for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.49%.

	000's **$**
Operating lease commitments at 30 June 2019 financial statements	15,254
Discounted using the incremental borrowing rate at 1 July 2019	14,798
Add:	
Finance lease liabilities taken up at acquisition	1,207
Lease liabilities recognised at 1 July 2019	16,005

3 Summary of Significant Accounting Policies

(a) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(b) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

3 Summary of Significant Accounting Policies

(c) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Group are:

Sale of goods

Sale of industrial electrical products, including engineered solutions, direct to the "end user" customer and to the electrical wholesale markets. Revenue is recognised when our performance obligations have been satisfied, which is upon delivery of the goods.

Rendering of services

Rendering of services relates to the testing, calibration and repair of electrical testing and measurement equipment.

Revenue is recognised when the control of the promised goods and services is passed to the customer, typically upon performance or delivery of such goods and services. Accordingly, for the revenue streams described above, revenue is recognised at the point in time as the goods are delivered and services are performed.

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

(d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

3 Summary of Significant Accounting Policies

(d) Goods and services tax (GST)

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average costs basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Land and buildings

Land and buildings are measured using the cost model.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	**Useful life**
Plant and Equipment	3 - 10 years
Furniture, Fixtures and Fittings	10 years
Motor Vehicles	5 years
Leasehold improvements	Over the period of th

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

3 Summary of Significant Accounting Policies

(g) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss (refer to hedging accounting policy for derivatives designated as hedging instruments.)

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

The Group's financial assets measured at FVTPL comprise market to market instruments in the statement of financial position.

3 Summary of Significant Accounting Policies

(g) Financial instruments

Financial assets

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of financial assets has increased significance since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and finance lease liabilities.

3 Summary of Significant Accounting Policies

(h) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(i) Intangibles

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

i) the consideration transferred;

ii) any non-controlling interest; and

iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

3 Summary of Significant Accounting Policies

(k) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(l) Warranty Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

3 Summary of Significant Accounting Policies

(n) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have decided against early adoption of these Standards, but do not expect the adoption of these standards to have any impact on the reported position or performance of the Group.

4 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - provisions

As described in the accounting policies, provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - inventory

Each item on inventory is reviewed on a semi-annual basis to determine whether it is being carried at higher than its net realisable value. During the year, management have written down inventory based on best estimate of the net realisable value, although until the time that inventory is sold this is an estimate.

Key estimates - warranty provision

The directors' estimate of the warranty provision is based on the expectation of potential product failure and future warranty claims. Any reassessment of expected future claims will impact the carrying amount of the provision and cost of goods sold.

Notes to the Financial Statements

For the Year Ended 30 June 2020

5 Revenue and Other Income

	2020 000's $	2019 000's $
Revenue		
- Revenue from contracts with customers	**87,530**	75,766
Other Income		
- recoveries	**43**	46
- Profit from sale of fixed assets	**23**	15
- interest received	**12**	16
- other income	**455**	-
	533	77

6 Result for the Year

The result for the year includes the following specific expenses:

	2020	2019
Employee benefits expense	**21,473**	16,628
Depreciation and amortisation expense	**3,285**	3,120
Finance costs	**491**	-

7 Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2020	2019
Current tax expense		
Local income tax - current period	**2,314**	182
Deferred tax expense		
Origination and reversal of temporary differences	**(939)**	623
	1,375	805

(b) Reconciliation of income tax to accounting profit:

	2020	2019
Profit	**5,350**	581
Tax	**30.00%**	30.00%
	1,605	174
Add:		
Tax effect of:		
- other non-allowable items	**74**	114
- under/ (over) provision for income tax in prior year	**(304)**	517
	1,375	805

Notes to the Financial Statements

For the Year Ended 30 June 2020

8 Cash and Cash Equivalents

	2020 000's $	2019 000's $
Cash at bank and in hand	**11,663**	6,009

9 Trade and other receivables

	2020 000's $	2019 000's $
CURRENT		
Trade and other receivables	**17,482**	14,895
Provision for impairment	**(535)**	(384)
	16,947	14,511

10 Inventories

	2020 000's $	2019 000's $
CURRENT		
At cost:		
Raw materials and consumables	**16,721**	16,613
Work in progress	**221**	281
Obsolescence provision	**(1,309)**	(1,560)
	15,633	15,334

11 Property, plant and equipment

	2020 000's $	2019 000's $
Plant and equipment		
At cost	**3,512**	1,762
Accumulated depreciation	**(2,665)**	(1,326)
Total plant and equipment	**847**	436
Furniture, fixtures and fittings		
At cost	**3,191**	2,931
Accumulated depreciation	**(2,425)**	(2,051)
Total furniture, fixtures and fittings	**766**	880
Motor vehicles		
At cost	**1,803**	1,977
Accumulated depreciation	**(1,002)**	(986)
Total motor vehicles	**801**	991
Leasehold Improvements		
At cost	**775**	665
Accumulated amortisation	**(392)**	(296)
Total leasehold improvements	**383**	369
Total plant and equipment	**2,797**	2,676
Total property, plant and equipment	**2,797**	2,676

12 Other non-financial assets

	2020 000's $	2019 000's $
CURRENT		
Prepayments	**328**	1,044

13 Leases

The Group has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

The Group as a lessee

The Group has leases over a range of assets including land and buildings and vehicles.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

Buildings

The group leases land and buildings for their corporate offices and other buildings, The leases are generally between 3 - 8 years and some of the leases include a renewal options to renew the length of the non-cancellable lease term.

The leases generally contain an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Vehicles

The group leases vehicles with lease terms varying from 2-3 years, the lease payments are fixed during the lease term.

Right-of-use assets

	Land 000's $	Motor Vehicles 000's $	Total 000's $
Year ended 30 June 2020			
Balance at beginning of year	**15,498**	**507**	**16,005**
Depreciation charge	**(1,928)**	**(163)**	**(2,091)**
Balance at end of year	**13,570**	**344**	**13,914**

Lease liabilities

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Group is a lessee are shown below:

Notes to the Financial Statements

For the Year Ended 30 June 2020

13 Leases

	2020 000's $	2019 000's $
Interest expense on lease liabilities	**(491)**	-
Depreciation of right-of-use assets	**(2,091)**	-
	(2,582)	-

14 Leasing Commitments

(a) Lease liability under AASB 16

Minimum lease payments:		
- not later than one year	**2,524**	-
- between one year and five years	**12,585**	-
Minimum lease payments	**15,109**	-

Refer to note 13 for information on leases held under AASB 16 at 30 June 2020.

(b) Operating lease commitments under AASB 17

Minimum lease payments under non-cancellable operating leases:		
- not later than one year	**-**	1,689
- between one year and five years	**-**	6,177
- later than five years	**-**	7,388
	-	15,254

15 Trade and Other Payables

Current		
Trade payables	**10,575**	8,550
GST payable	**1,185**	584
Accruals	**3,301**	3,195
	15,061	12,329

16 Provisions

Current		
Warranties	**242**	200
Provision of employee benefits	**1,466**	654
Long service leave	**587**	903
	2,295	1,757

Provision for Warranties

The directors' estimate of the warranty provision is based on the expectation of potential product failure and future warranty claims.

Notes to the Financial Statements

For the Year Ended 30 June 2020

16 Provisions

	2020 000's $	2019 000's $
Non-current		
Provision of employee benefits	**359**	323

17 Tax assets and liabilities

(a) Current Tax Liability

Income tax payable/ (receivable)	**1,058**	(466)

(b) Deferred Tax Asset

Deferred tax asset	**1,556**	617

18 Issued Capital

2,100,000 (2019: 2,100,000) Ordinary shares	**2,260**	2,260

(a) Ordinary shares

	000's No.	000's No.
At the beginning of the reporting period	**2,100**	2,100

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

19 Dividends

	000's $	000's $
a. The following dividends were declared and paid:		
Interim franked ordinary dividend of 30 cents per share (2019: 32) paid on 09 August 2019	**630**	672
Final franked ordinary dividend of 37 (2019: 35) cents per share paid on 27 February 2020	**777**	735
	1,407	1,407

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

b. Proposed final 2020 fully franked ordinary dividend of 66 (2019: 35) cents per share paid 07 August 2020	**799**	-

The proposed final dividend for 2020 was declared after the end of the reporting period and therefore has not been provided for in the financial statements. There are no income tax consequences arising from this dividend at 30 June 2020.

Notes to the Financial Statements

For the Year Ended 30 June 2020

20 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2020 (30 June 2019: None).

21 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

	2020 000's $	2019 000's $
Profit for the year	**3,975**	(224)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	**3,310**	1,144
- net (gain)/loss on disposal of property, plant and equipment	**(22)**	248
- impairment of goodwill	**-**	1,976
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(2,435)**	81
- (increase)/decrease in inventories	**(299)**	648
- (increase)/decrease in tax liability	**1,524**	(466)
- (increase)/decrease in deferred tax asset	**(939)**	623
- (increase)/decrease in other assets	**713**	(184)
- (increase)/decrease in financial assets	**80**	(2)
- (increase)/decrease in working capital on acquisition of subsidiary	**1,071**	-
- increase/(decrease) in trade and other payables	**2,533**	(737)
- increase/(decrease) in provisions	**574**	(657)
- increase/(decrease) in income taxes payable	**-**	(593)
- increase/(decrease) in other liabilities	**59**	-
Cashflows from operations	**10,144**	1,857

22 Events Occurring After the Reporting Date

The financial report was authorised for issue on by the board of directors.

On 1st of October, 2020, the Company purchased 100 percent of the shares in Control Logic Pty Ltd (ABN 14 611 620 234). The purchase consideration for Control Logic consisted of 40% cash and 60% newly created shares in IPD. The acquisition of Control Logic enhances the product and service offering of the overall business

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

23 Statutory Information

The registered office and principal place of business of the company is:

IPD Group Ltd
43 Newton Road
Wetherill Park NSW 2164 Australia

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 24, are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards; and

    b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Company and consolidated group in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: .... Michael Sainsbury

Director: .... David Rafter

Dated: 30 October 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IPD GROUP LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of IPD Group Ltd (the Company), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the Company and the consolidated entity comprising the company and the entities it controlled at the year end or from time to time during the financial year.

In our opinion, the accompanying financial report of IPD Group Ltd is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year then ended; and
(b) complying with Australian Accounting Standards to the extent described in Note 1, and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditor’s Responsibilities for the Audit of the Financial Report (cont’d)

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

PKF

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SCOTT TOBUTT
PARTNER

30 OCTOBER 2020
SYDNEY, NSW