

RSM IFRS Listed Practical Limited

Company Number 01234567

Annual Report - 31 December 2022

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General information

The financial statements cover RSM IFRS Listed Practical Limited as a consolidated entity consisting of RSM IFRS Listed Practical Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Internationaland currency units, which is RSM IFRS Listed Practical Limited's functional and presentation currency.

RSM IFRS Listed Practical Limited is a listed public company limited by shares, incorporated and domiciled in Internationaland. Its registered office and principal place of business are:

Registered office

10th Floor
Universal Administration Building
12 Highland Street
Cityville

Principal place of business

5th Floor
RSM Business Centre
247 Edward Street
Cityville

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Computer manufacturing
- Computer retailing
- Computer distribution

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

RSM IFRS Listed Practical Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2022



| | Note | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|------|--------------------------------|-----------------|
| Revenue | 4 | 466,748 | 435,341 |
| Share of profits of associates accounted for using the equity method | 5 | 3,211 | 2,661 |
| Other income | 6 | 692 | 1,692 |
| Interest revenue calculated using the effective interest method | | 1,087 | 543 |
| Net gain on derecognition of financial assets at amortised cost | | 50 | - |
| Expenses | | | |
| Changes in inventories | | (3,523) | (782) |
| Raw materials and consumables used | | (127,025) | (121,050) |
| Employee benefits expense | | (225,150) | (218,728) |
| Depreciation and amortisation expense | 7 | (52,276) | (52,411) |
| Impairment of goodwill | 7 | (500) | - |
| Impairment of receivables | | (491) | (432) |
| Net fair value loss on investment properties | 7 | (600) | - |
| Other expenses | | (4,513) | (4,252) |
| Finance costs | 7 | <u>(18,930)</u> | <u>(21,092)</u> |
| Profit before income tax expense | | 38,780 | 21,490 |
| Income tax expense | 8 | <u>(10,875)</u> | <u>(5,741)</u> |
| Profit after income tax expense for the year | | 27,905 | 15,749 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Gain on the revaluation of land and buildings, net of tax | | - | 1,400 |
| Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax | | 35 | - |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Cash flow hedges transferred to profit or loss, net of tax | | - | (2) |
| Cash flow hedges transferred to inventory in the statement of financial position, net of tax | | (3) | (7) |
| Net change in the fair value of cash flow hedges taken to equity, net of tax | | (7) | (18) |
| Foreign currency translation | | <u>(257)</u> | <u>(218)</u> |
| Other comprehensive income for the year, net of tax | | <u>(232)</u> | <u>1,155</u> |
| Total comprehensive income for the year | | <u>27,673</u> | <u>16,904</u> |
| Profit for the year is attributable to: | | | |
| Non-controlling interest | | 142 | 229 |
| Owners of RSM IFRS Listed Practical Limited | 42 | <u>27,763</u> | <u>15,520</u> |
| | | <u>27,905</u> | <u>15,749</u> |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | | 142 | 369 |
| Owners of RSM IFRS Listed Practical Limited | | <u>27,531</u> | <u>16,535</u> |
| | | <u>27,673</u> | <u>16,904</u> |

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

RSM IFRS Listed Practical Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2022



| | | Cents | Cents |
|----------------------------|----|-------|-------|
| Basic earnings per share | 58 | 18.90 | 11.01 |
| Diluted earnings per share | 58 | 18.90 | 11.01 |

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

| | Note | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|------|--------------------------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 26,136 | 5,524 |
| Trade and other receivables | 10 | 13,349 | 12,354 |
| Contract assets | 11 | 2,617 | 2,144 |
| Inventories | 12 | 39,525 | 43,048 |
| Financial assets at fair value through profit or loss | 13 | 360 | - |
| Other | 14 | 3,935 | 3,444 |
| | | <u>85,922</u> | <u>66,514</u> |
| Non-current assets classified as held for sale | 15 | 6,000 | - |
| Total current assets | | <u>91,922</u> | <u>66,514</u> |
| Non-current assets | | | |
| Receivables | 16 | 145 | 145 |
| Investments accounted for using the equity method | 17 | 34,192 | 30,981 |
| Financial assets at fair value through other comprehensive income | 18 | 170 | - |
| Investment properties | 19 | 46,900 | 47,500 |
| Property, plant and equipment | 20 | 117,139 | 128,883 |
| Right-of-use assets | 21 | 305,485 | 332,116 |
| Intangibles | 22 | 12,170 | 11,616 |
| Deferred tax | 23 | 15,574 | 12,561 |
| Other | 24 | 2,308 | 2,405 |
| Total non-current assets | | <u>534,083</u> | <u>566,207</u> |
| Total assets | | <u>626,005</u> | <u>632,721</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 25 | 20,004 | 17,306 |
| Contract liabilities | 26 | 2,269 | 2,135 |
| Borrowings | 27 | 4,500 | 3,273 |
| Lease liabilities | 28 | 22,072 | 20,905 |
| Derivative financial instruments | 29 | 122 | 107 |
| Income tax | 30 | 6,701 | 2,351 |
| Employee benefits | 31 | 8,352 | 8,143 |
| Provisions | 32 | 3,494 | 2,837 |
| Other | 33 | 2,130 | 1,869 |
| | | <u>69,644</u> | <u>58,926</u> |
| Liabilities directly associated with assets classified as held for sale | 34 | 4,000 | - |
| Total current liabilities | | <u>73,644</u> | <u>58,926</u> |
| Non-current liabilities | | | |
| Borrowings | 35 | 19,000 | 19,000 |
| Lease liabilities | 36 | 301,714 | 322,745 |
| Deferred tax | 37 | 4,665 | 4,333 |
| Employee benefits | 38 | 11,149 | 10,854 |
| Provisions | 39 | 1,475 | 1,070 |
| Total non-current liabilities | | <u>338,003</u> | <u>358,002</u> |
| Total liabilities | | <u>411,647</u> | <u>416,928</u> |
| Net assets | | <u>214,358</u> | <u>215,793</u> |

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

RSM IFRS Listed Practical Limited
Statement of financial position
As at 31 December 2022



| | Note | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|------|--------------------------------|----------------|
| Equity | | | |
| Issued capital | 40 | 182,953 | 182,678 |
| Reserves | 41 | 3,276 | 3,508 |
| Retained profits | 42 | 10,766 | 12,386 |
| Equity attributable to the owners of RSM IFRS Listed Practical Limited | | <u>196,995</u> | <u>198,572</u> |
| Non-controlling interest | 43 | 17,363 | 17,221 |
| Total equity | | <u>214,358</u> | <u>215,793</u> |

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

| Consolidated | Issued capital CU'000 | Reserves CU'000 | Retained profits CU'000 | Non-controlling interest CU'000 | Total equity CU'000 |
|--|----------------------------------|----------------------------|------------------------------------|--|--------------------------------|
| Balance at 1 January 2021 | 104,922 | 2,493 | 14,482 | 16,852 | 138,749 |
| Profit after income tax expense for the year | - | - | 15,520 | 229 | 15,749 |
| Other comprehensive income for the year, net of tax | - | 1,015 | - | 140 | 1,155 |
| Total comprehensive income for the year | - | 1,015 | 15,520 | 369 | 16,904 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 40) | 77,756 | - | - | - | 77,756 |
| Dividends paid (note 44) | - | - | (17,616) | - | (17,616) |
| Balance at 31 December 2021 | 182,678 | 3,508 | 12,386 | 17,221 | 215,793 |
| Consolidated | Issued capital CU'000 | Reserves CU'000 | Retained profits CU'000 | Non-controlling interest CU'000 | Total equity CU'000 |
| Balance at 1 January 2022 | 182,678 | 3,508 | 12,386 | 17,221 | 215,793 |
| Profit after income tax expense for the year | - | - | 27,763 | 142 | 27,905 |
| Other comprehensive income for the year, net of tax | - | (232) | - | - | (232) |
| Total comprehensive income for the year | - | (232) | 27,763 | 142 | 27,673 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 40) | 25 | - | - | - | 25 |
| Share-based payments (note 59) | 250 | - | - | - | 250 |
| Dividends paid (note 44) | - | - | (29,383) | - | (29,383) |
| Balance at 31 December 2022 | 182,953 | 3,276 | 10,766 | 17,363 | 214,358 |

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

| | Note | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|------|--------------------------------|----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 508,040 | 474,832 |
| Payments to suppliers and employees | | (401,934) | (390,936) |
| | | 106,106 | 83,896 |
| Interest received | | 1,084 | 540 |
| Other revenue | | 3,964 | 3,358 |
| Interest and other finance costs paid | | (18,845) | (21,030) |
| Income taxes paid | | (9,142) | (8,461) |
| Net cash from operating activities | | 83,167 | 58,303 |
| Cash flows from investing activities | | | |
| Payment for purchase of business, net of cash acquired | 52 | (8,072) | (155) |
| Payments for investments | | (510) | - |
| Payments for property, plant and equipment | | (6,215) | (3,048) |
| Proceeds from sale of investments | | 80 | - |
| Proceeds from sale of property, plant and equipment | | 1,511 | 250 |
| Proceeds from release of security deposits | | 155 | - |
| Net cash used in investing activities | | (13,051) | (2,953) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 25 | 78,750 |
| Proceeds from borrowings | | 12,000 | - |
| Share issue transaction costs | | - | (1,420) |
| Dividends paid | 44 | (29,383) | (17,616) |
| Repayment of borrowings | | (5,500) | (94,000) |
| Repayment of lease liabilities | | (25,385) | (21,555) |
| Net cash used in financing activities | | (48,243) | (55,841) |
| Net increase/(decrease) in cash and cash equivalents | | 21,873 | (491) |
| Cash and cash equivalents at the beginning of the financial year | | 4,251 | 4,734 |
| Effects of exchange rate changes on cash and cash equivalents | | 12 | 8 |
| Cash and cash equivalents at the end of the financial year | 9 | 26,136 | 4,251 |

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RSM IFRS Listed Practical Limited ('company' or 'parent entity') as at 31 December 2022 and the results of all subsidiaries for the year then ended. RSM IFRS Listed Practical Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 1. Significant accounting policies (continued)

Operating segments

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

Foreign currency translation

The financial statements are presented in Internationaland currency units, which is RSM IFRS Listed Practical Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Internationaland currency units using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Internationaland currency units using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Internationaland currency units using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 1. Significant accounting policies (continued)

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 1. Significant accounting policies (continued)

Trade and other receivables

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

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

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

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the consolidated entity that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Note 1. Significant accounting policies (continued)

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Note 1. Significant accounting policies (continued)

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Note 1. Significant accounting policies (continued)

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|------------------------|------------|
| Buildings | 40 years |
| Leasehold improvements | 3-10 years |
| Plant and equipment | 3-7 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 1. Significant accounting policies (continued)

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

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

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Refund liabilities

Refund liabilities are recognised where the consolidated entity receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the consolidated entity does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Note 1. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

Note 1. Significant accounting policies (continued)

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

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

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

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

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

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

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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.

Note 1. Significant accounting policies (continued)

Dividends

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Value-Added Tax ('VAT') and other similar taxes

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

Note 1. Significant accounting policies (continued)

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

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

Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand currency units, or in certain cases, the nearest currency unit.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

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

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 10, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy

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

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

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision

In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments

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

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

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

Note 3. Operating segments (continued)

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

Types of products and services

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

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

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Major customers

During the year ended 31 December 2022 approximately CU69,400,000 (2021: CU77,800,000) of the consolidated entity's external revenue was derived from sales to a major Internationaland retailer through the computer retailing and computer distribution operating segments.

Note 3. Operating segments (continued)

Operating segment information

| Consolidated - 2022 | Computer manufacturing CU'000 | Computer retailing CU'000 | Computer distribution CU'000 | Other segments CU'000 | Total CU'000 |
|--|-------------------------------------|---------------------------------|------------------------------------|-----------------------------|-----------------|
| Revenue | | | | | |
| Sales to external customers | 26,465 | 432,893 | 3,696 | - | 463,054 |
| Intersegment sales | 200,017 | - | 8,905 | - | 208,922 |
| Total sales revenue | 226,482 | 432,893 | 12,601 | - | 671,976 |
| Other revenue | - | - | - | 3,694 | 3,694 |
| Total segment revenue | 226,482 | 432,893 | 12,601 | 3,694 | 675,670 |
| Intersegment eliminations | | | | | (208,922) |
| <i>Unallocated revenue:</i> | | | | | |
| Interest revenue | | | | | 1,087 |
| Total revenue | | | | | 467,835 |
| EBITDA | | | | | |
| | 13,181 | 91,985 | 3,609 | 124 | 108,899 |
| Depreciation and amortisation | | | | | (52,276) |
| Interest revenue | | | | | 1,087 |
| Finance costs | | | | | (18,930) |
| Profit before income tax expense | | | | | 38,780 |
| Income tax expense | | | | | (10,875) |
| Profit after income tax expense | | | | | 27,905 |
| <i>Material items include:</i> | | | | | |
| Share of profits of associates | 3,211 | - | - | - | 3,211 |
| Write off of inventories | (212) | (326) | - | - | (538) |
| Net fair value loss on investment properties | - | - | - | (600) | (600) |
| Assets | | | | | |
| Segment assets | 156,907 | 421,190 | 21,405 | - | 599,502 |
| Intersegment eliminations | | | | | (16,652) |
| <i>Unallocated assets:</i> | | | | | |
| Cash and cash equivalents | | | | | 18,551 |
| Ordinary shares | | | | | 530 |
| Land and buildings | | | | | 8,500 |
| Deferred tax asset | | | | | 15,574 |
| Total assets | | | | | 626,005 |
| <i>Total assets includes:</i> | | | | | |
| Investments in associates | 34,192 | - | - | - | 34,192 |
| Acquisition of non-current assets | 365 | 5,027 | 9,091 | - | 14,483 |
| Liabilities | | | | | |
| Segment liabilities | 41,390 | 359,682 | 6,861 | - | 407,933 |
| Intersegment eliminations | | | | | (16,652) |
| <i>Unallocated liabilities:</i> | | | | | |
| Provision for income tax | | | | | 6,701 |
| Bank loans | | | | | 9,000 |
| Deferred tax liability | | | | | 4,665 |
| Total liabilities | | | | | 411,647 |

Note 3. Operating segments (continued)

| Consolidated - 2021 | Computer manufacturing CU'000 | Computer retailing CU'000 | Computer distribution CU'000 | Other segments CU'000 | Total CU'000 |
|---|-------------------------------------|---------------------------------|------------------------------------|-----------------------------|-----------------|
| Revenue | | | | | |
| Sales to external customers | 24,339 | 403,776 | 3,868 | - | 431,983 |
| Intersegment sales | 191,423 | - | 2,808 | - | 194,231 |
| Total sales revenue | <u>215,762</u> | <u>403,776</u> | <u>6,676</u> | <u>-</u> | <u>626,214</u> |
| Other revenue | - | - | - | 3,358 | 3,358 |
| Total segment revenue | <u>215,762</u> | <u>403,776</u> | <u>6,676</u> | <u>3,358</u> | <u>629,572</u> |
| Intersegment eliminations | | | | | (194,231) |
| <i>Unallocated revenue:</i> | | | | | |
| Interest revenue | | | | | 543 |
| Total revenue | | | | | <u>435,884</u> |
| EBITDA | | | | | |
| | <u>11,835</u> | <u>79,356</u> | <u>1,232</u> | <u>2,027</u> | 94,450 |
| Depreciation and amortisation | | | | | (52,411) |
| Interest revenue | | | | | 543 |
| Finance costs | | | | | (21,092) |
| Profit before income tax expense | | | | | 21,490 |
| Income tax expense | | | | | (5,741) |
| Profit after income tax expense | | | | | <u>15,749</u> |
| <i>Material items include:</i> | | | | | |
| Share of profits of associates | <u>2,661</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,661</u> |
| Write off of inventories | <u>(45)</u> | <u>(67)</u> | <u>-</u> | <u>-</u> | <u>(112)</u> |
| Assets | | | | | |
| Segment assets | <u>169,272</u> | <u>450,244</u> | <u>8,539</u> | <u>-</u> | 628,055 |
| Intersegment eliminations | | | | | (17,255) |
| <i>Unallocated assets:</i> | | | | | |
| Cash and cash equivalents | | | | | 860 |
| Land and buildings | | | | | 8,500 |
| Deferred tax asset | | | | | 12,561 |
| Total assets | | | | | <u>632,721</u> |
| <i>Total assets includes:</i> | | | | | |
| Investments in associates | <u>30,981</u> | <u>-</u> | <u>-</u> | <u>-</u> | 30,981 |
| Acquisition of non-current assets | <u>230</u> | <u>4,436</u> | <u>716</u> | <u>-</u> | 5,382 |
| Liabilities | | | | | |
| Segment liabilities | <u>38,899</u> | <u>377,913</u> | <u>1,687</u> | <u>-</u> | 418,499 |
| Intersegment eliminations | | | | | (17,255) |
| <i>Unallocated liabilities:</i> | | | | | |
| Provision for income tax | | | | | 2,351 |
| Bank loans | | | | | 9,000 |
| Deferred tax liability | | | | | 4,333 |
| Total liabilities | | | | | <u>416,928</u> |

Note 3. Operating segments (continued)

Geographical information

| | Sales to external customers | | Geographical non-current assets | |
|------------------|-----------------------------|----------------|---------------------------------|----------------|
| | 2022 CU'000 | 2021 CU'000 | 2022 CU'000 | 2021 CU'000 |
| Internationaland | 424,034 | 399,416 | 179,882 | 192,376 |
| Neighbourland | 39,020 | 32,567 | 441 | 754 |
| | <u>463,054</u> | <u>431,983</u> | <u>180,323</u> | <u>193,130</u> |

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

Note 4. Revenue

| | Consolidated | |
|--|----------------|----------------|
| | 2022 CU'000 | 2021 CU'000 |
| <i>Revenue from contracts with customers</i> | | |
| Sale of goods | 459,358 | 428,115 |
| Rendering of services | 3,696 | 3,868 |
| | <u>463,054</u> | <u>431,983</u> |
| <i>Other revenue</i> | | |
| Rent from investment properties | 3,623 | 3,310 |
| Other revenue | 71 | 48 |
| | <u>3,694</u> | <u>3,358</u> |
| Revenue | <u>466,748</u> | <u>435,341</u> |

Note 4. Revenue (continued)

Disaggregation of revenue

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

| | Computer manufacturing CU'000 | Computer retailing CU'000 | Computer distribution CU'000 | Total CU'000 |
|--------------------------------------|-------------------------------------|---------------------------------|------------------------------------|-----------------|
| Consolidated - 2022 | | | | |
| <i>Major product lines</i> | | | | |
| Laptops | 13,395 | 360,009 | 3,292 | 376,696 |
| Desktops | 4,214 | 47,226 | 404 | 51,844 |
| Components | 8,856 | 25,658 | - | 34,514 |
| | <u>26,465</u> | <u>432,893</u> | <u>3,696</u> | <u>463,054</u> |
| <i>Geographical regions</i> | | | | |
| Internationaland | 22,938 | 383,312 | 3,696 | 409,946 |
| Neighbourland | 2,293 | 36,727 | - | 39,020 |
| Rest of the World | 1,234 | 12,854 | - | 14,088 |
| | <u>26,465</u> | <u>432,893</u> | <u>3,696</u> | <u>463,054</u> |
| <i>Timing of revenue recognition</i> | | | | |
| Goods transferred at a point in time | 26,465 | 432,893 | - | 459,358 |
| Services transferred over time | - | - | 3,696 | 3,696 |
| | <u>26,465</u> | <u>432,893</u> | <u>3,696</u> | <u>463,054</u> |
| Consolidated - 2021 | | | | |
| <i>Major product lines</i> | | | | |
| Laptops | 12,114 | 328,816 | 3,355 | 344,285 |
| Desktops | 4,842 | 53,566 | 513 | 58,921 |
| Components | 7,383 | 21,394 | - | 28,777 |
| | <u>24,339</u> | <u>403,776</u> | <u>3,868</u> | <u>431,983</u> |
| <i>Geographical regions</i> | | | | |
| Internationaland | 21,614 | 363,978 | 3,868 | 389,460 |
| Neighbourland | 1,911 | 30,656 | - | 32,567 |
| Rest of the World | 814 | 9,142 | - | 9,956 |
| | <u>24,339</u> | <u>403,776</u> | <u>3,868</u> | <u>431,983</u> |
| <i>Timing of revenue recognition</i> | | | | |
| Goods transferred at a point in time | 24,339 | 403,776 | - | 428,115 |
| Services transferred over time | - | - | 3,868 | 3,868 |
| | <u>24,339</u> | <u>403,776</u> | <u>3,868</u> | <u>431,983</u> |

Note 5. Share of profits of associates accounted for using the equity method

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|------------------------------|--------------------------------|--------------------------------|
| Share of profit - associates | 3,211 | 2,661 |

Note 6. Other income

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|---|--------------------------------|--------------------------------|
| Net fair value gain on investment properties | - | 1,500 |
| Net gain on disposal of property, plant and equipment | 422 | 192 |
| Insurance recoveries | 270 | - |
| Other income | 692 | 1,692 |

Note 7. Expenses

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|--------------------------------|----------------|
| Profit before income tax includes the following specific expenses: | | |
| <i>Cost of sales</i> | | |
| Cost of sales | 284,451 | 277,984 |
| <i>Depreciation</i> | | |
| Leasehold improvements | 5,281 | 5,721 |
| Plant and equipment | 12,199 | 13,414 |
| Buildings right-of-use assets | 13,582 | 13,582 |
| Plant and equipment right-of-use assets | 18,570 | 17,468 |
| Total depreciation | 49,632 | 50,185 |
| <i>Amortisation</i> | | |
| Development | 321 | 321 |
| Patents and trademarks | 32 | 32 |
| Customer contracts | 229 | - |
| Software | 22 | 22 |
| Customer acquisition costs | 1,288 | 1,164 |
| Customer fulfilment costs | 752 | 687 |
| Total amortisation | 2,644 | 2,226 |
| Total depreciation and amortisation | 52,276 | 52,411 |
| <i>Impairment</i> | | |
| Goodwill | 500 | - |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable on borrowings | 1,799 | 3,021 |
| Interest and finance charges paid/payable on lease liabilities | 17,046 | 18,009 |
| Unwinding of the discount on provisions | 85 | 62 |
| Finance costs expensed | 18,930 | 21,092 |

Note 7. Expenses (continued)

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|--------------------------------|----------------|
| <i>Net foreign exchange loss</i> | | |
| Net foreign exchange loss | 13 | 6 |
| <i>Net fair value loss</i> | | |
| Net fair value loss on investment properties | 600 | - |
| <i>Cash flow hedge ineffectiveness</i> | | |
| Cash flow hedge ineffectiveness | 4 | 2 |
| <i>Leases</i> | | |
| Variable lease payments | 1,167 | 1,098 |
| Short-term lease payments | 102 | 127 |
| Low-value assets lease payments | 135 | 119 |
| | 1,404 | 1,344 |
| <i>Superannuation expense</i> | | |
| Defined contribution superannuation expense | 18,089 | 17,629 |
| <i>Share-based payments expense</i> | | |
| Share-based payments expense | 253 | 1 |
| <i>Research costs</i> | | |
| Research costs | 124 | 107 |
| <i>Write off of assets</i> | | |
| Inventories | 538 | 112 |
| <i>Expenses on investment properties</i> | | |
| Direct operating expenses from property that generated rental income | 61 | 59 |
| Direct operating expenses from property that did not generate rental income | 8 | 3 |
| Total expenses on investment properties | 69 | 62 |

Note 8. Income tax expense

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|---|------------------------|
| <i>Income tax expense</i> | | |
| Current tax | 13,595 | 7,896 |
| Deferred tax - origination and reversal of temporary differences | (2,617) | (2,155) |
| Adjustment recognised for prior periods | (103) | - |
| | <u>10,875</u> | <u>5,741</u> |
| Aggregate income tax expense | | |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax assets (note 23) | (2,559) | (3,745) |
| Increase/(decrease) in deferred tax liabilities (note 37) | (58) | 1,590 |
| | <u>(2,617)</u> | <u>(2,155)</u> |
| Deferred tax - origination and reversal of temporary differences | | |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Profit before income tax expense | <u>38,780</u> | <u>21,490</u> |
| Tax at the statutory tax rate of 30% | 11,634 | 6,447 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | 33 | 41 |
| Impairment of goodwill | 150 | - |
| Share-based payments | 75 | - |
| Share of profits - associates | (963) | (798) |
| Sundry items | 49 | 51 |
| | <u>10,978</u> | <u>5,741</u> |
| Adjustment recognised for prior periods | (103) | - |
| | <u>10,875</u> | <u>5,741</u> |
| Income tax expense | | |
| | <u>10,875</u> | <u>5,741</u> |
| | | |
| | Consolidated 2022 CU'000 | 2021 CU'000 |
| <i>Amounts charged/(credited) directly to equity</i> | | |
| Deferred tax assets (note 23) | (5) | (437) |
| Deferred tax liabilities (note 37) | 15 | 600 |
| | <u>10</u> | <u>163</u> |

Note 9. Current assets - cash and cash equivalents

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|-----------------|--------------------------------|----------------|
| Cash on hand | 123 | 107 |
| Cash at bank | 14,113 | 5,017 |
| Cash on deposit | 11,900 | 400 |
| | <u>26,136</u> | <u>5,524</u> |

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

| | | |
|--------------------------|---------------|--------------|
| Balances as above | 26,136 | 5,524 |
| Bank overdraft (note 27) | - | (1,273) |
| | <u>26,136</u> | <u>4,251</u> |

Note 10. Current assets - trade and other receivables

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|--------------------------------|----------------|
| Trade receivables | 14,344 | 13,181 |
| Less: Allowance for expected credit losses | (1,062) | (874) |
| | <u>13,282</u> | <u>12,307</u> |
| Other receivables | 60 | 43 |
| Interest receivable | 7 | 4 |
| | <u>13,349</u> | <u>12,354</u> |

Allowance for expected credit losses

The consolidated entity has recognised a loss of CU491,000 in profit or loss in respect of the expected credit losses for the year ended 31 December 2022.

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

| Consolidated | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|-----------------------|---------------------------|-----------|-----------------|----------------|--------------------------------------|----------------|
| | 2022 % | 2021 % | 2022 CU'000 | 2021 CU'000 | 2022 CU'000 | 2021 CU'000 |
| Not overdue | 2% | 1% | 7,334 | 6,793 | 147 | 68 |
| 0 to 3 months overdue | 7% | 5% | 5,128 | 3,951 | 359 | 198 |
| 3 to 6 months overdue | 14% | 10% | 1,353 | 1,762 | 189 | 176 |
| Over 6 months overdue | 50% | 50% | 734 | 863 | 367 | 432 |
| | | | <u>14,549</u> | <u>13,369</u> | <u>1,062</u> | <u>874</u> |

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the calculation of expected credit losses has been revised as at 31 December 2022 and rates have increased in each category up to 6 months overdue.

Note 10. Current assets - trade and other receivables (continued)

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

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|---|------------------------|
| Opening balance | 874 | 659 |
| Additional provisions recognised | 491 | 432 |
| Receivables written off during the year as uncollectable | (287) | (209) |
| Unused amounts reversed | (16) | (8) |
| | <hr/> | <hr/> |
| Closing balance | 1,062 | 874 |

Note 11. Current assets - contract assets

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|-----------------|---|------------------------|
| Contract assets | <hr/> 2,617 | <hr/> 2,144 |

Reconciliation

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

| | | |
|---------------------------------|---------|---------|
| Opening balance | 2,144 | 2,511 |
| Additions | 5,687 | 4,788 |
| Cumulative catch-up adjustments | 1,531 | 1,374 |
| Transfer to trade receivables | (6,745) | (6,529) |
| | <hr/> | <hr/> |
| Closing balance | 2,617 | 2,144 |

Note 12. Current assets - inventories

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|------------------|---|------------------------|
| Raw materials | 6,817 | 6,081 |
| Work in progress | 16,040 | 17,434 |
| Finished goods | 16,464 | 19,346 |
| Stock in transit | 204 | 187 |
| | <hr/> | <hr/> |
| | 39,525 | 43,048 |

Note 13. Current assets - financial assets at fair value through profit or loss

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|--------------------------------|----------------|
| Listed ordinary shares - designated at fair value through profit or loss | 82 | - |
| Listed ordinary shares - held for trading | 278 | - |
| | <u>360</u> | <u>-</u> |

Reconciliation

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

| | | |
|------------------------|------------|----------|
| Opening fair value | - | - |
| Additions | 310 | - |
| Revaluation increments | 50 | - |
| | <u>360</u> | <u>-</u> |
| Closing fair value | 360 | - |

Refer to note 46 for further information on fair value measurement.

Note 14. Current assets - other

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|----------------------------|--------------------------------|----------------|
| Prepayments | 1,110 | 903 |
| Security deposits | 65 | 35 |
| Customer acquisition costs | 1,417 | 1,274 |
| Customer fulfilment costs | 672 | 614 |
| Right of return assets | 671 | 618 |
| | <u>3,935</u> | <u>3,444</u> |

Note 15. Current assets - non-current assets classified as held for sale

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|------|--------------------------------|----------------|
| Land | 6,000 | - |

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

Note 16. Non-current assets - receivables

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|-------------------|--------------------------------|--------------------------------|
| Other receivables | 145 | 145 |

The other receivables are due to be repaid by 31 December 2025 and the effect of discounting is considered not to be material. This receivable is not past due nor impaired.

Note 17. Non-current assets - investments accounted for using the equity method

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|-------------------------|--------------------------------|--------------------------------|
| Investment in associate | 34,192 | 30,981 |

Refer to note 54 for further information on interests in associates.

Note 18. Non-current assets - financial assets at fair value through other comprehensive income

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|--------------------------|--------------------------------|--------------------------------|
| Unlisted ordinary shares | 170 | - |

Reconciliation

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

| | | |
|------------------------|------|---|
| Opening fair value | - | - |
| Additions | 200 | - |
| Disposals | (80) | - |
| Revaluation increments | 50 | - |
| Closing fair value | 170 | - |

Refer to note 46 for further information on fair value measurement.

Note 19. Non-current assets - investment properties

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|--------------------------------|----------------|
| Investment properties - at independent valuation | 46,900 | 47,500 |

Reconciliation

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

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

Refer to note 46 for further information on fair value measurement.

Lessor commitments

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|--------------------------------|----------------|
| Minimum lease commitments receivable but not recognised in the financial statements: | | |
| 1 year or less | 3,723 | 3,580 |
| Between 1 and 2 years | 3,872 | 3,723 |
| Between 2 and 3 years | 4,027 | 3,872 |
| Between 3 and 4 years | 4,188 | 4,027 |
| Between 4 and 5 years | 4,356 | 4,188 |
| Over 5 years | 14,140 | 18,496 |
| | 34,306 | 37,886 |

Note 20. Non-current assets - property, plant and equipment

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|--------------------------------|----------------|
| Land and buildings - at independent valuation | 52,500 | 58,500 |
| Leasehold improvements - at cost | 33,585 | 27,185 |
| Less: Accumulated depreciation | (18,401) | (13,120) |
| | 15,184 | 14,065 |
| Plant and equipment - at cost | 105,607 | 100,362 |
| Less: Accumulated depreciation | (56,152) | (44,044) |
| | 49,455 | 56,318 |
| | 117,139 | 128,883 |

Note 20. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

| Consolidated | Land and buildings CU'000 | Leasehold improvements CU'000 | Plant and equipment CU'000 | Total CU'000 |
|---|---------------------------------|-------------------------------------|----------------------------------|-----------------|
| Balance at 1 January 2021 | 56,500 | 17,478 | 69,050 | 143,028 |
| Additions | - | 2,308 | 740 | 3,048 |
| Disposals | - | - | (58) | (58) |
| Revaluation increments | 2,000 | - | - | 2,000 |
| Depreciation expense | - | (5,721) | (13,414) | (19,135) |
| Balance at 31 December 2021 | 58,500 | 14,065 | 56,318 | 128,883 |
| Additions | - | 6,400 | 365 | 6,765 |
| Additions through business combinations (note 52) | - | - | 6,060 | 6,060 |
| Classified as held for sale (note 15) | (6,000) | - | - | (6,000) |
| Disposals | - | - | (1,089) | (1,089) |
| Depreciation expense | - | (5,281) | (12,199) | (17,480) |
| Balance at 31 December 2022 | 52,500 | 15,184 | 49,455 | 117,139 |

Refer to note 46 for further information on fair value measurement.

Land and buildings stated under the historical cost convention

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

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|--------------------------------|---|------------------------|
| Land and buildings - at cost | 46,000 | 52,000 |
| Less: Accumulated depreciation | (1,059) | (1,007) |
| | <u>44,941</u> | <u>50,993</u> |

Note 21. Non-current assets - right-of-use assets

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|------------------------------------|---|------------------------|
| Land and buildings - right-of-use | 271,636 | 271,636 |
| Less: Accumulated depreciation | (37,350) | (23,768) |
| | <u>234,286</u> | <u>247,868</u> |
| Plant and equipment - right-of-use | 126,363 | 120,842 |
| Less: Accumulated depreciation | (55,164) | (36,594) |
| | <u>71,199</u> | <u>84,248</u> |
| | <u>305,485</u> | <u>332,116</u> |

Additions to the right-of-use assets during the year were CU5,521,000.

Note 21. Non-current assets - right-of-use assets (continued)

The consolidated entity leases land and buildings for its offices, warehouses and retail outlets under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases plant and equipment under agreements of between three to seven years.

The consolidated entity leases office equipment under agreements of less than two years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Note 22. Non-current assets - intangibles

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|----------------------------------|--------------------------------|----------------|
| Goodwill | 9,908 | 9,500 |
| Less: Impairment | (500) | - |
| | <u>9,408</u> | <u>9,500</u> |
| Development - at cost | 3,208 | 3,208 |
| Less: Accumulated amortisation | (1,605) | (1,284) |
| | <u>1,603</u> | <u>1,924</u> |
| Patents and trademarks - at cost | 320 | 320 |
| Less: Accumulated amortisation | (224) | (192) |
| | <u>96</u> | <u>128</u> |
| Customer contracts - at cost | 1,250 | - |
| Less: Accumulated amortisation | (229) | - |
| | <u>1,021</u> | <u>-</u> |
| Software - at cost | 108 | 108 |
| Less: Accumulated amortisation | (66) | (44) |
| | <u>42</u> | <u>64</u> |
| | <u>12,170</u> | <u>11,616</u> |

Reconciliations

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

| Consolidated | Goodwill CU'000 | Development CU'000 | Patents and trademarks CU'000 | Customer contracts CU'000 | Software CU'000 | Total CU'000 |
|---|--------------------|-----------------------|-------------------------------------|---------------------------------|--------------------|-----------------|
| Balance at 1 January 2021 | 9,500 | 2,245 | 160 | - | 86 | 11,991 |
| Amortisation expense | - | (321) | (32) | - | (22) | (375) |
| Balance at 31 December 2021 | 9,500 | 1,924 | 128 | - | 64 | 11,616 |
| Additions through business combinations (note 52) | 408 | - | - | 1,250 | - | 1,658 |
| Impairment of assets | (500) | - | - | - | - | (500) |
| Amortisation expense | - | (321) | (32) | (229) | (22) | (604) |
| Balance at 31 December 2022 | <u>9,408</u> | <u>1,603</u> | <u>96</u> | <u>1,021</u> | <u>42</u> | <u>12,170</u> |

Note 22. Non-current assets - intangibles (continued)

Impairment testing

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

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|-----------------------|--------------------------------|----------------|
| Computer retailing | 8,700 | 9,200 |
| Computer distribution | 708 | 300 |
| | <u>9,408</u> | <u>9,500</u> |

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

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

The following key assumptions were used in the discounted cash flow model for the computer retailing division:

- 18% (2021: 18%) pre-tax discount rate;
- 2% (2021: 5%) per annum projected revenue growth rate;
- 5% (2021: 8%) per annum increase in operating costs and overheads.

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

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

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

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

Based on the above, an impairment charge of CU500,000 has been applied as the carrying amount of goodwill exceeded its recoverable amount for the computer retailing division.

The following key assumptions were used in the discounted cash flow model for the computer distribution division:

- 17% (2021: 18%) pre-tax discount rate;
- 5% (2021: 5%) per annum projected revenue growth rate.

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

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

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

Based on the above, the recoverable amount of the computer distribution division exceeded the carrying amount by CU1,250,000.

Note 22. Non-current assets - intangibles (continued)

Sensitivity

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Revenue would need to decrease by more than 1% for the computer distribution division before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 1% for the computer distribution division before goodwill would need to be impaired, with all other assumptions remaining constant.

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

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

Note 23. Non-current assets - deferred tax

Consolidated
2022 **2021**
CU'000 **CU'000**

Deferred tax asset comprises temporary differences attributable to:

Amounts recognised in profit or loss:

| | | |
|--------------------------------------|-------|-------|
| Allowance for expected credit losses | 296 | 247 |
| Property, plant and equipment | 411 | - |
| Contract liabilities | 681 | 641 |
| Employee benefits | 5,850 | 5,699 |
| Leases | 5,899 | 3,853 |
| Provision for legal claims | 18 | - |
| Provision for lease make good | 512 | 321 |
| Provision for warranties | 961 | 851 |
| Accrued expenses | 343 | 278 |
| Refund liabilities | 296 | 283 |

15,267 12,173

Amounts recognised in equity:

| | | |
|----------------------------------|-----|-----|
| Transaction costs on share issue | 270 | 356 |
| Derivative financial instruments | 37 | 32 |

307 388

Deferred tax asset

15,574 12,561

Movements:

| | | |
|---|--------|-------|
| Opening balance | 12,561 | 8,379 |
| Credited to profit or loss (note 8) | 2,559 | 3,745 |
| Credited to equity (note 8) | 5 | 437 |
| Additions through business combinations (note 52) | 449 | - |

Closing balance

15,574 12,561

Note 24. Non-current assets - other

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|----------------------------|--------------------------------|--------------------------------|
| Security deposits | 1,260 | 1,445 |
| Customer acquisition costs | 564 | 517 |
| Customer fulfilment costs | 484 | 443 |
| | <u>2,308</u> | <u>2,405</u> |

Note 25. Current liabilities - trade and other payables

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|----------------|--------------------------------|--------------------------------|
| Trade payables | 18,070 | 15,711 |
| Other payables | 1,934 | 1,595 |
| | <u>20,004</u> | <u>17,306</u> |

Refer to note 45 for further information on financial instruments.

Note 26. Current liabilities - contract liabilities

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|----------------------|--------------------------------|--------------------------------|
| Contract liabilities | <u>2,269</u> | <u>2,135</u> |

Reconciliation

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

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

Note 26. Current liabilities - contract liabilities (continued)

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was CU3,891,000 as at 31 December 2022 (CU3,507,000 as at 31 December 2021) and is expected to be recognised as revenue in future periods as follows:

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|-----------------|---|------------------------|
| Within 6 months | 1,482 | 1,344 |
| 6 to 12 months | 1,128 | 1,032 |
| 12 to 18 months | 874 | 817 |
| 18 to 24 months | 407 | 314 |
| | <u>3,891</u> | <u>3,507</u> |

Note 27. Current liabilities - borrowings

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|----------------|---|------------------------|
| Bank overdraft | - | 1,273 |
| Bank loans | 4,500 | 2,000 |
| | <u>4,500</u> | <u>3,273</u> |

Refer to note 35 for further information on assets pledged as security and financing arrangements.

Refer to note 45 for further information on financial instruments.

Note 28. Current liabilities - lease liabilities

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|-----------------|---|------------------------|
| Lease liability | <u>22,072</u> | <u>20,905</u> |

Refer to note 45 for further information on financial instruments.

Note 29. Current liabilities - derivative financial instruments

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|---|------------------------|
| Forward foreign exchange contracts - cash flow hedges | <u>122</u> | <u>107</u> |

Refer to note 45 for further information on financial instruments.

Refer to note 46 for further information on fair value measurement.

Note 30. Current liabilities - income tax

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|--------------------------|--------------------------------|--------------------------------|
| Provision for income tax | 6,701 | 2,351 |

Note 31. Current liabilities - employee benefits

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|-------------------|--------------------------------|--------------------------------|
| Employee benefits | 8,352 | 8,143 |

Amounts not expected to be settled within the next 12 months

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

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

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|---|--------------------------------|--------------------------------|
| Employee benefits obligation expected to be settled after 12 months | 1,603 | 1,292 |

Note 32. Current liabilities - provisions

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|-----------------|--------------------------------|--------------------------------|
| Lease make good | 230 | - |
| Legal claims | 60 | - |
| Warranties | 3,204 | 2,837 |
| | <u>3,494</u> | <u>2,837</u> |

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Legal claims

The provision represents a claim by a customer of the computer retailing division. This claim is expected to be settled in the next financial year and the outcome of this claim is not expected to exceed the amount provided for, based on independent legal advice.

Warranties

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Note 32. Current liabilities - provisions (continued)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

| Consolidated - 2022 | Lease make good CU'000 | Legal claims CU'000 | Warranties CU'000 |
|--|------------------------------|---------------------------|----------------------|
| Carrying amount at the start of the year | - | - | 2,837 |
| Additional provisions recognised | - | 60 | 503 |
| Amounts transferred from non-current | 230 | - | - |
| Amounts used | - | - | (91) |
| Unused amounts reversed | - | - | (45) |
| | <u>230</u> | <u>60</u> | <u>3,204</u> |
| Carrying amount at the end of the year | 230 | 60 | 3,204 |

Note 33. Current liabilities - other

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|--------------------|---|------------------------|
| Accrued expenses | 1,143 | 927 |
| Refund liabilities | 987 | 942 |
| | <u>2,130</u> | <u>1,869</u> |

Note 34. Current liabilities - liabilities directly associated with assets classified as held for sale

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|------------|---|------------------------|
| Bank loans | 4,000 | - |

The liabilities identified above represents the bank loan secured over the vacant land currently for sale. Refer to note 15 for further information.

Note 35. Non-current liabilities - borrowings

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|------------|---|------------------------|
| Bank loans | 19,000 | 19,000 |

Refer to note 45 for further information on financial instruments.

Note 35. Non-current liabilities - borrowings (continued)

Total secured liabilities

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

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|----------------|--------------------------------|--------------------------------|
| Bank overdraft | - | 1,273 |
| Bank loans | 27,500 | 21,000 |
| | <u>27,500</u> | <u>22,273</u> |

Assets pledged as security

The bank overdraft and loans are secured by first mortgages over the consolidated entity's land and buildings.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|------------------------------|--------------------------------|--------------------------------|
| Total facilities | | |
| Bank overdraft | 5,000 | 5,000 |
| Bank loans | 40,000 | 25,000 |
| | <u>45,000</u> | <u>30,000</u> |
| Used at the reporting date | | |
| Bank overdraft | - | 1,273 |
| Bank loans | 27,500 | 21,000 |
| | <u>27,500</u> | <u>22,273</u> |
| Unused at the reporting date | | |
| Bank overdraft | 5,000 | 3,727 |
| Bank loans | 12,500 | 4,000 |
| | <u>17,500</u> | <u>7,727</u> |

Note 36. Non-current liabilities - lease liabilities

| | Consolidated 2022 CU'000 | Consolidated 2021 CU'000 |
|-----------------|--------------------------------|--------------------------------|
| Lease liability | <u>301,714</u> | <u>322,745</u> |

Refer to note 45 for further information on financial instruments.

Note 37. Non-current liabilities - deferred tax

| | Consolidated | |
|--|----------------|----------------|
| | 2022 CU'000 | 2021 CU'000 |
| <i>Deferred tax liability comprises temporary differences attributable to:</i> | | |
| Amounts recognised in profit or loss: | | |
| Financial assets at fair value through profit or loss | 15 | - |
| Prepayments | 302 | 228 |
| Development costs | 481 | 577 |
| Customer contracts | 306 | - |
| Net fair value gain on investment properties | 270 | 450 |
| Contract assets | 184 | 89 |
| Customer acquisition costs | 594 | 537 |
| Customer fulfilment costs | 347 | 317 |
| Right of return assets | 201 | 185 |
| | 2,700 | 2,383 |
| Amounts recognised in equity: | | |
| Revaluation of property, plant and equipment | 1,950 | 1,950 |
| Revaluation of financial assets at fair value through other comprehensive income | 15 | - |
| | 1,965 | 1,950 |
| Deferred tax liability | 4,665 | 4,333 |
| <i>Movements:</i> | | |
| Opening balance | 4,333 | 2,143 |
| Charged/(credited) to profit or loss (note 8) | (58) | 1,590 |
| Charged to equity (note 8) | 15 | 600 |
| Additions through business combinations (note 52) | 375 | - |
| | 4,665 | 4,333 |
| Closing balance | 4,665 | 4,333 |

Note 38. Non-current liabilities - employee benefits

| | Consolidated | |
|-------------------|----------------|----------------|
| | 2022 CU'000 | 2021 CU'000 |
| Employee benefits | 11,149 | 10,854 |

Note 39. Non-current liabilities - provisions

| | Consolidated | |
|-----------------|----------------|----------------|
| | 2022 CU'000 | 2021 CU'000 |
| Lease make good | 1,475 | 1,070 |

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Note 39. Non-current liabilities - provisions (continued)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

| | Lease make good CU'000 |
|--|------------------------------|
| Consolidated - 2022 | |
| Carrying amount at the start of the year | 1,070 |
| Additional provisions recognised | 550 |
| Amounts transferred to current | (230) |
| Unwinding of discount | 85 |
| | <u>1,475</u> |
| Carrying amount at the end of the year | <u>1,475</u> |

Note 40. Equity - issued capital

| | 2022 Shares | Consolidated 2021 Shares | 2022 CU'000 | 2021 CU'000 |
|------------------------------|--------------------|--------------------------------|----------------|----------------|
| Ordinary shares - fully paid | <u>146,910,000</u> | <u>146,800,000</u> | <u>182,953</u> | <u>182,678</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | CU'000 |
|---|------------------|--------------------|-------------|----------------|
| Balance | 1 January 2021 | 111,800,000 | | 104,922 |
| Issue of shares | [date] | 35,000,000 | CU2.25 | 78,750 |
| Share issue transaction costs, net of tax | [date] | - | CU0.00 | (994) |
| | | <u>146,800,000</u> | | <u>182,678</u> |
| Balance | 31 December 2021 | 146,800,000 | | 182,678 |
| Issue of shares on the exercise of options | [date] | 10,000 | CU2.50 | 25 |
| Issue of shares to key management personnel | [date] | 100,000 | CU2.50 | 250 |
| | | <u>146,910,000</u> | | <u>182,953</u> |
| Balance | 31 December 2022 | 146,910,000 | | 182,953 |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

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

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

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

Note 40. Equity - issued capital (continued)

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

The capital risk management policy remains unchanged from the 31 December 2021 Annual Report.

Note 41. Equity - reserves

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|--------------------------------|----------------|
| Revaluation surplus reserve | 4,095 | 4,095 |
| Financial assets at fair value through other comprehensive income reserve | 35 | - |
| Foreign currency reserve | (769) | (512) |
| Hedging reserve - cash flow hedges | (85) | (75) |
| | <u>3,276</u> | <u>3,508</u> |

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Internationaland currency units. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Hedging reserve - cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Revaluation surplus CU'000 | Financial assets at fair value through OCI CU'000 | Foreign currency CU'000 | Hedging CU'000 | Total CU'000 |
|------------------------------|----------------------------------|---|-------------------------------|-------------------|-----------------|
| Balance at 1 January 2021 | 2,835 | - | (294) | (48) | 2,493 |
| Revaluation - gross | 1,800 | - | - | (38) | 1,762 |
| Deferred tax | (540) | - | - | 11 | (529) |
| Foreign currency translation | - | - | (218) | - | (218) |
| | <u>4,095</u> | <u>-</u> | <u>(512)</u> | <u>(75)</u> | <u>3,508</u> |
| Balance at 31 December 2021 | 4,095 | - | (512) | (75) | 3,508 |
| Revaluation - gross | - | 50 | - | (15) | 35 |
| Deferred tax | - | (15) | - | 5 | (10) |
| Foreign currency translation | - | - | (257) | - | (257) |
| | <u>4,095</u> | <u>35</u> | <u>(769)</u> | <u>(85)</u> | <u>3,276</u> |
| Balance at 31 December 2022 | 4,095 | 35 | (769) | (85) | 3,276 |

Note 42. Equity - retained profits

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|--------------------------------|----------------|
| Retained profits at the beginning of the financial year | 12,386 | 14,482 |
| Profit after income tax expense for the year | 27,763 | 15,520 |
| Dividends paid (note 44) | (29,383) | (17,616) |
| | <u>10,766</u> | <u>12,386</u> |
| Retained profits at the end of the financial year | <u>10,766</u> | <u>12,386</u> |

Note 43. Equity - non-controlling interest

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|------------------|--------------------------------|----------------|
| Issued capital | 16,000 | 16,000 |
| Reserves | 455 | 455 |
| Retained profits | 908 | 766 |
| | <u>17,363</u> | <u>17,221</u> |

The non-controlling interest has a 10% (2021: 10%) equity holding in RSM Manufacturing Limited.

Note 44. Equity - dividends

Dividends paid during the financial year were as follows:

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|--------------------------------|----------------|
| Final dividend for the year ended 31 December 2021 (2021: 31 December 2020) of 15 cents (2021: 8 cents) per ordinary share | 22,037 | 11,744 |
| Interim dividend for the year ended 31 December 2022 (2021: 31 December 2021) of 5 cents (2021: 4 cents) per ordinary share | 7,346 | 5,872 |
| | <u>29,383</u> | <u>17,616</u> |

On [date] the directors declared a final dividend for the year ended 31 December 2022 of 17 cents per ordinary share to be paid on [date], a total estimated distribution of CU24,975,000 based on the number of ordinary shares on issue as at [date].

Note 45. Financial instruments

Financial risk management objectives

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

Note 45. Financial instruments (continued)

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

Market risk

Foreign currency risk

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

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

In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge between 30% and 80% of anticipated foreign currency transactions for the subsequent 4 months.

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

| | Sell International currency units | | Average exchange rates | |
|----------------------------------|--------------------------------------|----------------|------------------------|--------|
| | 2022 CU'000 | 2021 CU'000 | 2022 | 2021 |
| Buy US dollars | | | | |
| Maturity: | | | | |
| 0 - 3 months | 121 | 89 | 0.9123 | 0.8132 |
| 3 - 6 months | 34 | 23 | 0.9057 | 0.8294 |
| Buy Euros | | | | |
| Maturity: | | | | |
| 0 - 3 months | 274 | 207 | 0.6342 | 0.5861 |
| 3 - 6 months | 86 | 49 | 0.6355 | 0.6082 |
| Buy Neighbourland dollars | | | | |
| Maturity: | | | | |
| 0 - 3 months | 182 | 163 | 1.2345 | 1.2643 |
| 3 - 6 months | 107 | 71 | 1.2407 | 1.2847 |

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

| Consolidated | Assets | | Liabilities | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2022 CU'000 | 2021 CU'000 | 2022 CU'000 | 2021 CU'000 |
| US dollars | 35 | 18 | 64 | 69 |
| Euros | 7 | 21 | 82 | 74 |
| Neighbourland dollars | 45 | 32 | 61 | 52 |
| | <u>87</u> | <u>71</u> | <u>207</u> | <u>195</u> |

Note 45. Financial instruments (continued)

The consolidated entity had net liabilities denominated in foreign currencies of CU120,000 (assets of CU87,000 less liabilities of CU207,000) as at 31 December 2022 (2021: CU124,000 (assets of CU71,000 less liabilities of CU195,000)). Based on this exposure, had the Internationaland currency unit weakened by 10%/strengthened by 5% (2021: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been CU12,000 lower/CU6,000 higher (2021: CU6,000 lower/CU6,000 higher) and equity would have been CU8,000 lower/CU4,000 higher (2021: CU4,000 lower/CU4,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 31 December 2022 was CU13,000 (2021: loss of CU6,000).

Price risk

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

Interest rate risk

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

The consolidated entity's bank loans outstanding, totalling CU27,500,000 (2021: CU21,000,000), are principal and interest payment loans. Monthly cash outlays of approximately CU180,000 (2021: CU140,000) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2021: 100) basis points would have an adverse/favourable effect on profit before tax of CU275,000 (2021: CU210,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, minimum principal repayments of CU8,500,000 (2021: CU2,000,000) are due during the year ending 31 December 2023 (2021: 31 December 2022).

Credit risk

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

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 10, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 31 December 2022 and rates have increased in each category up to 6 months overdue.

The consolidated entity has a credit risk exposure with a major Internationaland retailer, which as at 31 December 2022 owed the consolidated entity CU10,680,000 (76% of trade receivables) (2021: CU9,510,000 (74% of trade receivables)). Despite the impact that the Coronavirus (COVID-19) pandemic has had on this major Internationaland retailer, this balance was within its terms of trade and no impairment was made as at 31 December 2022. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

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

Liquidity risk

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

Note 45. Financial instruments (continued)

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

Financing arrangements

Unused borrowing facilities at the reporting date:

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|----------------|--------------------------------|----------------|
| Bank overdraft | 5,000 | 3,727 |
| Bank loans | 12,500 | 4,000 |
| | <u>17,500</u> | <u>7,727</u> |

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 3 years (2021: 4 years).

Remaining contractual maturities

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

| Consolidated - 2022 | Weighted average interest rate % | 1 year or less CU'000 | Between 1 and 2 years CU'000 | Between 2 and 5 years CU'000 | Over 5 years CU'000 | Remaining contractual maturities CU'000 |
|---|---|--------------------------|------------------------------------|------------------------------------|------------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 18,070 | - | - | - | 18,070 |
| Other payables | - | 1,934 | - | - | - | 1,934 |
| <i>Interest-bearing - fixed rate</i> | | | | | | |
| Bank loans | 8.20% | 10,407 | 9,710 | 10,931 | - | 31,048 |
| Lease liability | 5.03% | 37,574 | 37,542 | 112,415 | 290,764 | 478,295 |
| Total non-derivatives | | <u>67,985</u> | <u>47,252</u> | <u>123,346</u> | <u>290,764</u> | <u>529,347</u> |
| Derivatives | | | | | | |
| Forward foreign exchange contracts net settled | - | 122 | - | - | - | 122 |
| Total derivatives | | <u>122</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>122</u> |

Note 45. Financial instruments (continued)

| Consolidated - 2021 | Weighted average interest rate % | 1 year or less CU'000 | Between 1 and 2 years CU'000 | Between 2 and 5 years CU'000 | Over 5 years CU'000 | Remaining contractual maturities CU'000 |
|--|----------------------------------|-----------------------|------------------------------|------------------------------|---------------------|---|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 15,711 | - | - | - | 15,711 |
| Other payables | - | 1,595 | - | - | - | 1,595 |
| <i>Interest-bearing - variable</i> | | | | | | |
| Bank overdraft | 12.80% | 1,355 | - | - | - | 1,355 |
| <i>Interest-bearing - fixed rate</i> | | | | | | |
| Bank loans | 8.20% | 3,640 | 9,710 | 11,095 | - | 24,445 |
| Lease liability | 5.03% | 37,107 | 37,574 | 112,523 | 328,200 | 515,404 |
| Total non-derivatives | | <u>59,408</u> | <u>47,284</u> | <u>123,618</u> | <u>328,200</u> | <u>558,510</u> |
| Derivatives | | | | | | |
| Forward foreign exchange contracts net settled | - | 107 | - | - | - | 107 |
| Total derivatives | | <u>107</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>107</u> |

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

Fair value of financial instruments

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

Hedge accounting

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

| Consolidated | Nominal amount CU'000 | Carrying amount CU'000 | Change in fair value CU'000 | Hedging reserve CU'000 | Cost of reserve CU'000 |
|--|-----------------------|------------------------|-----------------------------|------------------------|------------------------|
| Forward foreign exchange contracts for purchases at 31 December 2021 | 602 | 107 | (9) | (75) | (20) |
| Forward foreign exchange contracts for purchases at 31 December 2022 | 804 | 122 | 4 | (85) | (19) |

Note 45. Financial instruments (continued)

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

| Consolidated | Spot component CU'000 | Value of options CU'000 | Cost of reserve CU'000 | Total CU'000 |
|---|-----------------------------|-------------------------------|------------------------------|-----------------|
| Balance at 1 January 2021 | (76) | 46 | (18) | (48) |
| Change in fair value of hedging instrument recognised in other comprehensive income | (73) | 64 | - | (9) |
| Costs of hedging deferred and recognised in other comprehensive income | - | - | (17) | (17) |
| Reclassified to the cost of inventory - recognised in other comprehensive income | (24) | - | 14 | (10) |
| Reclassified from other comprehensive income to profit or loss | (2) | - | - | (2) |
| Deferred tax | 29 | (19) | 1 | 11 |
| | <u>(146)</u> | <u>91</u> | <u>(20)</u> | <u>(75)</u> |
| Balance at 31 December 2021 | (146) | 91 | (20) | (75) |
| Change in fair value of hedging instrument recognised in other comprehensive income | (8) | 12 | - | 4 |
| Costs of hedging deferred and recognised in other comprehensive income | - | - | (15) | (15) |
| Reclassified to the cost of inventory - recognised in other comprehensive income | (20) | - | 16 | (4) |
| Deferred tax | 9 | (4) | - | 5 |
| | <u>9</u> | <u>(4)</u> | <u>-</u> | <u>5</u> |
| Balance at 31 December 2022 | <u>(165)</u> | <u>99</u> | <u>(19)</u> | <u>(85)</u> |

Note 46. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

| Consolidated - 2022 | Level 1 CU'000 | Level 2 CU'000 | Level 3 CU'000 | Total CU'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Assets | | | | |
| Ordinary shares at fair value through profit or loss | 360 | - | - | 360 |
| Ordinary shares at fair value through other comprehensive income | - | - | 170 | 170 |
| Investment properties | - | - | 46,900 | 46,900 |
| Land and buildings | - | - | 58,500 | 58,500 |
| Total assets | <u>360</u> | <u>-</u> | <u>105,570</u> | <u>105,930</u> |
| Liabilities | | | | |
| Forward foreign exchange contracts | - | 122 | - | 122 |
| Total liabilities | <u>-</u> | <u>122</u> | <u>-</u> | <u>122</u> |

Note 46. Fair value measurement (continued)

| Consolidated - 2021 | Level 1 CU'000 | Level 2 CU'000 | Level 3 CU'000 | Total CU'000 |
|------------------------------------|-------------------|-------------------|-------------------|-----------------|
| <i>Assets</i> | | | | |
| Investment properties | - | - | 47,500 | 47,500 |
| Land and buildings | - | - | 58,500 | 58,500 |
| Total assets | <u>-</u> | <u>-</u> | <u>106,000</u> | <u>106,000</u> |
| <i>Liabilities</i> | | | | |
| Forward foreign exchange contracts | - | 107 | - | 107 |
| Total liabilities | <u>-</u> | <u>107</u> | <u>-</u> | <u>107</u> |

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

There were no transfers between levels during the financial year.

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

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

Valuation techniques for fair value measurements categorised within level 2 and level 3

Unquoted investments have been valued using a discounted cash flow model.

The basis of the valuation of investment properties is fair value. The investment properties are revalued annually based on independent assessments by a member of the [NAME] having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 31 December 2021 based on independent assessments by a member of the Internationaland Property Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

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

Note 46. Fair value measurement (continued)

Level 3 assets and liabilities

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

| Consolidated | Ordinary shares at fair value through OCI CU'000 | Investment properties CU'000 | Land and buildings CU'000 | Total CU'000 |
|--|--|------------------------------------|---------------------------------|-----------------|
| Balance at 1 January 2021 | - | 46,000 | 56,500 | 102,500 |
| Gains recognised in profit or loss | - | 1,500 | - | 1,500 |
| Gains recognised in other comprehensive income | - | - | 2,000 | 2,000 |
| Balance at 31 December 2021 | - | 47,500 | 58,500 | 106,000 |
| Losses recognised in profit or loss | - | (600) | - | (600) |
| Gains recognised in other comprehensive income | 50 | - | - | 50 |
| Additions | 200 | - | - | 200 |
| Disposals | (80) | - | - | (80) |
| Balance at 31 December 2022 | 170 | 46,900 | 58,500 | 105,570 |

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

| Description | Unobservable inputs | Range (weighted average) | Sensitivity |
|--|------------------------|-----------------------------|--|
| Ordinary shares at fair value through other comprehensive income | Growth rate | 2.5% to 3.5% (3.0%) | 0.25% change would increase/decrease fair value by CU5,000 |
| | Discount rate | 8.0% to 11.0% (9.5%) | 1.00% change would increase/decrease fair value by CU14,000 |
| Investment properties | Rental yield | 7.5% to 9.0% (8.5%) | 0.75% change would increase/decrease fair value by CU352,000 |
| | Rental growth | 1.25% to 2.0% (1.75%) | 0.25% change would increase/decrease fair value by CU117,000 |
| | Long-term vacancy rate | 5.0% to 9.0% (7.5%) | 0.75% change would increase/decrease fair value by CU276,000 |
| | Discount rate | 4.0% to 6.0% (5.25%) | 0.5% change would increase/decrease fair value by CU57,000 |
| Land and buildings | Rental yield | 6.0% to 8.0% (7.5%) | 0.75% change would increase/decrease fair value by CU440,000 |
| | Discount rate | 5.0% to 7.0% (6.25%) | 0.5% change would increase/decrease fair value by CU61,000 |

Note 47. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|------------------------------|--------------------------------|----------------|
| Short-term employee benefits | 1,618 | 1,498 |
| Post-employment benefits | 107 | 101 |
| Long-term benefits | 10 | 25 |
| Share-based payments | 253 | 1 |
| | <u>1,988</u> | <u>1,625</u> |

Note 48. Contingent assets

RSM Manufacturing Limited, a subsidiary, will be paid a success premium of up to CU3,000,000 by Compdesign Partnership, in which it holds a 35% interest, if the rights to a computer manufacturing process are sold to a Korean based company. The likelihood of this proceeding is highly probable. No asset has been recognised within these financial statements.

RSM Manufacturing Limited, a subsidiary, has an outstanding insurance claim with respect to inventory that was damaged in the Cityville floods that occurred during the financial year. An assessment is currently being undertaken by the insurer as to whether it was the cause of a flood or rising waters, which will affect the payout. Because the insurance proceeds are not virtually certain, no asset has been recognised within these financial statements. The inventory of approximately CU400,000 has been written off during the current financial year.

Note 49. Contingent liabilities

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

The consolidated entity has given bank guarantees as at 31 December 2022 of CU3,105,000 (2021: CU2,844,000) to various landlords.

Note 50. Commitments

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|--------------------------------|----------------|
| <i>Capital commitments</i> | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Investment properties | 170 | 170 |
| Property, plant and equipment | <u>1,165</u> | <u>1,145</u> |
| Intangible assets | <u>160</u> | <u>-</u> |

Note 51. Related party transactions

Parent entity

RSM IFRS Listed Practical Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 53.

Note 51. Related party transactions (continued)

Associates

Interests in associates are set out in note 54.

Key management personnel

Disclosures relating to key management personnel are set out in note 47.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|---|------------------------|
| Payment for goods and services: | | |
| Payment for services from associate | 3,397 | 3,235 |
| Payment for marketing services from BE Promotions Limited (director-related entity of Brad Example) | 81 | 68 |

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|---|------------------------|
| Current payables: | | |
| Trade payables to associate | 361 | 346 |
| Trade payables to BE Promotions Limited (director-related entity of Brad Example) | 7 | 6 |

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 52. Business combinations

On [date] RSM Logistics Limited, a subsidiary of RSM IFRS Listed Practical Limited, acquired 100% of the ordinary shares of RSM CompCarrier Limited (formerly known as CompCarrier Limited) for the total consideration transferred of CU8,230,000. This is a freight business and operates in the computer distribution division of the consolidated entity. It was acquired to better utilise the existing computer distribution division administrative function. The goodwill of CU408,000 represents the expected synergies from merging this business with the computer distribution division and eliminating third party freight costs. The acquired business contributed revenues of CU5,428,000 and profit after tax of CU670,000 to the consolidated entity for the period from [date] to 31 December 2022. If the acquisition occurred on 1 January 2022, the full year contributions would have been revenues of CU5,901,000 and profit after tax of CU729,000. The values identified in relation to the acquisition of CompCarrier are final as at 31 December 2022.

Details of the acquisition are as follows:

| | Fair value CU'000 |
|--|------------------------------|
| Cash and cash equivalents | 3 |
| Trade receivables | 822 |
| Prepayments | 106 |
| Plant and equipment | 6,060 |
| Customer contracts | 1,250 |
| Deferred tax asset | 449 |
| Trade payables | (364) |
| Deferred tax liability | (375) |
| Employee benefits | (129) |
| | <hr/> |
| Net assets acquired | 7,822 |
| Goodwill | 408 |
| | <hr/> |
| Acquisition-date fair value of the total consideration transferred | 8,230 |
| | <hr/> |
| Representing: | |
| Cash paid or payable to vendor | 8,230 |
| | <hr/> |
| Acquisition costs expensed to profit or loss | 182 |
| | <hr/> |
| Cash used to acquire business, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 8,230 |
| Less: cash and cash equivalents | (3) |
| Less: payments made in prior periods | (155) |
| | <hr/> |
| Net cash used | 8,072 |
| | <hr/> |

The fair value of trade receivables is CU822,000. The gross contractual amount for trade receivables due is CU874,000, of which CU52,000 is not expected to be collected.

Note 53. Interests in subsidiaries

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

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|-------------------------------------|---|--------------------|-----------|
| | | 2022 % | 2021 % |
| RSM Retailing Limited | Internationaland | 100.00% | 100.00% |
| RSM Logistics Limited | Internationaland | 100.00% | 100.00% |
| RSM CompCarrier Limited | Internationaland | 100.00% | - |
| RSM Retailing International Limited | Neighbourland | 100.00% | 100.00% |

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

| Name | Principal place of business / Country of incorporation | Principal activities | Parent | | Non-controlling interest | |
|--------------------------------|---|---------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | | | Ownership interest 2022 % | Ownership interest 2021 % | Ownership interest 2022 % | Ownership interest 2021 % |
| RSM Manufacturing Limited * | Internationaland | Computer manufacturing | 90.00% | 90.00% | 10.00% | 10.00% |

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

Note 53. Interests in subsidiaries (continued)

Summarised financial information

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

| | RSM Manufacturing Limited | |
|--|--------------------------------------|------------------------|
| | 2022 CU'000 | 2021 CU'000 |
| <i>Summarised statement of financial position</i> | | |
| Current assets | 48,800 | 50,443 |
| Non-current assets | 163,318 | 162,342 |
| Total assets | <u>212,118</u> | <u>212,785</u> |
| Current liabilities | 25,735 | 22,452 |
| Non-current liabilities | 18,183 | 23,047 |
| Total liabilities | <u>43,918</u> | <u>45,499</u> |
| Net assets | <u>168,200</u> | <u>167,286</u> |
| <i>Summarised statement of profit or loss and other comprehensive income</i> | | |
| Revenue | 231,564 | 219,870 |
| Expenses | <u>(229,506)</u> | <u>(216,649)</u> |
| Profit before income tax expense | 2,058 | 3,221 |
| Income tax expense | <u>(644)</u> | <u>(935)</u> |
| Profit after income tax expense | 1,414 | 2,286 |
| Other comprehensive income | - | <u>1,400</u> |
| Total comprehensive income | <u>1,414</u> | <u>3,686</u> |
| <i>Statement of cash flows</i> | | |
| Net cash from operating activities | 9,262 | 12,284 |
| Net cash used in investing activities | (7,962) | (11,212) |
| Net cash used in financing activities | <u>(2,500)</u> | <u>(500)</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>(1,200)</u> | <u>572</u> |
| <i>Other financial information</i> | | |
| Profit attributable to non-controlling interests | 142 | 229 |
| Accumulated non-controlling interests at the end of reporting period | <u>17,363</u> | <u>17,221</u> |

Significant restrictions

RSM Manufacturing Limited cannot move its manufacturing location without the prior consent of the non-controlling interests.

Note 54. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|------------------------|---|--------------------|-----------|
| | | 2022 % | 2021 % |
| Compdesign Partnership | Internationaland | 35.00% | 35.00% |

Summarised financial information

| | Compdesign Partnership | |
|---|------------------------|----------------|
| | 2022 CU'000 | 2021 CU'000 |
| <i>Summarised statement of financial position</i> | | |
| Current assets | 28,994 | 26,806 |
| Non-current assets | 205,203 | 198,240 |
| Total assets | 234,197 | 225,046 |
| Current liabilities | 19,440 | 16,486 |
| Non-current liabilities | 117,066 | 120,043 |
| Total liabilities | 136,506 | 136,529 |
| Net assets | 97,691 | 88,517 |

Summarised statement of profit or loss and other comprehensive income

| | | |
|----------------------------|----------|----------|
| Revenue | 109,706 | 97,951 |
| Expenses | (96,601) | (87,089) |
| Profit before income tax | 13,105 | 10,862 |
| Income tax expense | (3,931) | (3,259) |
| Profit after income tax | 9,174 | 7,603 |
| Other comprehensive income | - | - |
| Total comprehensive income | 9,174 | 7,603 |

Reconciliation of the consolidated entity's carrying amount

| | | |
|----------------------------------|--------|--------|
| Opening carrying amount | 30,981 | 28,320 |
| Share of profit after income tax | 3,211 | 2,661 |
| Closing carrying amount | 34,192 | 30,981 |

Contingent liabilities

| | Consolidated | |
|--------------------------|----------------|----------------|
| | 2022 CU'000 | 2021 CU'000 |
| Share of bank guarantees | 276 | 266 |

Note 54. Interests in associates (continued)

Commitments

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|---|--------------------------------|----------------|
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Share of capital commitments | 175 | 74 |

Significant restrictions

Compdesign Partnership must reduce its bank loans to under CU50,000,000 and achieve pre-determined profit targets before any cash dividends can be distributed.

Note 55. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 31 December 2022, 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 International Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from the dividend declared as disclosed in note 44, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 56. Non-cash investing and financing activities

| | Consolidated 2022 CU'000 | 2021 CU'000 |
|--|--------------------------------|----------------|
| Additions to the right-of-use assets | 5,521 | 6,228 |
| Leasehold improvements - lease make good | 550 | - |
| Shares issued under employee share plan | 250 | - |
| | <u>6,321</u> | <u>6,228</u> |

Note 57. Changes in liabilities arising from financing activities

| Consolidated | Bank loans CU'000 | Lease liability CU'000 | Total CU'000 |
|--|-------------------------|------------------------------|-----------------|
| Balance at 1 January 2021 | 115,000 | 358,977 | 473,977 |
| Net cash used in financing activities | (94,000) | (21,555) | (115,555) |
| Acquisition of leases | - | 6,228 | 6,228 |
| | <u>21,000</u> | <u>343,650</u> | <u>364,650</u> |
| Balance at 31 December 2021 | 21,000 | 343,650 | 364,650 |
| Net cash from/(used in) financing activities | 6,500 | (25,385) | (18,885) |
| Acquisition of leases | - | 5,521 | 5,521 |
| | <u>27,500</u> | <u>323,786</u> | <u>351,286</u> |
| Balance at 31 December 2022 | 27,500 | 323,786 | 351,286 |

Note 58. Earnings per share

| | Consolidated | |
|---|--------------------|--------------------|
| | 2022 CU'000 | 2021 CU'000 |
| Profit after income tax | 27,905 | 15,749 |
| Non-controlling interest | (142) | (229) |
| Profit after income tax attributable to the owners of RSM IFRS Listed Practical Limited | <u>27,763</u> | <u>15,520</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 146,882,904 | 140,950,685 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | <u>565</u> | <u>385</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>146,883,469</u> | <u>140,951,070</u> |
| | Cents | Cents |
| Basic earnings per share | 18.90 | 11.01 |
| Diluted earnings per share | 18.90 | 11.01 |

Note 59. Share-based payments

On [date], 100,000 shares were issued to key management personnel at an issue price of CU2.50 per share and a total transactional value of CU250,000.

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

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

2022

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/forfeited/other | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|---------------|-----------------|-------------------------|--------------------------------|
| 01/04/2020 | 31/03/2022 | CU2.50 | 10,000 | - | (10,000) | - | - |
| 01/04/2022 | 31/03/2026 | CU3.00 | - | 17,500 | - | - | 17,500 |
| | | | <u>10,000</u> | <u>17,500</u> | <u>(10,000)</u> | <u>-</u> | <u>17,500</u> |

Weighted average exercise price

| | | | | | |
|--|--------|--------|--------|--------|--------|
| | CU2.50 | CU3.00 | CU2.50 | CU0.00 | CU3.00 |
|--|--------|--------|--------|--------|--------|

2021

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/forfeited/other | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|----------|-----------|-------------------------|--------------------------------|
| 01/04/2020 | 31/03/2022 | CU2.50 | 10,000 | - | - | - | 10,000 |
| | | | <u>10,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,000</u> |

Weighted average exercise price

| | | | | | |
|--|--------|--------|--------|--------|--------|
| | CU2.50 | CU0.00 | CU0.00 | CU0.00 | CU2.50 |
|--|--------|--------|--------|--------|--------|

Note 59. Share-based payments (continued)

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

| Grant date | Expiry date | 2022 Number | 2021 Number |
|------------|-------------|----------------|----------------|
| 01/04/2020 | 31/03/2022 | - | 10,000 |
| | | - | 10,000 |

The weighted average share price during the financial year was CU2.66 (2021: CU2.34).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.25 years (2021: 0.25 years).

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

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|------------------------------|-------------------|------------------------|-------------------|----------------------------|-----------------------------|
| 01/04/2022 | 31/03/2026 | CU2.61 | CU3.00 | 18.00% | 4.75% | 5.93% | CU0.489 |

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