IPD Group Ltd and its Controlled Entities

ACN 111 178 351

Financial Statements

For the Year Ended 30 June 2021

Contents

For the Year Ended 30 June 2021

Directors' Report

30 June 2021

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 2021.

Information on 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

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

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 Parias Equities (Australia). Andrew is a Non-Executive Director of Sports Entertainment Group Limited and 360 Capital Group Limited, both of them publicly listed entities. Andrew is also a Non-Executive Director of unlisted public company ICP Funding Limited. His past public company directorships include Rubik Financial Limited, Keybridge Capital Limited, CCK Financial Solutions Limited, itX Group Limited and Infomedia Limited.

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 2021

Principal activities

The principal activities of the Group during the financial year 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 Control Logic Pty Ltd on the 1st October 2020 to enhance its product offering to its customers.

Operating results

The consolidated profit of the Group amounted to $ 6,508,000 (2020: $ 3,975,000).

Review of operations

Revenue has increased by 34.9% during the year, with a gross margin of 43.3% (2020: 38.4%). The increase in revenue during the year is primarily as a result of the acquisition of Control Logic Pty Ltd on 1st October 2020.

Working capital has been effectively managed throughout the financial year, with a strong end of year cash position of $12,592,000 (2020: $11,633,000). Since the arrival of the COVID-19 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.

Dividends paid or recommended

Dividends paid or declared since the start of the financial year are as follows:

- The 2019 final year end fully franked ordinary dividend of 66 cents per share were paid on 7 August 2020 (36 cents) and 9 October 2020 (30 cents) totalling $1,386,000.

- The interim fully franked ordinary dividend of 60.5 cents per share was paid on 25 February 2021 totalling $1,515,000.

- On the 31 July 2021 the Directors declared a final dividend of 71.2 cents per share, payable on 6 August 2021.

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 1st October 2020, the Company purchased 100 percent of the shares of Control Logic Pty Ltd (ABN 14 611 620 234) for $11.1M. The purchase consideration for Control Logic consisted of 40% cash and 60% newly created shares in IPD Group.

Matters or circumstances arising after the end of the year

No 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.

Directors' Report
30 June 2021

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.

Environmental matters

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Rounding of amounts

The Group has applied the relief available to it in ASIC Corporations Instrument 2016/191 and accordingly certain amounts in the financial report have been rounded off to the nearest thousand dollars.

Company secretary

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

Mohammad Yoosuff has been the company secretary since 2004.

Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mohamed Yoosuff	12	12
Michael Sainsbury	12	12
David John Rafter	12	12
Andrew Graeme Moffat	12	12

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 indemnity an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of company

No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

IPD Group Ltd

ACN 111 178 351

Directors' Report
30 June 2021

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 2021 has been received and can be found on page 5 of the financial report.

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

Director: .... Michael Sainsbury

Director: .... David John Rafter

Dated 09 September 2021

PKF

IPD Group Limited
ACN: 111 178 361

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, 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.

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SCOTT TOBUTT
PARTNER

9 SEPTEMBER 2021
SYDNEY, NSW

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2021

	Note	2021 000's $	2020 000's $
Revenue	4	**118,095**	87,530
Cost of Goods Sold		**(71,840)**	(53,908)
Gross profit		**46,255**	33,622
Other income	4	**241**	533
Selling and distribution expenses		**(22,381)**	(14,919)
Administration expenses		**(7,398)**	(6,940)
Marketing expenses		**(3,162)**	(2,626)
Occupancy expenses		**(4,317)**	(3,983)
Other expenses		**(196)**	(337)
Profit before income tax		**9,042**	5,350
Income tax expense	6	**(2,534)**	(1,375)
Profit for the year		**6,508**	3,975
Other comprehensive income, net of income tax			
Actuarial revaluation gain		**6**	-
Exchange differences on translating foreign controlled entities		**(28)**	-
Other comprehensive income for the year, net of tax		**(22)**	-
Total comprehensive income for the year		**6,486**	3,975
Profit attributable to:			
Members of the parent entity		**6,508**	3,975
Total comprehensive income attributable to:			
Members of the parent entity		**6,486**	3,975

The accompanying notes form part of these financial statements.

IPD Group Ltd

ACB 111 178 351

Consolidated Statement of Financial Position

As At 30 June 2021

	Note	2021 000's $	2020 000's $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**12,592**	11,663
Trade and other receivables	9	**27,049**	16,946
Inventories	10	**23,207**	15,633
Other assets	13	**737**	328
TOTAL CURRENT ASSETS		**63,585**	44,570
NON-CURRENT ASSETS			
Property, plant and equipment	11	**2,669**	2,797
Deferred tax assets	19	**1,867**	1,556
Intangible assets	12	**5,230**	-
Right-of-use assets	14	**13,191**	13,914
TOTAL NON-CURRENT ASSETS		**22,957**	18,267
TOTAL ASSETS		**86,542**	62,837
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	**28,275**	15,062
Current tax liabilities	19	**984**	1,058
Lease liabilities	14	**2,489**	2,524
Provisions	16	**3,083**	2,295
Other liabilities		**-**	121
TOTAL CURRENT LIABILITIES		**34,831**	21,060
NON-CURRENT LIABILITIES			
Lease liabilities	14	**12,111**	12,585
Provisions	16	**409**	359
TOTAL NON-CURRENT LIABILITIES		**12,520**	12,944
TOTAL LIABILITIES		**47,351**	34,004
NET ASSETS		**39,191**	28,833
EQUITY			
Issued capital	17	**8,920**	2,260
Reserves		**85**	-
Retained earnings		**30,186**	26,573
TOTAL EQUITY		**39,191**	28,833

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2021

	Note	Ordinary Shares 000's $	Retained Earnings 000's $	Reserves 000's $	Total 000's $
Balance at 1 July 2020		**2,260**	**26,573**	**-**	**28,833**
Profit attributable to members of the parent entity		**-**	**6,508**	**-**	**6,508**
Total other comprehensive income for the year		**-**	**6**	**(28)**	**(22)**
Dividends provided for or paid	20	**-**	**(2,901)**	**-**	**(2,901)**
Shares issued during the year		**6,660**	**-**	**113**	**6,773**
Balance at 30 June 2021		**8,920**	**30,186**	**85**	**39,191**
Balance at 1 July 2019		2,260	24,005	-	26,265
Profit attributable to members of the parent entity		-	3,975	-	3,975
Dividends provided for or paid	20	-	(1,407)	-	(1,407)
Balance at 30 June 2020		2,260	26,573	-	28,833

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2021

	Note	2021 000's $	2020 000's $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**125,274**	97,142
Payments to suppliers and employees		**(111,357)**	(85,730)
Interest received		**9**	13
Finance costs		**(33)**	(491)
Income taxes paid		**(3,602)**	(790)
Net cash provided by operating activities	26	**10,291**	10,144
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment		**1**	52
Purchase of property, plant and equipment		**(668)**	(605)
Acquisition of subsidiary, net of cash acquired		**(2,810)**	(1,159)
Net cash used in investing activities		**(3,477)**	(1,712)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of lease obligations		**(2,997)**	(1,371)
Dividends paid to members of the entity		**(2,901)**	(1,407)
Net cash used in financing activities		**(5,898)**	(2,778)
Net increase in cash and cash equivalents held		**916**	5,654
Cash and cash equivalents at beginning of year		**11,663**	6,009
Cash and cash equivalents at end of financial year	8	**12,579**	11,663

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2021

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 09 September 2021.

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

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001.*

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2. Summary of Significant Accounting Policies

(a) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 23 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

2. Summary of Significant Accounting Policies (cont'd)

(b) 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.

(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

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

2. Summary of Significant Accounting Policies (cont'd)

(c) Revenue and other income (cont'd)

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) 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.

2. Summary of Significant Accounting Policies (cont'd)

(d) Income Tax (cont'd)

- 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.

(e) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(f) 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).

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.

(g) 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.

(h) 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.

2. Summary of Significant Accounting Policies (cont'd)

(h) Property, plant and equipment (cont'd)

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	4 - 10 years
Motor Vehicles	4 - 5 years
Leasehold improvements	Over the period of the lease

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.

(i) Financial instruments

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

2. Summary of Significant Accounting Policies (cont'd)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

- 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.

Fair value through other comprehensive income

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.

2. Summary of Significant Accounting Policies (cont'd)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

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

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 a financial assets has increased significant 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.

2. Summary of Significant Accounting Policies (cont'd)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

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 lease liabilities.

(j) 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.

(k) Intangible assets

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

2. Summary of Significant Accounting Policies (cont'd)

(k) Intangible assets (cont'd)

Goodwill (cont'd)

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.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

(l) 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.

(m) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2. Summary of Significant Accounting Policies (cont'd)

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Leases

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.

- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.

- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Summary of Significant Accounting Policies (cont'd)

(o) Leases (cont'd)

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(p) 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.

(q) Warranty provisions

Warranty 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.

(r) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Group.

(t) Foreign currency transactions and balances

Transaction and balances

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

2. **Summary of Significant Accounting Policies (cont'd)**

(t) **Foreign currency transactions and balances (cont'd)**

Transaction and balances (cont'd)

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.

(u) **Adoption of new and revised accounting standards**

The Group has adopted all standards which became effective for the first time at 30 June 2021, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

3. **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 - impairment of goodwill

In accordance with AASB 136 Impairment of Assets, the Group is required to estimate the recoverable amount of goodwill at each reporting period.

The group test annual, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

3. Critical Accounting Estimates and Judgments (cont'd)

Key estimates - share based payments

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

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.

Key estimates - allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic, and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Key estimates - business combinations

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Notes to the Financial Statements

For the Year Ended 30 June 2021

4. Revenue and Other Income

	2021 000's $	2020 000's $
Revenue		
- Revenue from contracts with customers	**118,095**	87,530
	118,095	87,530
Other income		
- Recoveries	**166**	43
- Profit/(loss) from sale of fixed assets	**(132)**	23
- Interest received	**9**	12
- Other income	**198**	455
	241	533
Total Revenue	**118,336**	88,063

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers has been disaggregated into the timing of revenue recognised, and the following table shows this breakdown:

	2021 000's $	2020 000's $
Timing of revenue recognition		
- Goods transferred at a point in time	**103,085**	73,722
- Services transferred over time	**15,010**	13,808
Revenue from contracts with customers	**118,095**	87,530

5. Result for the Year

The result for the year includes the following specific expenses:

	2021 000's $	2020 000's $
Employee benefits expense	**28,743**	21,473
Depreciation and amortisation expense	**3,984**	3,310

Notes to the Financial Statements

For the Year Ended 30 June 2021

6. Income Tax Expense

(a) The major components of tax expense comprise:

	2021 000's $	2020 000's $
Current tax expense		
Local income tax - current period	**2,728**	2,314
Deferred tax expense		
Origination and reversal of temporary differences	**(194)**	(939)
Total income tax expense	**2,534**	1,375

(b) Reconciliation of income tax to accounting profit:

	2021	2020
Profit	**9,042**	5,350
Tax	**30.00 %**	30.00 %
	2,713	1,605
Add:		
Tax effect of:		
- other non-allowable items	**(76)**	74
- under/(over) provision for income tax in prior year	**(103)**	(304)
Income tax expense	**2,534**	1,375
Weighted average effective tax rate	**28 %**	26 %

7. Business Combinations

On 01 October 2020, the parent Company acquired 100% interest of Control Logic Pty Ltd and resulted in IPD Group Ltd obtaining control of Control Logic Pty Ltd. This acquisition is expected to increase the Group's share of this market and reduce costs through economies of scale.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Acquiree's carrying amount 000's $	Fair value 000's $
Purchase consideration:		
- Cash		3,857
- Equity instruments		6,660
Total purchase consideration		10,517
Assets or liabilities acquired:		
Cash	1,047	1,047
Trade receivables	5,619	5,619
Inventories	3,058	3,058
Plant and equipment	720	720
Right of use assets	2,328	2,328
Other assets	261	261
Trade payables	(3,494)	(3,494)
Lease liabilities	(2,380)	(2,380)
Provisions	(928)	(928)
Deferred tax liabilities	(836)	(836)
Total net identifiable assets	5,395	5,395
Identifiable assets acquired and liabilities assumed	5,395	5,395
Consideration		10,517
Less: Identifiable assets acquired		5,395
Goodwill		5,122

Revenue of Control Logic Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 01 October 2020 amounted to $ 28,266,235 with a profit of $ 2,863,885.

Had the results of Control Logic Pty Ltd been consolidated from 1 July 2020, revenue of the the Group would have been $ 127,484,160 and consolidated profit would have been $ 6,882,269 for the year ended 30 June 2021. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2020.

Notes to the Financial Statements

For the Year Ended 30 June 2021

8. Cash and Cash Equivalents

	Note	2021 000's $	2020 000's $
Cash at bank and in hand		**12,592**	11,663
		12,592	11,663

Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

		2021 000's $	2020 000's $
Cash and cash equivalents		**12,592**	11,663
Credit card		**(13)**	-
Balance as per statement of cash flows		**12,579**	11,663

9. Trade and Other Receivables

	Note	2021 000's $	2020 000's $
CURRENT			
Trade receivables		**27,454**	17,481
Provision for impairment	(a)	**(405)**	(535)
		27,049	16,946

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

(a) Impairment of receivables

Reconciliation of changes in the provision for impairment of receivables is as follows:

	2021 000's $	2020 000's $
Balance at beginning of the year	**535**	384
(Write off) / additional impairment loss recognised	**(130)**	151
Balance at end of the year	**405**	535

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

9. Trade and Other Receivables (cont'd)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

10. Inventories

	2021 000's $	2020 000's $
CURRENT		
At cost:		
Raw materials and consumables	**24,134**	16,721
Work in progress	**733**	221
Obsolescence provision	**(1,660)**	(1,309)
	23,207	15,633

Write downs of inventories to net realisable value during the year were $ NIL (2020: $ NIL).

11. Property, plant and equipment

PLANT AND EQUIPMENT		
Plant and equipment		
At cost	**3,076**	3,512
Accumulated depreciation	**(2,491)**	(2,665)
Total plant and equipment	**585**	847
Furniture, fixtures and fittings		
At cost	**3,404**	3,191
Accumulated depreciation	**(2,747)**	(2,425)
Total furniture, fixtures and fittings	**657**	766
Motor vehicles		
At cost	**2,525**	1,803
Accumulated depreciation	**(1,596)**	(1,002)
Total motor vehicles	**929**	801
Leasehold Improvements		
At cost	**1,075**	775
Accumulated amortisation	**(577)**	(392)
Total leasehold improvements	**498**	383
Total property, plant and equipment	**2,669**	2,797

Notes to the Financial Statements

For the Year Ended 30 June 2021

11. Property, plant and equipment (cont'd)

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment 000's $	Furniture, Fixtures and Fittings 000's $	Motor Vehicles 000's $	Leasehold Improvements 000's $	Total 000's $
Year ended 30 June 2021					
Balance at the beginning of year	**847**	**766**	**801**	**383**	**2,797**
Additions	**113**	**202**	**185**	**87**	**587**
Additions through acquisition of entity	**314**	**8**	**19**	**379**	**720**
Disposals	**(41)**	**-**	**(93)**	**(188)**	**(322)**
Transfers	**(383)**	**-**	**383**	**-**	**-**
Depreciation expense	**(265)**	**(319)**	**(366)**	**(163)**	**(1,113)**
Balance at the end of the year	**585**	**657**	**929**	**498**	**2,669**

	Plant and Equipment 000's $	Furniture, Fixtures and Fittings 000's $	Motor Vehicles 000's $	Leasehold Improvements 000's $	Total 000's $
Year ended 30 June 2020					
Balance at the beginning of year	436	880	991	369	2,676
Additions	1,768	260	254	110	2,392
Disposals	(18)	-	(104)	-	(122)
Depreciation expense	(1,339)	(374)	(340)	(96)	(2,149)
Balance at the end of the year	847	766	801	383	2,797

12. Intangible Assets

	2021 000's $	2020 000's $
Goodwill at cost	**5,230**	-

(a) Movements in carrying amounts of intangible assets

	Goodwill 000's $
Year ended 30 June 2021	
Balance at the beginning of the year	-
Additions	5,230
Closing value at 30 June 2021	**5,230**

13. Other non-financial assets

	2021	2020
CURRENT		
Prepayments	**737**	328

14. Leases

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.

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 option.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

14. Leases (cont'd)

Right-of-use assets

	Buildings 000's $	Motor Vehicles 000's $	Total 000's $
Year ended 30 June 2021			
Balance at beginning of year	**13,570**	**344**	**13,914**
Additions to right-of-use assets	**2,661**	**-**	**2,661**
Reductions in right-of-use assets due to changes in lease liability	**(532)**	**-**	**(532)**
Depreciation charge	**(2,672)**	**(180)**	**(2,852)**
Balance at end of year	**13,027**	**164**	**13,191**

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

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year 000's $	1 - 5 years 000's $	> 5 years 000's $	Total undiscounted lease liabilities 000's $	Lease liabilities included in this Statement Of Financial Position 000's $
2021					
Lease liabilities	**2,965**	**9,079**	**4,366**	**16,410**	**14,600**
2020					
Lease liabilities	2,273	8,456	6,097	16,826	15,109

Extension options

A number of the building leases contain extension options which allow the Group to extend the lease term by up to twice the original non-cancellable period of the lease.

Notes to the Financial Statements

For the Year Ended 30 June 2021

14. Leases (cont'd)

Extension options (cont'd)

The Group includes options in the leases to provide flexibility and certainty to the Group operations and reduce costs of moving premises and the extension options are at the Group's discretion.

At commencement date and each subsequent reporting date, the Group assesses where it is reasonably certain that the extension options will be exercised.

There are $10,018,325 in potential future lease payments which are not included in lease liabilities as the Group has assessed that the exercise of the option is not reasonably certain.

Statement of Cash Flows

	2021 000's $	2020 000's $
Total cash outflow for leases	**(2,997)**	(1,371)

15. Trade and Other Payables

	2021 000's $	2020 000's $
CURRENT		
Trade payables	**21,652**	10,575
GST payable	**1,237**	1,185
Credit card	**13**	-
Related party payables	**78**	-
Accruals	**5,295**	3,302
	28,275	15,062

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

16. Provisions

	2021 000's $	2020 000's $
CURRENT		
Warranties	**100**	242
Provision of employee benefits	**2,983**	2,053
	3,083	2,295
NON-CURRENT		
Provision of employee benefits	**409**	359

16. Provisions (cont'd)

	Warranties	Employee benefits	Total
	000's	000's	000's
	$	$	$
Opening balance at 1 July 2020	242	2,412	2,654
(Reduction) / additional provision recognised	(142)	921	779
Balance at 30 June 2021	**100**	**3,333**	**3,433**

Provision for Warranties

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

17. Issued Capital

	2021	2020
	000's	000's
	$	$
2,503,637 (2020: 2,100,000) Ordinary shares	**8,920**	2,260

(a) Ordinary shares

	2021	2020
	000's	000's
	No.	No.
At the beginning of the reporting period	**2,100**	2,100
Shares issued during the year		
Shares issued as consideration for Control Logic acquisition	**404**	-
At the end of the reporting period	**2,504**	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.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

Notes to the Financial Statements
For the Year Ended 30 June 2021

17. Issued Capital (cont'd)

(b) Capital Management (cont'd)

The Board monitors a range of financial metrics including return on capital employed and gearing ratios.

18. Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Bank overdraft
- Trade and other payables
- Lease liabilities

	2021 000's $	2020 000's $
Financial assets		
Held at amortised cost		
Cash and cash equivalents	**12,592**	11,663
Trade and other receivables	**27,049**	16,946
Total financial assets	**39,641**	28,609
Financial liabilities		
Financial liabilities at amortised cost	**29,260**	16,119
Total financial liabilities	**29,260**	16,119

18. Financial Risk Management (cont'd)

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group’s financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The day-to-day risk management is carried out by the Group’s finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Group’s management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group’s policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

18. Financial Risk Management (cont'd)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group review includes external ratings, if they are available, financial statements, credit agency information and industry information. Credit limits are established for each customer and the utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The Board receives monthly reports summarising the turnover, trade receivables balance and aging profile of each of the key customers individually and the Group's other customers analysed by industry sector as well as a list of customers currently transacting on a prepayment basis or who have balances in excess of their credit limits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

On a geographical basis, the Group has significant credit risk exposures in Australia given the location of its operations in this region.

Notes to the Financial Statements

For the Year Ended 30 June 2021

19. Tax assets and liabilities

	2021 000's $	2020 000's $
Income tax payable	**984**	1,058

	Opening Balance 000's $	Movement 000's $	Closing Balance 000's $
Deferred tax assets			
Provisions and accruals	959	145	1,104
Depreciation	119	80	199
Unrealised foreign exchange gains/(losses)	(5)	25	20
Right of use assets	-	232	232
Other	2	(1)	1
Balance at 30 June 2020	1,075	481	1,556
Provisions and accruals	**1,104**	**312**	**1,416**
Depreciation	**199**	**29**	**228**
Unrealised foreign exchange gains/(losses)	**20**	**(154)**	**(134)**
Right of use assets	**232**	**116**	**348**
Other	**1**	**8**	**9**
Balance at 30 June 2021	**1,556**	**311**	**1,867**

20. Dividends

a.The following dividends were declared and paid:

	2021 000's $	2020 000's $
Interim franked ordinary dividend of 66 (2020: 30) cents per share were paid on 07 August 2020 (36 cents) and 09 October 2020 (30 cents)	**1,386**	630
Final franked ordinary dividend of 60.5 (2020: 37) cents per share were paid on 25 February 2021	**1,515**	777
Total	**2,901**	1,407

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

20. Dividends (cont'd)

Franking credits account

	2021 000's $	2020 000's $
The franking credits available for subsequent financial years at a tax rate of 30%	**14,175**	11,991

The above available balance is based on the dividend franking account at year-end adjusted for:

(a) Franking credits that will arise from the payment of the current tax liabilities;

(b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

21. Key Management Personnel Remuneration

Key management personnel remuneration included within employee expenses for the year is shown below:

Short-term employee benefits	**1,053**	925
Long-term benefits	**125**	17
Post-employment benefits	**55**	55
	1,233	997

22. Auditors' Remuneration

Remuneration of the auditor PKF, for:		
- auditing or reviewing the financial statements	**103**	72
- taxation services	**22**	16
Total	**125**	88

Notes to the Financial Statements

For the Year Ended 30 June 2021

23. Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2021	Percentage Owned (%)* 2020
Subsidiaries:			
Addelec Power Services Pty Ltd	Australia	**100**	100
Control Logic Pty Ltd	Australia	**100**	-
IPD Colombo (PVT) Ltd	Sri Lanka	**100**	100
IPD Services Pty Ltd	Australia	**100**	100

The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

24. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2021 (30 June 2020: None).

25. Related Parties

(a) The Group's main related parties are as follows:

The ultimate parent entity, which exercises control over the Group, is IPD Group Ltd which is incorporated in Australia.

Key management personnel - refer to Note 21.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No transactions occurred with related parties during the year.

Notes to the Financial Statements

For the Year Ended 30 June 2021

26. Cash Flow Information

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

Reconciliation of net income to net cash provided by operating activities:

	2021 000's $	2020 000's $
Profit for the year	**6,508**	3,975
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	**3,984**	3,310
- net (gain)/loss on disposal of property, plant and equipment	**132**	(22)
- interest on lease liabilities	**559**	-
- actuarial gain	**6**	-
- performance rights expensed	**113**	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(10,131)**	(2,435)
- (increase)/decrease in other assets	**(407)**	713
- (increase)/decrease in inventories	**(7,575)**	(299)
- (increase)/decrease in tax liability	**(73)**	1,524
- (increase)/decrease in deferred tax asset	**(311)**	(939)
- (increase)/decrease in financial assets	**(63)**	80
- (increase)/decrease in working capital on acquisition of subsidiary	**3,571**	1,071
- increase/(decrease) in trade and other payables	**13,200**	2,533
- increase/(decrease) in provisions	**837**	574
- increase/(decrease) in other liabilities	**(59)**	59
Cashflows from operations	**10,291**	10,144

27. Share-based Payments

At 30 June 2021 the Group has the following share-based payment schemes:

- Long Term Incentive Scheme

Equity-settled share-based payment arrangements

The Group has put in place a Long Term Incentive Scheme for key management personnel. The long term incentive consists of the issue of up to 30,000 Performance Rights, each right potentially converting into a new fully paid ordinary share in the Company issued to the executive at no cost upon vesting (by satisfaction of the relevant performance hurdles and remaining in employment).

There are two performance rights series, namely the 2020-21 Performance Right Series and 2021-22 Performance Right Series. Both series vest in tranches, with the last tranche vesting in September 2024.

The fair value of the Performance Rights was determined using the value of a share based on the last arms length transaction, discounted based on the forecasted net profit after tax and future dividends.

28. Events Occurring After the Reporting Date

The financial report was authorised for issue on 09 September 2021 by the board of directors.

On 31 July 2021, the directors of IPD Group Ltd declared a final dividend of 71.2 cents per share, payable on 6 August 2021.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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.

29. Parent entity

The following information has been extracted from the books and records of the parent, IPD Group Ltd and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, IPD Group Ltd has been prepared on the same basis as the financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Notes to the Financial Statements

For the Year Ended 30 June 2021

29. Parent entity (cont'd)

	2021 000's $	2020 000's $
Statement of Financial Position		
Assets		
Current assets	**50,241**	40,620
Non-current assets	**19,244**	16,545
Total Assets	**69,485**	57,165
Liabilities		
Current liabilities	**22,854**	18,873
Non-current liabilities	**10,938**	12,118
Total Liabilities	**33,792**	30,991
Equity		
Issued capital	**8,920**	2,260
Retained earnings	**26,660**	23,914
Share based payments reserve	**113**	-
Total Equity	**35,693**	26,174

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

Contractual commitments

The parent entity did not have any commitments as at 30 June 2021 or 30 June 2020.

30. Statutory Information

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

IPD Group Ltd
43 Newton Road
Wetherill Park NSW 2164

Directors' Declaration

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2021 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards; and

    b. give a true and fair view of the financial position and performance of the consolidated group;

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 John Rafter

Dated 09 September 2021

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 Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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.

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 consolidated Group's financial position as at 30 June 2021, and of its financial performance for the year then ended; and
(b) Complying with the Australian Accounting Standards and 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.

Independence

We are independent of the consolidated Group 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 Group, would be in the same terms if given to the directors as at the time of this auditor's report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Other Information (cont'd)

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the 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 consolidated Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated Group or to cease operations, or has 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 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement 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 consolidated Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

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

- 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 consolidated Group'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 consolidated Group to cease to continue as a going concern.
- 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, actions taken to eliminate threats or safeguards applied.

PKF

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SCOTT TOBUTT
PARTNER

9 SEPTEMBER 2021
SYDNEY, NSW