DICKER DATA

ANNUAL REPORT 2018



For personal use only

For personal use only

Dicker Data is an Australian owned and operated, ASX listed distributor of computer hardware, software and related products with over 40 years' experience.

Incorporated in 1978, Dicker Data's mission is to inspire, educate and enable ICT resellers to achieve their full potential through the delivery of unparalleled service, technology and logistics. Dicker Data is Australia's largest locally owned and operated ICT distributor. Serving in excess of 5,000 registered reseller partners annually, Dicker Data finished the FY18 year with revenues just short of $1.5bn. Since listing on the ASX in January 2011, Dicker Data has delivered consistently profitable results for shareholders whilst maintaining a 100% dividend policy.

1 Our Brands
2 CEO Commentary
3 Board of Directors and Senior Management
4 Results Highlights
7 Directors' Report
18 Statement of Profit or Loss and Other Comprehensive Income
19 Statement of Financial Position
20 Statement of Changes in Equity
21 Statement of Cash Flows
22 Notes to the Financial Statements
51 Directors Declaration
52 Auditor's Declaration of Independence
53 Independent Auditor's Report
56 Shareholder Information

Our Brands

OUR VENDOR PORTFOLIO INCLUDES:

ANKER	APC by Schneider Electric	aruba a Hewlett Packard Enterprise company	ASUS Inspiring Innovation · Persistent Perfection	AudioCodes	AUTODESK. Value Added Distributor
belkin	BenQ	BitTitan	Buddy	CCP	CISCO
CITRIX	CLIPSAL by Schneider Electric	COOLER MASTER	COMMVAULT	DICKER DATA SERVICES	DELL EMC PARTNER AUTHORIZED DISTRIBUTOR
ekahau	erwin	FUJIFILM	FUJITSU	Getmilk	GIGABYTE
HITACHI Inspire the Next	hp	Hewlett Packard Enterprise	IGEL	imation	intel
Interactive	JUNIPER NETWORKS	Kensington	Kingston	KYOCERA Document Solutions	LACIE
LASER	Lenovo	LG	LINKSYS	logitech	Micron
Microsoft	Mist AI is in the AIR	nimble storage a Hewlett Packard Enterprise company	NUANCE	opentext™	PAESSLER® the network monitoring company
plantronics	plusoptic	printix	PURESTORAGE	QNAP	Quest
RSA	SAMSUNG	SAP Distributor	StorageCraft Authorised Distributor	SEAGATE	skykick
SONY make.believe	STM	Symantec.	Targus	T	TOSHIBA Leading Innovation
tp-link	TREND MICRO	Trustwave Smart security on demand	VENOM	VERITAS	

For personal use only

CEO Commentary

For personal use only



Welcome to our full year report for 2018.

David Dicker
Chairman and CEO

Yet again, Financial Year 2018 was a record for the company.

Record Sales of just under $1.5b and Record Profits of $46.2m.

An exceptional result that is a particularly satisfying outcome.

Please see our attached report for all the details.

Once again, I'd like to thank our staff for an incredible level of performance.

Since we listed the company in 2011 our share price has risen from 20 cents to $3.20. A 16 times increase in capital value with company currently valued at over $500m.

We have maintained our dividend policy and generated a consistent, outstanding return for the Shareholders.

David Dicker
Chairman and CEO

Sydney, 28 February 2019

Board of Directors and Senior Management



David Dicker ○ ⋆
Chairman and
Chief Executive Officer



Mary Stojcevski ○ ⋆
Executive Director and
Chief Financial Officer



Michael Demetre ○ ⋆
Executive Director
and Logistics Director



Vladimir Mitnovetski ○ ⋆
Executive Director and
Chief Operating Officer



Ian Welch ○ ⋆
Executive Director and
Chief Information Officer



Fiona Brown ○
Non-executive Director

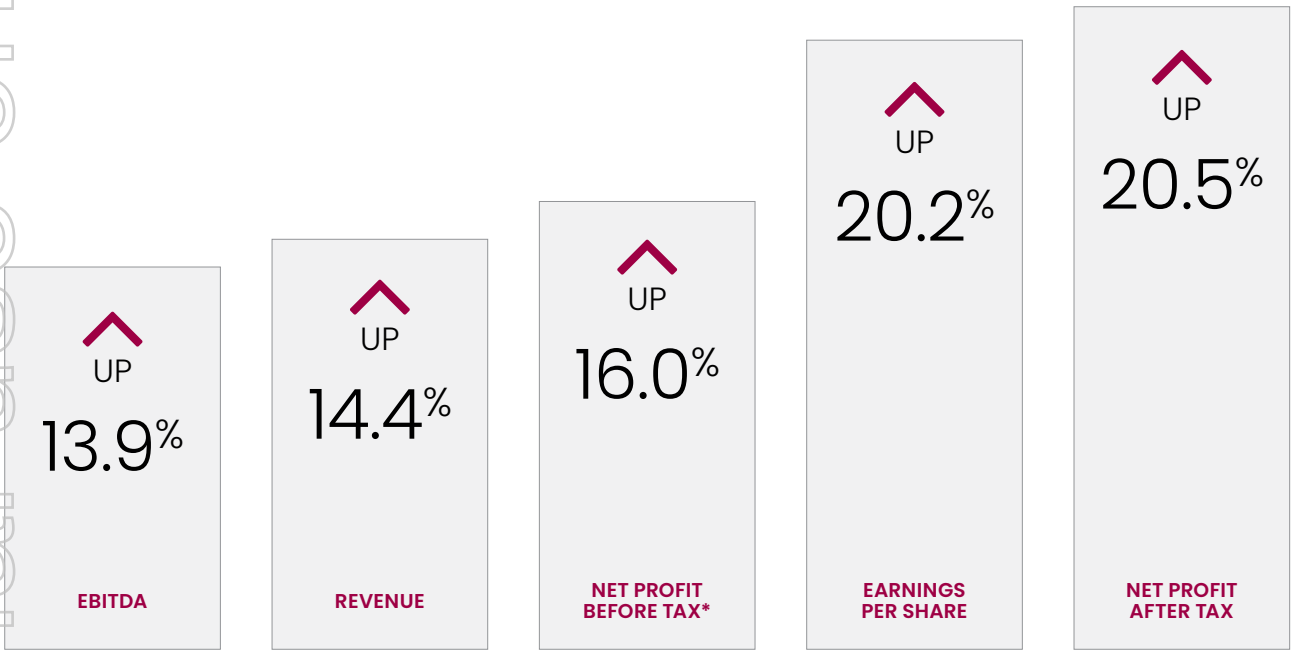
○ Board of Directors ⋆ Senior Management

For personal use only

Results Highlights

For personal use only

RESULTS SUMMARY



Key Financial Data	2018 $'000	2017 $'000
Total revenue	**1,493,561**	1,305,972
Gross profit	**132,375**	117,799
Earnings before interest, tax, depreciation [EBITDA]	**54,358**	48,055
Operating profit before tax*	**46,607**	40,170
Net profit before tax	**46,215**	40,170
Net profit after tax [NPAT]	**32,467**	26,942
Earnings per share (cents)	**20.22**	16.82
Dividends paid	**28,894**	26,265
Dividends per share (cents)	**18.00**	16.40

* net operating profit before tax excluding one off cost for Employee Share Scheme

Results Highlights

Continued

For personal use only

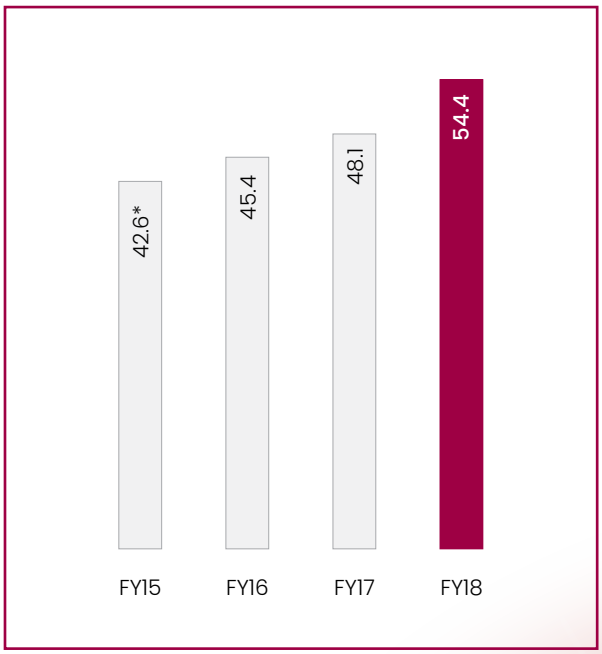
REVENUE ($M)



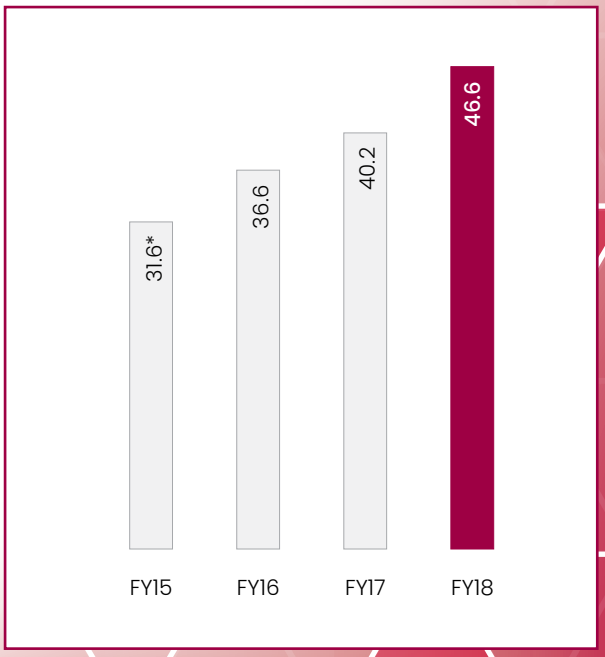
GROSS PROFIT ($M)



EBITDA ($M)



OPERATING PROFIT BEFORE TAX ($M)



* before tax and one-off integration and share acquisition costs

For personal use only

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Dicker Data Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2018.



Directors' Report

For personal use only

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Dicker Data Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2018.

DIRECTORS

The following persons were directors of Dicker Data Limited during the financial year end up to the date of this report. Directors were in office for this entire period unless otherwise stated.

David J Dicker

Fiona T Brown

Mary Stojcevski

Michael Demetre

Vladimir Mitnovetski

Ian Welch

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were wholesale distribution of computer hardware, software and related products. There were no significant changes in the nature of the activities carried out during the year.

DIVIDENDS

Dividends paid during the financial year were as follows:

Record Date:	Payment Date:	Dividend/Share (in Cents)	Amount (in 000's)	Type	FY	Amount Franked
19-Feb-18	02-Mar-18	0.0480	$7,696	Final	2017	100%
18-May-18	01-Jun-18	0.0440	$7,064	Interim	2018	100%
20-Aug-18	03-Sep-18	0.0440	$7,066	Interim	2018	100%
20-Nov-18	03-Dec-18	0.0440	$7,068	Interim	2018	100%
Total		**0.1800**	**$28,894**			

The total dividends declared and paid during the financial year were 18.0 cents per share or a total of $28.9m, fully franked. (2017: 16.40 cents per share, $26.3m)

Our dividend policy provides for fully franked dividends to be paid on a quarterly basis, with the intent to pay out 100% of the underlying after-tax profits from operations after taking into account projected capital expenditure and cash requirements. The Dividend Reinvestment Plan (DRP) introduced in March 2014 has been retained for the 2018 year. Of the $28.9m dividends paid, $28.2m were paid as cash dividends and $0.7m participated in the DRP.

A final dividend for FY18 of 7.0 cents per share was declared on 11 February 2019 with a record date of 15 February 2019 and a payment date of 1 March 2019. This brings total dividends to be paid for the FY18 financial year to 20.20 cents per share, an increase of 3.4 cents per share or 20.2% from FY17.

Type	Payment Date	Dividend per share (cents)	FY	Payment Date	Dividend per share (cents)	FY
Interim	01-Jun-18	0.0440	2018	09-Jun-17	0.0400	2017
Interim	03-Sep-18	0.0440	2018	01-Sep-17	0.0400	2017
Interim	03-Dec-18	0.0440	2018	01-Dec-17	0.0400	2017
Final	01-Mar-19	0.0700	2018	02-Mar-18	0.0480	2017
		0.2020			**0.1680**	

Directors' Report

Continued

For personal use only

OPERATING AND FINANCIAL REVIEW

A snapshot of the operations of the consolidated entity for the full year and the results of those operations are as follows:

	Dec-18 $ '000	Dec-17 $ '000	Change $ $ '000	Change %
Total revenue	$1,493,561	$1,305,972	$187,589	14.4%
Gross profit	$132,375	$117,799	$14,577	12.4%
Net operating profit before tax*	$46,606	$40,170	$6,436	16.0%
Net profit before tax	$46,215	$40,170	$6,045	15.0%
Net profit after tax attributable to members	$32,467	$26,942	$5,525	20.5%

** net operating profit before tax excluding one off cost for Employee Share Scheme*

REVENUE

The revenue for the consolidated entity for the 12 months to 31 December 2018 was $1,493.6m (2017: $1,306m), up by $187.6m (+14.4%).

Dicker Data has continued to add new vendors and increased the breadth of products offered by existing vendors whilst still driving growth.

In 2018 Dicker Data added a total of 6 new vendors, contributing an incremental $12.3m. Of the existing vendors we saw growth of $174.3m (+13.4%). Other revenue also increased by $1.0m

At a country level, Australia grew $233.7m (+20.0%) and New Zealand contracted $47.1m (-36.0%) due to the full year effect of the loss of the Cisco business.

At a sector level, we maintained strong growth across all business units, with Hardware (+$129.2m, +12.6%), Software (+$56.8m, +20.9%), and Services (+$0.6m, +8%).

GROSS PROFIT

Despite a decrease in gross profit margin, gross profit for the reporting period was up 12.4% at $132.4m (2017: $117.8m). As expected, gross profit margins have abated slightly at 8.9% (2017: 9.0%) due to product mix and market competition.

OPERATING EXPENSES

Operating Expenses

Operating costs for the reporting period were $80.8m (2017: $71.4m), an increase of $9.4m (13.1%), falling slightly as a proportion to sales at 5.4% (2017: 5.5%).

The increase in costs is attributed to an increase in salary related expenses. Excluding value of Employee Share Scheme costs, salary costs were $66.6m (2017: $59.0m) an increase of $7.6m, remaining flat as a proportion of sales at 4.5% (2017: 4.5%). The increase in salary costs is attributed to investment in additional headcount as a result of new vendor signings. Headcount across the group finished at 442 (2017: 410).

Depreciation, Amortisation and Interest

Depreciation and Amortisation for the reporting period was $2.6m, flat to the prior period of $2.6m.

Finance costs in the reporting period were $5.7m, up $0.2m from the prior year (2017: $5.5m). The company continues to improve its working capital efficiencies, with net average debt increasing by just 1.6% over the course of the year.

PROFIT

Profit before tax finalised at $46.2m (2017: $40.2m) up by 15.0%. Excluding one off costs relating to share issue for Employee Share Scheme, operating profit before tax finalised at $46.6m, up by 16.0%.

Net Profit after tax increased to $32.5m (2017: $26.9m), up by 20.5%. Tax expense in 2018 includes a credit for remission of a franking deficit tax which was provisioned for in the FY17 financial statements.

Weighted average earnings per share increased to 20.22 cents per share (2017: 16.82 cents), up by 20.2%.

Directors' Report

Continued

For personal use only

STATEMENT OF FINANCIAL POSITION

Total assets as at 31 December 2018 increased to $429.0m (2017: $384.3m).

The statement of financial position reflected an increase in working capital investment with working capital finishing higher than the previous period. Total investment in net working capital was $121.2m, up by $24.5m from previous year (2017: $96.7m). Cash finalised at $6.6m, down by $2.8m (2017: $9.4m). Trade and other receivables were up from the from the previous period to $238.7m (2017: $207.0m). The company showed a slight increase in inventory days with inventories finishing at $105.5m (27.6 days), up from $88.6m (26.5 days) in 2017. Trade and other payables were up to $223.0m (2017: $198.9m).

Property, plant and equipment increased to $46.8m during the period (2017: $45.9m) an increase of $0.9m mainly related to preliminary capital expenditure in relation the property purchased for construction of the new distribution centre. We are still awaiting approval for our Development Application that was lodged with NSW Department of Planning and Environment this time last year. After much correspondence with the Department we expect this to be approved in the next few weeks and expect to commence construction shortly after that.

Total liabilities as at 31 December 2018 were $349.0m, up from the prior period (2017: $309.4m).

Current borrowings comprising a receivables purchase facility with Westpac was at $70.0m as at 31 December 2018, $15.0m higher than prior year (2017: $55.0m) reflecting our increased working capital investment.

Equity has increased to $80.0m during the period (2017: $74.9m).

Equity Movement	$'000
Equity 31 Dec 2017	**74,883**
Comprehensive Income for FY18	32,859
Dividends Paid	(28,894)
Share Issue (DRP)	722
Share Issue (ESS)	392
Equity 31 Dec 2018	**79,962**

With the increase in our investment in working capital and resulting increased debt, the debt to equity ratio increased to 1.37x (2017: 1.26x). However the net tangible assets position continued to improve finalising at $52.3m (2017: $45.7m).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Building Update

On 13 May 2016 the Company purchased a 17.2 hectare parcel of land adjacent to the Company's current warehouse facility in Kurnell NSW. This property was purchased with a view to build a new distribution centre to expand our current operations and provide the capacity that will be required to support future growth.

The development application for the new distribution centre was lodged 27 February 2018 with the NSW Department of Planning and Environment. At the time of this report the development application was yet to be formally approved, although based on all our correspondence with the Department to date we have received indication that the formal approval should be completed in a couple of weeks. As soon as the development application has been approved we expect to start with construction.

In the meantime we are in the process of preparing tender documentation with a view to appointing a builder on the project in the coming weeks. We expect the capital expenditure to be incurred during FY19 to be in the vicinity of $40m with the balance of the project to be completed in FY20 with an additional capital expenditure of approximately $15m. The initial cost of construction is expected to be funded through our existing receivables facility with Westpac, and we are currently reviewing our options for funding the balance of the construction.

Employee Share Scheme

In celebration of the Company's 40 year anniversary and in recognition of all the work and contribution by our employees, in March 2018 the company announced an issue of free shares to all eligible employees. Under the share plan staff were offered $1,000 worth of new fully paid ordinary shares for nil monetary consideration. The issue price for the shares was $3.01 and all eligible staff received 333 shares each. Total number of new shares issued to staff under the Employee Share Scheme was 130,476 shares at a value of $392k.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no other significant matters subsequent to the end of the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Dicker Data is perfectly positioned to assist all its customers through the journey of digital transformation. With clear mission, strategy and execution power we are aiming to be the best in class distributor assisting partners and their customers with their Predictable Business Continuity via Performing - running strong business today, and Transforming - developing new capabilities for the future. Predictable Business Continuity is when you continually adapt to new tech environment, developing new capabilities and investing in the future to ensure continuity.

Directors' Report

Continued

For personal use only

Edge computing, hybrid cloud, flash storage, managed security, wireless, IoT and Artificial Intelligence (AI) are the growth engines of our industry. 5G Networking and acceleration in AI capabilities will drive exponential growth in data generation which needs to be managed securely within growing hybrid cloud environment. We have been in a Client-Server Distributed environment, then moved into Mobile-Cloud Centralised environment and now we are seeing Distributed Intelligent Edge and AI computing.

Dicker Data is well placed to support and help our partners and their customers with their digitalisation journey. We have further solidified our digital strategies which allow our customers to take pre-packaged solutions to the vertical industries they are servicing. Our ability to develop our digital strategies in house allows us to stay ahead of the curve.

Further information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

ENVIRONMENTAL REGULATION

The consolidated entity is subject to the requirements of the Product Stewardship (Televisions and Computers) Regulations 2011. There have been no instances of non-compliance throughout the year.

INFORMATION ON DIRECTORS

David Dicker – Chief Executive Officer (CEO) and Chairman

David is the co-founder of the company and has been a director of the company since its inception. David's role as CEO requires focus on Dicker Data's business strategy and decision making and under David's strategic guidance the company has enjoyed material growth, establishing Dicker Data as one of the leading Australia-based distributors of IT products.

Interest in Equities:

60,553,495 Ordinary shares in Dicker Data Limited

10,000 Ordinary shares held by his wife

Interest in Contracts and Related Party Transactions:

Interest in contracts: Nil

Related party transactions: $434,773

Special Responsibilities:

Chairman and responsible for the overall business management and strategy as Chief Executive Officer.

Member of the Audit Committee

Other Current Listed Company Directorships:

None

Other Current Listed Company Directorships held in Previous 3 Years:

None

Fiona Brown – Non-Executive Director

Fiona Brown is the co-founder of Dicker Data and currently serves as Non-Executive Director of the company. Fiona has been involved with the business since it started in 1978 and has been a director of the company since 1983. As a Non-Executive Director, Fiona brings her knowledge and experience in the IT distribution industry for over 40 years, of which the first 26 years was in the role of General Manager of the business.

Interest in Equities:

52,732,386 Ordinary shares in Dicker Data Limited

1,217,095 Ordinary shares held by Fi Brown Trust N01

95,822 Ordinary shares held by South Coast Developments Pty Ltd as trustee for the Brown Family Superfund

Interest in Contracts:

Nil

Special Responsibilities:

Member of the Work Health and Safety Committee

Chairperson of the Audit Committee

Other Current Listed Company Directorships:

None

Other Current Listed Company Directorships held in Previous 3 Years:

None

Vladimir Mitnovetski – Chief Operating Officer

Vlad joined the company in 2010 in his role as Category Manager. In this role he was responsible for the establishment and growth of key volume vendors and was instrumental in the introduction of new vendors to Dicker Data's portfolio. Vlad is a business technology professional with over 18 years of distribution industry experience. Vlad started his career at Tech Pacific and then Ingram Micro where he worked in various roles before progressing to business unit manager roles in enterprise and personal systems, working closely with many leading vendors. Vlad holds a bachelor of business degree from University of Technology and a master degree in Advanced Marketing and Management from the University of New South Wales. Vlad was appointed to the position of Chief Operating Officer on 8th September 2014.

Interest in Equities:

547,834 Ordinary shares in Dicker Data Limited

18,571 Ordinary shares held by his wife

Interest in Contracts:

Nil

Special Responsibilities:

Responsible for the sales, vendor alliances and operations of the consolidated entity.

Member of the Audit Committee.

Directors' Report

Continued

For personal use only

Other Current Listed Company Directorships:
None

Other Current Listed Company Directorships held in Previous 3 Years:
None

Mary Stojcevski – Chief Financial Officer

Mary joined Dicker Data as Financial Controller in 1999. Her responsibilities include all of the financial management, administration and compliance functions of the company. Prior to joining Dicker Data Mary had over 15 years' experience in accounting and taxation. Mary holds a Bachelor of Commerce Degree with a major in Accounting from the University of New South Wales. Mary is also an Executive Director of the company and has been a director since 31 August 2010.

Interest in Equities:
29,534 Ordinary shares in Dicker Data Limited

161,029 Ordinary shares held by Stojinvest Pty Ltd as trustee for Stojinvest Superannuation Fund

Interest in Contracts:
Nil

Special Responsibilities:
Responsible for the overall financial management of the consolidated entity

Other Current Listed Company Directorships:
None

Other Current Listed Company Directorships held in Previous 3 Years:
None

Michael Demetre – Logistics Director

Michael joined Dicker Data in 2001, where he later took up the position of Warehouse Storeman which he held for about 5 years. Michael's experience in the operations of the warehouse, general knowledge of the company and established relationships with other employees allowed him to undertake the position of Logistics Director and since taking on this role has overseen and been responsible for expansion of the company's logistic capabilities. He has successfully held this position since 2007. Michael is also an Executive Director of the company and has been a director since 21st September 2010.

Interest in Equities:
18,571 Ordinary shares in Dicker Data Limited

Interest in Contracts:
Nil

Special Responsibilities:
Responsible for the warehouse and logistics operations.

Other Current Listed Company Directorships:
None

Other Current Listed Company Directorships held in Previous 3 Years:
None

Ian Welch – Chief Information Officer

Ian joined Dicker Data in March 2013 as General Manager – IT before he was appointed Chief Information Officer on 6th August 2015. Prior to officially joining Dicker Data Ian spent more than 15 years consulting to Dicker Data in various roles. During this period Ian had been instrumental in establishing and maintaining the IT Systems for Dicker Data and as a result has a deep understanding of the business and all related processes. Ian started his career as an IT Professional working as consultant to businesses in various sectors. A large proportion of these were in the logistics space which have allowed Ian to develop a fundamental understanding of such operations. Ian is also an Executive Director of the company and was appointed 6th August 2015.

Interest in Equities:
30,000 Ordinary shares in Dicker Data Limited

Interest in Contracts:
Nil

Special Responsibilities:
Responsible for IT operations, systems and processes

Other Current Listed Company Directorships:
None

Other Current Listed Company Directorships held in Previous 3 Years:
None

COMPANY SECRETARY

Erin McMullen was appointed to the position of Company Secretary on 6th November 2018. Erin has over 8 years' experience in company secretarial roles for various publicly listed and unlisted entities. Prior to this Erin worked in Executive Support and Managerial roles across a number of sectors.

Directors' Report

Continued

For personal use only

DIRECTOR MEETINGS

The number of meetings of the company's board of directors and of each board committee held during the year and the number of meetings attended by each director were:

Board Meetings

Directors	Number Eligible to Attend	Number Attended
David Dicker (Chairperson)	8	8
Fiona Brown	8	8
Mary Stojcevski	8	8
Vladimir Mitnovetski	8	8
Michael Demetre	8	8
Ian Welch	8	8

No audit committee meetings were held during the year.

REMUNERATION REPORT (AUDITED)

All information in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001. The remuneration report is set out under the following main headings:

a. Principles used to determine the nature and amount of remuneration
b. Details of remuneration
c. Service agreements
d. Share-based compensation
e. Additional information
f. Additional disclosures relating to key management personnel

(a) Principles used to determine the nature and amount of remuneration

The Board addresses remuneration policies and practices generally, and determines remuneration packages and other terms of employment for senior executives. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year and relevant comparative information. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the company's operations, achieving the company's strategic objectives, and increasing shareholder wealth.

Executives

The executive pay and reward framework includes the following components:

- Base pay and benefits
- Performance-related bonuses
- Other remuneration such as superannuation.

The combination of these comprises the executive's remuneration.

Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. There are no guaranteed base pay increases included in any senior executives' contracts.

Performance-related bonuses

Performance-related cash bonus entitlements are linked to the achievement of financial and non-financial objectives which are relevant to meeting the company's business objectives. A major part of the bonus entitlement is determined by the actual performance against net profit margin targets. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. Refer to individual service agreements for a detailed explanation of the performance conditions. There are no long term incentive plans in place.

The executives' cash bonus entitlements are assessed and paid either monthly or quarterly based on the actual performance against the relevant monthly profit with reconciliation at the end of the financial year against full-year actual profit. The chairman and CEO is responsible for assessing whether an individual's targets have been met.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The board determines remuneration of non-executive directors within the maximum amount approved by the shareholders from time to time. This maximum currently stands at $250,000 per annum in total for salary and fees, to be divided among the non-executive directors in such a proportion and manner as they agree. The board does not currently have any independent directors. The only current non-executive director is Fiona Brown, who is also a major shareholder.

(b) Details of remuneration

Compensation paid to key management personnel is set out below. Key management personnel include all directors of the company and executives who, in the opinion of the board and CEO, have authority and responsibility for planning, directing and controlling the activities of the group directly or indirectly.

Directors' Report

Continued

For personal use only

Details of Remuneration for Directors and Key Management Personnel

	Short-Term				Short-Term	Long-Term	Share Based Payments				
	Cash	Short-term Incentive Cash Bonus*	Super-annuation	Non-Cash	Annual Leave	Long Service	Shares	Options	Total	Proportion of remuneration that is performance based	% of Value of remuner-ation that consists of share Based Payments
FY	Salary & Fees			FBT Reportable	Leave	Leave					
	$	$	$	$	$	$	$	$	$	$	%
Executive Directors											
David Dicker - Chief Executive Officer											
December 2018	–	–	–	–	–	–	–	–	–	–	0.00%
December 2017	–	–	–	–	–	–	–	–	–	–	0.00%
Vladimir Mitnovetski - Chief Operating Officer											
December 2018	–	1,864,201	177,099	–	-2,308	9,155	–	–	**2,048,147**	100.00%	0.00%
December 2017	–	1,606,816	152,648	–	43,855	10,000	–	–	**1,813,318**	100.00%	0.00%
Mary Stojcevski - Chief Financial Officer											
December 2018	200,000	699,075	85,412	–	7,091	6,370	–	–	**997,949**	76.71%	0.00%
December 2017	200,000	602,556	76,243	–	8,462	333	–	–	**887,593**	74.34%	0.00%
Michael Demetre - Logistics Director											
December 2018	225,000	466,049	65,650	–	5,382	3,791	–	–	**765,872**	66.63%	0.00%
December 2017	225,000	401,704	59,537	–	4,760	3,749	–	–	**694,750**	63.31%	0.00%
Ian Welch - Chief Information Officer											
December 2018	250,000	466,049	68,025	–	10,787	23,538	–	–	**818,399**	62.36%	0.00%
December 2017	250,000	401,704	61,912	–	11,058	–	–	–	**724,674**	60.70%	0.00%

* 100% of short-term incentive cash bonuses have vested

Directors' Report

Continued

For personal use only

	Short-Term				Short-Term	Long-Term	Share Based Payments				
FY	Cash Salary & Fees	Short-term Incentive Cash Bonus*	Super-annuation	Non-Cash FBT Reportable	Annual Leave	Long Service Leave	Shares	Options	Total	Proportion of remuneration that is performance based	% of Value of remuner-ation that consists of share Based Payments
	$	$	$	$	$	$	$	$	$	$	%
Non-Executive Directors											
Fiona Brown											
December 2018	50,228	–	4,772	–	–	–	–	–	**55,000**	–	0.00%
December 2017	33,486	–	3,181	–	–	–	–	–	**36,667**	–	0.00%
Wendy O'Keeffe				*[Commenced 26.4.17, Resigned 12.10.17]*							
December 2018	–	–	–	–	–	–	–	–	**–**	–	–
December 2017	22,414	–	2,129	–	–	–	–	–	**24,543**	–	0.00%
TOTAL											
December 2018	**725,228**	**3,495,376**	**400,957**	**–**	**20,952**	**42,855**	**–**	**–**	**4,685,369**	**–**	**–**
December 2017	**730,899**	**3,012,780**	**355,650**	**–**	**68,133**	**14,082**	**–**	**–**	**4,181,544**	**–**	**–**

(c) Service agreements

Terms of employment for the executive directors and other key management personnel are by way of Consultancy Agreement or an Executive Service Agreement (ESA). The contract details the base salary and performance-related bonuses.

Consultancy Agreement for David Dicker

The company has engaged Rodin FZC (a company incorporated in Dubai) to provide the services of David Dicker to act as the Chief Executive Officer and Executive Director of the company on an as-needed basis. The Consultancy Agreement is dated 26 October 2010. The engagement is for an indefinite term. Either party may terminate the agreement on the provision of 6 months' notice. No fee is payable by the company to Rodin FZC for the provision of the services. The agreement contains a number of post-termination restraints.

Deed of Adherence for David Dicker

The company and David Dicker have entered into a Deed of Adherence whereby Mr Dicker has agreed to adhere and comply with all covenants and obligations of Rodin FZC (a company incorporated in Dubai) set out in the Consultancy Agreement (between the company and Rodin FZC) to the maximum allowable extent permitted by law as if Mr Dicker was named as Rodin FZC therein. The Deed is dated 26 October 2010.

Executive Service Agreement for Vladimir Mitnovetski

The company has appointed Vladimir Mitnovetski as Chief Operating Officer and Director of the Board of the company by way of an Executive Service Agreement (ESA). The ESA is dated 1 September 2014. The appointment of Mr Mitnovetski is for an unspecified time. Either the company or Mr Mitnovetski may terminate the ESA with 3 months' notice. The remuneration payable to Mr Mitnovetski will be a performance based salary of the higher amount of either: (i) $50,000 per month; or (ii) 4% of Net Profit in the quarter. Profit bonus is subject to the company achieving a net profit margin of 2.5% in a calendar quarter. Superannuation is uncapped and payable on total of base and performance payments at 9.5%. The ESA also contains a number of post-termination restraints.

Directors' Report

Continued

For personal use only

Executive Service Agreement for Mary Stojcevski

The company has appointed Mary Stojcevski as Chief Financial Officer and Director of the Board of the company by way of an Executive Service Agreement (ESA). The ESA is dated 25 October 2010. The ESA confirms Ms Stojcevski's continuous service with the company for all purposes commenced from 31 August 2010. The appointment of Ms Stojcevski is for an unspecified time. Either the company or Ms Stojcevski may terminate the ESA with 3 months' notice. The remuneration payable to Ms Stojcevski comprises of a base remuneration of $200,000 per annum. Ms Stojcevski is also entitled to a performance bonus equal to 1.5% of the company's net profit before tax. This is subject to net profit margin before tax not being less than 2.5%, unless otherwise agreed. Superannuation is uncapped and payable at 9.5% on total of base and performance payments. The ESA also contains a number of post-termination restraints.

Executive Service Agreement for Michael Demetre

The company has appointed Michael Demetre as Logistics Director and Director of the Board of the company by way of an Executive Service Agreement (ESA). The ESA is dated 25 October 2010. The ESA confirms Mr Demetre's continuous service with the company for all purposes commenced from 21 September 2010. The appointment of Mr Demetre is for an unspecified time. Either the company or Mr Demetre may terminate the ESA with 3 months' notice. The remuneration payable to Mr Demetre comprises a base remuneration of $225,000 per annum. Mr Demetre is also entitled to a performance bonus equal to 1% of the company's net profit before tax. This is subject to net profit margin before tax not being less than 2.5%, unless otherwise agreed. Superannuation is uncapped and payable at 9.5% on total of base and performance payments. The ESA also contains a number of post-termination restraints.

Executive Service Agreement for Ian Welch

The company has appointed Ian Welch as Chief Information Officer and Director of the Board of the company by way of an Executive Service Agreement (ESA). The ESA is dated 1 September 2015. The ESA confirms Mr Welch's continuous service with the company for all purposes commenced from 30 March 2013. The appointment of Mr Welch is for an unspecified time. Either the company or Mr Welch may terminate the ESA with 3 months' notice. The remuneration payable to Mr Welch comprises a base remuneration of $250,000 per annum. Mr Welch is also entitled to a performance bonus equal to 1% of the company's net profit before tax. This is subject to net profit margin before tax not being less than 2.5%, unless otherwise agreed. Superannuation is uncapped and payable at 9.5% on total of base and performance payments. The ESA also contains a number of post-termination restraints.

As the net profit margin percentage was achieved each director received 100% of the performance bonus they were entitled to.

(d) Share-based compensation

No shares, rights, or options were granted to directors or key management personnel during the year ended 31 December 2018, no rights or options vested or lapsed during the year, and no rights or options were exercised during the year by directors.

(e) Additional information

Relationship between remuneration and company performance

The overall level of executive reward takes into account the performance over the financial year with greater emphasis given to improving performance over the prior year. Operating profit for the consolidated entity grew by 15% during the year and excluding one off costs grew 47.8% on average over the last 4 years. As a large proportion of the executive's remuneration package is based on net operating profit outcomes the average executive remuneration also increased. Since 2014, the net profit before tax has grown at an average rate of 47.8% per annum, whilst the average executive remuneration has increased by an average of 9.9% per annum. Shareholder wealth has increased at an average rate of 11.3% per annum over this period. For the financial year earning per share increased by 20.2% whilst dividends paid to shareholders increased by 10.0%.

Voting and comments made at the company's 2017 Annual General Meeting (AGM)

At the 2018 AGM, 99.01% of the votes received supported the adoption of the remuneration report for the financial year ended 31 December 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Directors' Report

Continued

For personal use only

(f) Additional disclosures relating to key personnel shareholding

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

December 2018	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
Ordinary Shares				
David Dicker	60,563,495	–	–	60,563,495
Fiona Brown	54,022,076	23,227	–	54,045,303
Vladimir Mitnovetski	171,118	395,287	–	566,405
Mary Stojcevski	169,779	20,784	–	190,563
Michael Demetre	18,571	–	–	18,571
Ian Welch	30,000	–	–	30,000
	114,975,039	**439,298**	**–**	**115,414,337**

December 2017	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
Ordinary Shares				
David Dicker	60,553,495	10,000	–	60,563,495
Fiona Brown	54,002,278	19,798	–	54,022,076
Vladimir Mitnovetski	99,451	71,667	–	171,118
Mary Stojcevski	151,808	17,971	–	169,779
Michael Demetre	18,571	–	–	18,571
Ian Welch	30,000	–	–	30,000
	114,855,603	**119,436**	**–**	**114,975,039**

This concludes the remuneration report which has been audited.

Directors' Report

Continued

For personal use only

TRANSACTIONS WITH RELATED PARTIES

There are no transactions with related parties made during the year.

SHARE OPTIONS

There were no outstanding options at the end of this financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 24 to the financial statements.

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

The directors are of the opinion that the services as disclosed in Note 24 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF BDO

There are no officers of the company who are former audit partners of BDO East Coast Partnership.

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

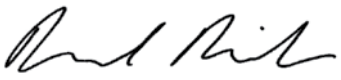
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 52.

AUDITOR

Accounting Firm BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



David Dicker
CEO and Chairman

Sydney, 28 February 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

For personal use only

	Note	Consolidated 31-Dec-18 $'000	Consolidated 31-Dec-17 $'000
REVENUE			
Sales revenue		1,490,691	1,304,153
Other revenue:			
Interest received		96	131
Recoveries		491	–
Other revenue		2,283	1,688
	4	**1,493,561**	**1,305,972**
EXPENSES			
Changes in inventories		16,924	(18,460)
Purchases of inventories		(1,375,240)	(1,167,894)
Employee benefits expense		(66,956)	(58,958)
Depreciation and amortisation	5	(2,591)	(2,564)
Finance costs	5	(5,648)	(5,452)
Borrowing costs		(1,158)	(606)
Other expenses		(12,677)	(11,868)
		(1,447,346)	**(1,265,802)**
Profit before income tax expense		**46,215**	**40,170**
Income tax expense	6	(13,748)	(13,228)
Profit after income tax expense for the year		**32,467**	**26,942**
Profit attributable to members of the company		**32,467**	**26,942**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Foreign Currency Translation		392	(574)
Total comprehensive income for the year		**32,859**	**26,368**
Total comprehensive income attributable to members of the company		**32,859**	**26,368**
Earnings per share		Cents	Cents
Basic earnings per share	31	20.22	16.82
Diluted earnings per share	31	20.22	16.82

The statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

For personal use only

Statement of Financial Position

As at 31 December 2018

	Note	Consolidated 31-Dec-18 $'000	Consolidated 31-Dec-17 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	6,613	9,394
Trade and other receivables	11	238,741	206,993
Inventories	12	105,489	88,565
Total Current Assets		**350,843**	**304,952**
Non-Current Assets			
Property, plant and equipment	13	46,765	45,895
Intangible assets	14	27,709	29,129
Deferred tax assets	8	3,682	4,320
Total Non-Current Assets		**78,156**	**79,344**
TOTAL ASSETS		**428,999**	**384,296**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	222,983	198,887
Borrowings	16	70,000	55,000
Current tax liabilities	7	1,685	2,138
Short-term provisions	17	8,448	7,881
Total Current Liabilities		**303,116**	**263,906**
Non-Current Liabilities			
Borrowings	16	39,645	39,360
Deferred tax liabilities	9	4,407	4,846
Long-term provisions	17	1,869	1,301
Total Non-Current Liabilities		**45,921**	**45,507**
TOTAL LIABILITIES		**349,037**	**309,413**
NET ASSETS		**79,962**	**74,883**
EQUITY			
Equity attributable to Equity Holders			
Issued capital	18	57,982	56,868
Reserves	19	527	135
Retained profits		21,453	17,880
TOTAL EQUITY		**79,962**	**74,883**

The statement of financial position is to be read in conjunction with the attached notes.

Statement of Changes in Equity

For the year ended 31 December 2018

Consolidated	Note	Issued Capital $'000	Retained Profits $'000	Reserves $'000	Total Equity $'000
Balance at 1 January 2017		**56,046**	**17,248**	**664**	**73,958**
Profit after income tax for the year		–	26,942	–	**26,942**
Other comprehensive income for year net of tax		–	–	(574)	**(574)**
Transfer between reserves		–	(45)	45	**–**
Total comprehensive income for the year		–	26,897	(529)	**26,368**
Transactions with the owners in their capacity as owners:					
Share issue (DRP)	18	822	–	–	**822**
Dividends paid	20	–	(26,265)	–	**(26,265)**
Balance at 31 December 2017		**56,868**	**17,880**	**135**	**74,883**
Balance at 1 January 2018		**56,868**	**17,880**	**135**	**74,883**
Profit after income tax for the year		–	32,467	–	**32,467**
Other comprehensive income for the year net of tax		–	–	392	**392**
Total comprehensive income for the year		–	32,467	392	**32,859**
Transactions with the owners in their capacity as owners:					
Share issue (DRP)	18	722	–	–	**722**
Share issue - Employee Share Scheme (ESS)	18	392	–	–	**392**
Dividends paid	20	–	(28,894)	–	**(28,894)**
Balance at 31 December 2018		**57,982**	**21,453**	**527**	**79,962**

The statement of changes in equity is to be read in conjunction with the attached notes.

For personal use only

Statement of Cash Flows

For the year ended 31 December 2018

	Note	31-Dec-18 $'000	31-Dec-17 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		1,613,383	1,392,768
Payments to suppliers and employees (inclusive of GST)		(1,581,801)	(1,325,173)
Interest received		96	131
Interest and other finance costs paid		(5,648)	(5,452)
Income tax paid		(14,002)	(21,539)
NET CASH FROM OPERATING ACTIVITIES	29	**12,028**	**40,735**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,019)	(3,260)
Payments for intangibles		(10)	(97)
NET CASH USED IN INVESTING ACTIVITIES		**(2,029)**	**(3,357)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown / (Repayments of borrowings)		15,000	(20,000)
Payment of dividends		(27,780)	(25,443)
NET CASH USED IN FINANCING ACTIVITIES		**(12,780)**	**(45,443)**
NET CASH FLOWS		(2,781)	(8,065)
Cash and cash equivalents at the beginning of the period		9,394	17,459
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	10	**6,613**	**9,394**

The statement of cash flows is to be read in conjunction with the attached notes.

For personal use only

Notes to the Financial Statements

For the year ended 31 December 2018

For personal use only

1. SIGNIFICANT ACCOUNTING POLICIES

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

New, revised or amending Accounting Standards and Interpretations adopted

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

Any other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

New Accounting Standards and Interpretations adopted

AASB15 Revenue from contracts with customers

AASB15 has been adopted in the preparation of these financial statements. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

The company sells hardware, software (including software licensing) and services. The performance promise that is the responsibility of the company is to procure and supply or provide access to the products and services. The company bears the inventory and credit risk and has pricing control for the products and services supplied. A detailed quantitative and qualitative analysis was undertaken to identify the contracts with customers and all the categories of revenue from the company's various revenue streams. In some limited contractual agreements the company acts as an agent. In such circumstances the revenue is recognised on a net basis, which is consistent with the recognition from previous financial years. Based on this analysis it was determined that there was no change to the basis of how revenue is to be recognised from previous years.

AASB 9 Financial Instruments and its Consequential Amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity has adopted this standard and the amendments from 1 January 2018 but the impact of its adoption is not significant and there was no material change.

New Accounting Standards and Interpretations not yet Mandatory or early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2018, unless otherwise stated. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Notes to the Financial Statements

Continued

For personal use only

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate the adoption of AASB16 will impact the financial statements, the group has not quantified the effect of this as yet.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, 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 the notes.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dicker Data Limited ('company' or 'parent entity') as at 31 December 2018 and the results of all subsidiaries for the year then ended. Dicker Data 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.

Notes to the Financial Statements

Continued

For personal use only

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Foreign Currency Translation

The financial statements are presented in Australian dollars, which is Dicker Data Limited's functional and presentation currency.

Foreign Currency Transactions

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

Foreign Operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, 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.

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 current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve 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 twelve months after the reporting period. All other assets are classified as non-current.

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

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

Goods and Services Tax ('GST') and Other Similar Taxes

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

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

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

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

Rounding of Amounts

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

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 at each note.

Notes to the Financial Statements

Continued

For personal use only

3. 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.

Identification of Reportable Operating Segments

The consolidated entity is organised into two operating segments: Australian and New Zealand operations. 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.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). Reportable revenue is for only the one product range being sale of IT goods and services. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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

Intersegment Locations

The group has operations in both Australia and New Zealand which represent the two geographic locations it operates from.

Intersegment Transactions

During the year there was no dividend paid from Dicker Data NZ Ltd to Express Data Holdings Pty Ltd (2017: $3,228,688).

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. No single customer represents more than 10% of the revenue.

Operating Segment Information

Consolidated - December 2018	Australia $'000	New Zealand $'000	Eliminations/ Unallocated $'000	TOTAL $'000
Revenue				
Sale of goods and services*	1,407,098	83,593	–	**1,490,691**
Other revenue:				
Recoveries	491	–	–	**491**
Other revenue	2,176	107	–	**2,283**
Interest revenue	51	45	–	**96**
Total revenue	1,409,816	83,745	–	**1,493,561**
EBITDA	53,660	698	–	**54,358**
Depreciation & amortisation	(2,472)	(119)	–	**(2,591)**
Interest revenue	51	45	–	**96**
Finance costs	(5,648)	–	–	**(5,648)**
Profit before income tax	45,591	624	–	**46,215**
Income tax expense	(13,632)	(116)	–	**(13,748)**
Profit after income tax expense	31,960	507	–	**32,467**
Segment Current Assets	331,849	19,205	(211)	**350,843**
Segment Non-Current Assets	77,338	818	–	**78,156**
Segment Assets	**409,187**	**20,023**	**(211)**	428,999
Segment Current Liabilities	292,741	10,581	(207)	**303,116**
Segment Non-Current Liabilities	45,921	–	–	**45,921**
Segment Liabilities	**338,662**	**10,581**	**(207)**	349,037

* Revenue by product type and geographic location is disclosed in Note 4

Notes to the Financial Statements

Continued

3. OPERATING SEGMENTS (CONTINUED)

Operating Segment Information

Consolidated - December 2017	Australia $'000	New Zealand $'000	Eliminations/ Unallocated $'000	TOTAL $'000
Revenue				
Sale of goods and services*	1,173,481	130,672	–	**1,304,153**
Other revenue:				
Other revenue	4,077	840	(3,229)	**1,688**
Interest revenue	53	78	–	**131**
Total revenue	1,177,611	131,590	(3,229)	**1,305,972**
EBITDA	47,721	3,563	(3,229)	**48,055**
Depreciation & Amortisation	(2,445)	(118)	–	**(2,564)**
Interest revenue	53	78	–	**131**
Finance costs	(5,452)	–	–	**(5,452)**
Profit before income tax	39,877	3,522	(3,229)	**40,170**
Income tax expense	(12,134)	(1,094)	–	**(13,228)**
Profit after income tax expense	27,743	2,428	(3,229)	**26,942**
Segment Current Assets	285,480	19,500	(28)	**304,952**
Segment Non-Current Assets	78,612	732	–	**79,344**
Segment Assets	**364,091**	**20,233**	**(28)**	**384,296**
Segment Current Liabilities	252,240	11,694	(28)	**263,906**
Segment Non-Current Liabilities	45,507	–	–	**45,507**
Segment Liabilities	**297,747**	**11,694**	**(28)**	**309,413**

* Revenue by product type and geographic location is disclosed in Note 4

For personal use only

Notes to the Financial Statements

Continued

For personal use only

4. REVENUE

Sales from contracts with customers

The company sells hardware, software (including software licensing), warranties, logistics and configuration services. The performance promise that is the responsibility of the company is to procure and supply or provide access to these products and services and revenue is recognised at the point of sale. Whilst each revenue stream represents a performance obligation, the performance obligation that is created is to deliver these goods and services hence the entity has determined point of sale as the most relevant way to recognise revenue per performance obligation. The company bears the inventory and credit risk and has pricing control for the products and services supplied. Amounts disclosed as revenue are net of sales returns and any customer rebates. Returns and customer rebates represent a variable consideration but do not represent a judgement by management, therefore there is no constraint on the amount of revenue recognised. In some limited contractual agreements, the company acts as an agent. In such circumstances the revenue is recognised on a net basis.

Disaggregation of revenue

The group has disaggregated the revenue from customer contracts into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data; and
- enable users to understand the relationship with revenue segment information provided in Note 3

For hardware products the performance obligation is satisfied when the products are delivered. For software, subscription and virtual products the performance obligation is satisfied when access is facilitated. For 3rd party warranties the performance obligations is satisfied when the hardware is allocated to a warranty. Services revenue is recognised when the service is performed.

Year to 31 December 2018

Product Type	Description	Revenue recognition (PIT/OT)	Agent/ Principal	AU $'000	NZ $'000	Consolidated
Infrastructure	Hardware products	Point in time	Principal	1,040,884	28,703	1,069,587
Virtual Services	Sales of 3rd party warranties and services	Point in time	Principal	101,878	1,710	103,588
Software	Perpetual and subscription licensing including cloud products	Point in time	Principal	256,672	53,167	309,839
Dicker Data Services	3rd party logistics and configuration services	Point in time	Principal	4,300	13	4,313
Partner Services	Agent commission	Point in time	Agent	3,364	–	3,364
				1,407,098	**83,593**	**1,490,691**

Notes to the Financial Statements

Continued

4. REVENUE (CONTINUED)

Year to 31 December 2017

Product Type	Description	Revenue recognition (PIT/OT)	Agent/ Principal	AU $'000	NZ $'000	Consolidated
Infrastructure	Hardware products	Point in time	Principal	884,764	59,469	944,233
Virtual Services	Sales of 3rd party warranties and services	Point in time	Principal	83,749	9,168	92,917
Software	Perpetual and subscription licensing including cloud products	Point in time	Principal	199,325	61,938	261,263
Dicker Data Services	3rd party logistics and configuration services	Point in time	Principal	2,799	97	2,896
Partner Services	Agent commission	Point in time	Agent	2,844	–	2,844
				1,173,481	**130,672**	**1,304,153**

Other Revenue

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.

Other Revenue

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

	Note	Consolidated Dec-18 $'000	Consolidated Dec-17 $'000
Sales from contracts with customers:			
Sale of goods and services		1,490,691	1,304,153
Other revenue:			
Interest		96	131
Recoveries		491	0
Other revenue		2,283	1,688
Total Revenue		**1,493,561**	**1,305,972**

For personal use only

Notes to the Financial Statements

Continued

For personal use only

5. EXPENSES

Cost of Sales

Cost of goods sold are represented net of supplier rebates and settlement discounts. Supplier rebates can be paid monthly, quarterly or half yearly. At the end of the financial year an estimate of rebates due, relating to the financial year is accounted for based on best available information at the time of the rebate being paid. Estimate of rebates is based on information provided by our suppliers on our tracking to targets and on management's judgement based on historical achievements.

Depreciation and Amortisation

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. Amortisation of intangibles is calculated on a straight-line basis over their expected useful lives, as either determined by management or by an independent valuation.

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, including:

- interest on any bank overdraft
- interest on short-term and long-term borrowings
- interest on finance leases

Defined contribution superannuation expense

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

Operating leases

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
Depreciation		
Building	465	466
Plant and equipment	693	641
Total depreciation	1,158	1,107
Amortisation		
Website development	22	26
Software	33	52
Customer contracts	1,378	1,379
Total amortisation	1,433	1,457
Total depreciation and amortisation	2,591	2,564
Finance Costs		
Interest and finance charges paid / payable	5,648	5,452
Superannuation Expense		
Defined contribution superannuation expense	4,623	4,303
Operating Leases		
Property rental expense	804	806
Equipment rental expense	16	16
	820	822

Notes to the Financial Statements

Continued

For personal use only

6. 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 changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. With the change in financial year, the Company has applied and has been approved for a substituted accounting period for the lodgement of its tax return based on the calendar year January to December.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply 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 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 entity's which intend to settle simultaneously.

Dicker Data Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group from 01 April 2014, under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Notes to the Financial Statements

Continued

For personal use only

6. INCOME TAX (CONTINUED)

Income Tax Critical Judgements

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.

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
(a) The components of tax expense comprise:		
Current tax	14,610	13,719
Over/(Under) provision in respect of prior years	(1,092)	31
	13,518	**13,750**
Deferred tax	199	(485)
Over/(Under) provision in respect of prior years	31	(37)
	230	(522)
	13,748	**13,228**
Deferred tax included in income tax expense comprises:		
(Increase) Decrease in deferred tax assets	509	(187)
Increase (Decrease) in deferred tax liabilities	(439)	(298)
Deferred tax included in statement of changes in equity	129	–
	199	**(485)**
(b) The prima facie tax payable on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30%	13,864	12,051
Add tax effect of:		
Over provision for income tax in prior year	694	(6)
Non-deductible expenses	190	245
Franking deficit tax	(1,008)	1,008
Deferred tax on intangibles	–	–
	13,740	13,298
Less tax effect of:		
Differences in overseas tax rates	8	(70)
	8	(70)
Income tax expense attributable to entity	**13,748**	**13,228**
The applicable weighted average effective tax rates are as follows:	29.5%	32.9%

Tax expense includes a refund for franking deficit amount, which was provisioned and paid for in 2017 but following an objection being successfully lodged with the Australian Taxation Office was fully remitted.

Notes to the Financial Statements

Continued

For personal use only

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
7. CURRENT TAX		
Current tax liability	1,685	2,138
8. DEFERRED TAX ASSET		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Provision for receivables impairment	79	307
Provision for employee entitlements	2,247	2,678
Accrued expenses	91	29
Inventory	842	684
Capitalised expenditure	141	185
Property Plant and Equipment	152	178
Amounts recognised in equity:		
Share issue costs	130	259
Deferred tax asset	**3,682**	**4,320**
Movements in Deferred Tax Asset		
Opening Balance	4,320	4,135
Credited / (charged) to profit or loss	(509)	354
Credited / (charged) to equity	(129)	(169)
Closing Balance	**3,682**	**4,320**
9. DEFERRED TAX LIABILITIES		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Land and Buildings	176	181
Prepayments	17	15
Accrued income	1,273	1,296
Intangible assets	2,941	3,354
Deferred tax liability	**4,407**	**4,846**
Movements in Deferred Tax Liability		
Opening Balance	4,846	5,144
Credited / (charged) to profit or loss	(439)	(298)
Credited / (charged) to equity	–	–
Closing Balance	**4,407**	**4,846**

Notes to the Financial Statements

Continued

For personal use only

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
10. 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. Cash at bank	6,613	9,394

11. 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 provision for impairment. Trade receivables are generally due for settlement within 30 days from end of month.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment. Other receivables mainly includes vendor rebates receivable and are due to be paid within 3 months.

Trade receivables	222,045	194,877
Less: Provision for impairment of receivables	(266)	(285)
	221,779	194,592
Other receivables	16,962	12,401
	238,741	**206,993**

Impairment of Receivables

The incurred loss model under AASB 139 is replaced by the expected credit loss model under AASB 9. The group has adopted a simplified approach for trade receivables with an amount equal to the full expected credit losses to be recognized.

The expected loss rates are based on the Group's movement of balances from one ageing category to the next to indicate increase in collection time which is an indicator of the probability of default. The value of debtors insurance is then applied to these balances to indicate the exposure at default. These loss rates are then applied to the individual ageing categories to calculate an expected credit loss.

The entity has used their ability to apply the effects of debtor's insurance as a suitable collateral to reduce the exposure of default. This has resulted in a immaterial change to the provision currently recorded by the entity.

As at 31 December 2018 the consolidated entity has recognised a decrease in the provision of $18,388 (2017: $47,870 increase) in profit or loss in respect of impairment of receivables for the year ended 31 December 2018.

Notes to the Financial Statements

Continued

For personal use only

12. INVENTORIES

Finished goods are stated at the lower of cost or net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. 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 purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price (plus any applicable supplier claims as per revenue recognition policy) in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
Finished Goods	107,000	90,034
Less: Provision for Impairment	(1,511)	(1,469)
	105,489	**88,565**

13. PROPERTY, PLANT AND EQUIPMENT

Land and buildings are carried at cost less subsequent depreciation for buildings and accumulated impairment for land and buildings. Each class of plant and equipment and property improvements is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

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
Property improvements	–	10 - 20 Years
Leasehold improvements	–	10 - 20 Years
Plant and equipment	–	2 - 10 Years
Plant and equipment under lease	–	2 - 10 Years
Motor vehicles	–	8 years

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

Leasehold improvements and plant and equipment under lease 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.

Notes to the Financial Statements

Continued

For personal use only

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
Freehold land	25,339	25,339
Building - at cost	22,030	21,192
Less accumulated depreciation	(2,956)	(2,491)
	19,074	18,701
Total land and buildings	**44,413**	**44,040**
Fitout & leasehold improvements - at cost	3,515	3,046
Less accumulated depreciation	(2,341)	(1,948)
	1,174	1,098
Plant and equipment - at cost	3,227	2,606
Less accumulated depreciation	(2,064)	(1,869)
	1,163	737
Motor vehicles	252	252
Less accumulated depreciation	(237)	(232)
	15	20
Total plant and equipment	**2,352**	**1,856**
Total property, plant and equipment	**46,765**	**45,895**

Reconciliations

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

	Freehold land $'000	Buildings $'000	Fitout Costs $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 January 2017	**25,338**	**16,673**	**1,270**	**565**	**27**	**43,872**
Additions	1	2,599	112	548	–	**3,260**
Depreciation expense	–	(466)	(281)	(353)	(7)	**(1,107)**
Disposals	–	(105)	–	(18)	–	**(123)**
Effect of movements in exchange rate	–	–	(2)	(5)	–	**(7)**
Balance at 31 December 2017	**25,339**	**18,701**	**1,098**	**737**	**20**	**45,895**
Additions	–	838	345	836	–	2,019
Depreciation expense	–	(465)	(271)	(417)	(5)	(1,158)
Disposals	–	–	–	(6)	–	(6)
Effect of movements in exchange rate	–	–	2	13	–	15
Balance at 31 December 2018	**25,339**	**19,074**	**1,174**	**1,163**	**15**	**46,765**

Notes to the Financial Statements

Continued

For personal use only

14. INTANGIBLES

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 de-recognition 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.

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 which varies between 18 months and 12 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 4 years.

Impairment of Intangibles

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. 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.

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
Goodwill	17,799	17,799
Customer Contracts	17,657	17,657
Less: Accumulated amortisation	(7,854)	(6,477)
Software - at cost	149	134
Less: Accumulated amortisation	(88)	(53)
Website - at cost	258	258
Less: Accumulated amortisation	(212)	(191)
	27,709	**29,129**

Notes to the Financial Statements

Continued

For personal use only

14. INTANGIBLES (CONTINUED)

	Goodwill $'000	Customer Contracts $'000	Software $'000	Development (Website) $'000	Total $'000
Balance at 1 January 2017	**17,799**	**12,560**	**40**	**94**	**30,493**
Additions	–	–	97	–	**97**
Amortisation expense	–	(1,379)	(52)	(26)	**(1,457)**
Effect of movements in exchange rate	–	–	(4)	–	**(4)**
Balance at 31 December 2017	**17,799**	**11,181**	**81**	**68**	**29,129**
Additions	–	–	10	–	**10**
Amortisation expense	–	(1,378)	(33)	(22)	**(1,433)**
Effect of movements in exchange rate	–	–	3	–	**3**
Balance at 31 December 2018	**17,799**	**9,803**	**61**	**46**	**27,709**

Goodwill and other Indefinite Life Intangible Assets Estimates

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.

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 1 year EBITDA projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

Management considers the cash generating units (CGU) of the group to be Australia and New Zealand. Goodwill has been allocated $10.5m and $7.3m, respectively.

The following key assumptions were used in the discounted cash flow model for each cash generating unit:

a. 10.89% (2017: 11.0%) post-tax discount rate;

b. 6.5% for the Australian CGU and 415% for the New Zealand CGU (in 2018 the New Zealand CGU had a low base and new exclusive rights mean that revenue lost from prior years will be replaced) in year 1 and 2.5% thereafter (2017: 2.5%) per annum EBITDA growth rate

The discount rate of 10.89% post-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements. Management believes the projected EBITDA growth rate is reasonable based on forecasted organic and general market growth.

Based on the above, the recoverable amount of each cash generating unit exceeded the carrying amount and therefore no impairment of goodwill.

Sensitivity Analysis

As disclosed in Note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Management believes that any reasonable changes in key assumptions, other than a major downturn in the EBITDA on which the recoverable amount of division goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount. The sensitivities are as follows: (a) EBITDA would need to decrease by more than 64% to trigger impairment for the Australian CGU, and 53% for the New Zealand CGU, with all other assumptions, other than a major downturn in EBITDA, remaining constant; (b) The discount rate would be required to increase to 32.2% to trigger impairment for the Australian CGU, and 21.1% for the New Zealand CGU, with all other assumptions remaining constant.

Notes to the Financial Statements

Continued

For personal use only

15. 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 - 60 days of recognition.

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
Trade payables	212,333	188,002
Other payables	10,650	10,885
	222,983	**198,887**

The consolidated entity had entered into a bailment facility with Wells Fargo (previously GE Capital) for the purchase of Dell and APC products up to a limit of $53.6m. Included in trade payables is an amount of $28.9m (2017: $16.2m) payable to Wells Fargo under this arrangement. Under this arrangement Wells Fargo had legal title and first priority over its bailed goods and proceeds. The bailment facility was supported by a Westpac Bank Guarantee of $3m in favour of Wells Fargo. This facility was terminated at the end of the financial year and the Bank Guarantee released in January 2019. The nature of the bailment facility was such that the arrangement is treated as a trade payable.

16. 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.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Current		
Receivables Facility	70,000	55,000
Non-Current		
Corporate Bond	39,645	39,360
Total current and non-current borrowings	**109,645**	**94,360**
(a) Total current and non-current secured liabilities:		
Receivables Facility	70,000	55,000
(b) The receivables facility is secured by a fixed charge over all debtors. The corporate bond is an unsecured facility.		
(c) Receivables Facility limit	130,000	120,000

The drawn amount of these facilities as at the report date is as per Note 16 above.

Receivables Facility

The Westpac receivables facility was renewed on 12 March 2018 for a period of 3 years with an increased limit of $130,000 million. The receivables facility also supports a Standby Letter of Credit for $10m issued to Cisco and $3m bank guarantee issued in favour of Wells Fargo. The $3m bank guarantee to Wells Fargo was released in January 2019.

Corporate Bond

On 16th March 2015, the Company engaged FIIG Securities Limited to arrange the issue of a 5 year unsecured corporate bond. The offering was fully subscribed raising $38.7 million net of transaction costs at a floating coupon rate over the 90 day bank bill swap rate. The bond offering increased the tenure of our debt maturity profile and diversified our debt funding sources. The net proceeds of the offering were used to reduce existing bank debt and to fund working capital investment.

Notes to the Financial Statements

Continued

For personal use only

16. BORROWINGS (CONTINUED)

The bond offering is part of our active approach to capital management. This bond issue is an important initiative for the Company which reflects our strategy to ensure that we have multiple sources of funding and the security of longer term debt. Management is currently considering refinance options for the corporate bond which is due to be repaid in March 2020.

17. 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.

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
Current		
Employee benefits	8,249	7,705
Lease make-good provision	199	176
	8,448	**7,881**
Non Current		
Employee benefits	**1,869**	**1,301**

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 within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and 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 recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

Notes to the Financial Statements

Continued

For personal use only

17. PROVISIONS (CONTINUED)

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

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
Employee benefits obligation expected to be settled after 12 months	**2,230**	**2,595**

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.

18. 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.

	Dec 2018 Shares	Dec 2018 $'000	Dec 2017 Shares	Dec 2017 $'000
Ordinary shares - fully paid	160,714,369	57,982	160,337,241	56,868

Movements in Ordinary Share Capital

Details	Date	Issue Price	No of Share	$'000
Opening Balance	1-Jan-17	–	160,005,955	56,046
Issue of shares DRP	20-Mar-17	$2.40	105,153	252
Issue of shares DRP	9-Jun-17	$2.41	114,499	276
Issue of shares DRP	1-Sep-17	$2.57	58,311	150
Issue of shares DRP	01-Dec-17	$2.70	53,323	144
Balance	**31-Dec-17**	**–**	**160,337,241**	**56,868**
Issue of shares DRP	2-Mar-18	$2.85	63,926	183
Issue of shares - Employee Share Scheme (ESS)	28-Mar-18	$3.01	130,476	392
Issue of shares DRP	1-Jun-18	$2.92	56,780	167
Issue of shares DRP	3-Sep-18	$3.07	56,344	173
Issue of shares DRP	3-Dec-18	$2.86	69,602	199
Balance	**31-Dec-18**	**–**	**160,714,369**	**57,982**

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.

Notes to the Financial Statements

Continued

For personal use only

18. ISSUED CAPITAL (CONTINUED)

Employee Share Scheme

In celebration of the Company's 40 year anniversary and in recognition of all the work and contribution by our employees, in March 2018 the company announced an issue of free shares to all eligible employees. Under the share plan staff were offered $1,000 worth of new fully paid ordinary shares for nil monetary consideration. The issue price for the shares was $3.01 and all eligible staff received 333 shares each. Total number of new shares issued to staff under the Employee Share Scheme was 130,476 shares at a value of $392k.

Share Buy-Back

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

Capital Risk Management

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

During 2018, the Company raised $720,826 through the Company's Dividend Reinvestment Policy (DRP) for existing shareholders.

In the future the consolidated entity would look to raise capital when an opportunity to invest in a business or other investments were seen as value adding relative to the current company's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements and 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 2017 Annual Report.

19. RESERVES

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
Capital profits reserve (Pre-CGT)	369	369
Foreign currency reserve	157	(234)
	526	**135**

Capital Profits Reserve (Pre-CGT)

The capital profits reserve records non-taxable profits on sale of investments.

Foreign Currency Reserve

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

Movements in reserves		
Opening Balance	135	664
Foreign currency translation	392	(529)
Closing Balance	**527**	**135**

Notes to the Financial Statements

Continued

For personal use only

20. DIVIDENDS

	Dec-18 $'000	Dec-17 $'000
Dividends declared or paid during the financial year	**28,894**	**26,265**

Type	FY	Payment Date	Dividend per share (cents)	Amount (in 000's)	FY	Payment Date	Dividend per share (cents)	Amount (in 000's)
Final	2017	2-Mar-18	0.048	7,696	2016	20-Mar-17	0.044	7,040
Interim	2018	1-Jun-18	0.044	7,064	2017	9-Jun-17	0.040	6,404
Interim	2018	3-Sep-18	0.044	7,066	2017	1-Sep-17	0.040	6,409
Interim	2018	3-Dec-18	0.044	7,068	2017	1-Dec-17	0.040	6,412
			0.180	**28,894**			**0.164**	**26,265**

The tax rate that dividends have been franked is 30% (2017: 30%)

Franking credit balance:		
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	9,534	8,348

The above amounts represent the balance of the franking account as at the end of the financial year adjusted for franking credits arising from:

- franking credits from dividends recognised as receivables at year end
- franking credits that will arise from payment of the current tax liability
- franking debits arising from payment of proposed dividends recognised as a liability

21. FAIR VALUE DISCLOSURES

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 principle 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 interest. 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 each reporting date and transfers between levels are determined based on a reassessment of the lowest level 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.

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;

Notes to the Financial Statements

Continued

For personal use only

21. FAIR VALUE DISCLOSURES (CONTINUED)

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. 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.

The company has a number of financial instruments which are not measured at fair value in the statement of financial position, including cash, receivables, payables and borrowings. The fair value of these financial assets and financial liabilities approximates their carrying amount.

The fair value of Borrowings in Note 16, is estimated by discounting the future contractual cash flows at the current market interest rates for loans with similar risk profiles and has been measured under Level 2 of the hierarchy.

The carrying value of borrowings classified as financial liabilities measured at amortised cost approximates fair value.

22. FINANCIAL INSTRUMENTS

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. Derivatives are classified as current or non-current depending on the expected period of realisation.

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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

	Consolidated	
Financial Assets and Liabilities	Dec-18 $'000	Dec-17 $'000
Financial Assets		
Cash and cash equivalents	6,613	9,394
Trade and other receivables	238,741	206,993
Total Financial Assets	**245,354**	**216,387**
Financial Liabilities		
Trade and other payables	222,983	198,887
Borrowings	109,645	94,360
Total Financial Liabilities	**332,628**	**293,247**

Notes to the Financial Statements

Continued

For personal use only

22. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Although the company does not have any documented policies and procedures, the key management personnel manage the different types of risks to which the company is exposed by considering risk and monitoring levels of exposure to interest rate and credit risk and by being aware of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is managed through general business budgets and forecasts. The main purpose of non-derivative financial instruments is to manage foreign currency risk. The company had open forward contracts as at the end of the financial year to mitigate this risk. The directors and key management personnel meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are:

- credit risk
- liquidity risk
- interest rate risk
- foreign exchange risk

Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. Credit risk is reviewed regularly by the directors and key management personnel. It predominantly arises from exposures to customers.

The company's exposure to credit risk is limited due to debtor insurance which is held over its trade receivables. The insurance policy limits the exposure of the company to 10% of the individual customer's balance plus the excess as specified in the policy after an aggregate first loss of $200,000. Receivables balances are monitored on an ongoing basis and as a result the company's exposure to bad debts has not been significant.

It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation. Credit limits are set for each individual customer in accordance with parameters set by the directors. These credit limits are regularly monitored. Customers that do not meet the company's strict credit policies and criteria may only purchase in cash or using recognised credit cards.

The company has no significant concentration of credit risk with any single counterparty or group of counterparties. The profile of all counterparties is largely the same being reseller partners and have been grouped together in assessing expected credit loss. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality.

Credit Risk Exposures - The maximum exposure to credit risk by class of recognised financial assets at reporting date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Liquidity Risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the company has no control over the timing of any potential settlement of the liability.

Notes to the Financial Statements

Continued

For personal use only

22. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flows realised from financial instruments reflect management's expectation as to the timing of realisation.

Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will roll forward.

	Consolidated	
Financial liability maturity analysis	Dec-18 $'000	Dec-17 $'000
Financial liabilities due for payment		
Trade and other payables		
Within 6 Months	222,983	198,887
6 Months - 1 Year	–	–
1 - 2 Years	–	–
2 - 5 Years	–	–
	222,983	**198,887**
Borrowings		
Within 6 Months	71,367	56,309
6 Months - 1 Year	1,367	1,309
1 - 2 Years	40,282	41,978
2 - 5 Years	–	610
	113,017	100,206
Total contractual outflows	**336,000**	**299,093**

Financial Assets Pledged as Collateral

Certain financial assets have been pledged as security for the debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note 16(c).

Interest Rate Risk

The company's main interest rate risk arises from borrowings. All borrowings are at variable interest rates and expose the company to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

Interest Rate Risk	Dec-18 $'000	Dec-17 $'000
Floating rate instruments		
Receivables Facility	70,000	55,000
Corporate Bond	39,645	39,360
	109,645	**94,360**

With a view to mitigating some of this risk, on 27 January 2016, the Company entered into a Derivative Financial Instrument transaction with the Westpac Banking Corporation. The transaction was an Interest Rate Swap Transaction for AUD $40million with an effective date of 29 March 2016 and a tenure of 2 years, maturing during the year on 26th March 2018. The Company entered that transaction as an interest rate hedge against the partial tenure of the floating rate Corporate Bond issued during 2015 and reflects the Company's active capital management. Due to the current interest rate environment the Company has not entered into any new interest rate swap at the expiry of the current facility or any other time during the year. Management will continue to monitor the interest rate environment to determine whether entering into a new swap agreement will be prudent to do so in the future.

Notes to the Financial Statements

Continued

For personal use only

22. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity Analysis

The company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. If interest rates changed by -/+ 1% from the year end rates with all other variables held constant, post-tax profit would have been $767,515 lower/higher (2017: $$660,520 lower/higher) as a result of higher/lower interest payments. The company constantly analyses its interest rate exposure. Within this analysis consideration is given to alternative financing and the mix of fixed and variable interest rates.

Foreign Exchange 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 was as follows:

	Sell Australian dollars		Average exchange rates		Sell New Zealand dollars		Average exchange rates	
	31-Dec-18 $'000	31-Dec-17 $'000	31-Dec-18	31-Dec-17	31-Dec-18 $'000	31-Dec-17 $'000	31-Dec-18	31-Dec-17
Buy US Dollars								
Maturity:								
0 - 3 months	20,582	23,090	0.7208	0.7625	1,585	1,233	0.6781	0.7073
3 - 6 months	–	–	–	–	–	–	–	–
Buy Australian Dollars								
Maturity:								
0 - 3 months	–	–	–	–	240	437	0.9377	0.9028
3 - 6 months	–	–	–	–	–	–	–	–

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

	Dec-18	
Consolidated	US$'000	NZ$'000
Cash at bank	34	1,690
Trade receivables	3,811	11,827
Trade payables	(28,084)	(8,789)
Net statement of financial position exposure	(24,239)	4,728

Based on the financial instruments held at 31 December 2018, a strengthening/weakening of AU$ against US$ and NZ$ would have resulted in the following changes to the Groups reported profit and loss and/or equity.

Sensitivity Analysis (Effects in Thousands)	Equity		Profit or Loss	
	Strengthening	Weakening	Strengthening	Weakening
US$ (5% movement)	–	–	1,154	(1,276)
NZ$ (5% movement)	(450)	959	(25)	27

Notes to the Financial Statements

Continued

For personal use only

23. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation

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

	Consolidated	
	Dec-18 $	Dec-17 $
Short-term benefits	4,241,557	3,811,812
Long-term benefits	42,855	14,082
Post-employment benefits	400,957	355,650
Total compensation	**4,685,369**	**4,181,544**

24. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by BDO, the auditor of the company, its network firms and unrelated firms:

Audit services - BDO		
Auditing or reviewing the financial report	**215,000**	**175,000**
Audit services - Other BDO Network Firms		
Auditing or reviewing the financial report	**16,000**	**35,000**
Other services - BDO East Coast Partnership		
Indirect Tax Services	55,000	–
Tax and Corporate Services	308,000	245,180
	363,000	**245,180**
Other services - Other BDO Network Firms		
Indirect Tax Services	323	–
Tax and Corporate Services	15,775	29,780
	16,098	**29,780**

25. CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities related to the Consolidated entity as at the report date.

26. COMMITMENTS

Capital Commitments

Capital expenditure commitments contracted for at reporting date but not recognised as liabilities:

	Consolidated	
	Dec-18 $'000	Dec-17 $'000
Property, plant and equipment	**–**	**1,681**

There were no new capital commitment expenditures contracted in the current year. Contracted commitment from last year was for the balance of the design and development application process for the building of the new distribution centre.

Notes to the Financial Statements

Continued

For personal use only

26. COMMITMENTS (CONTINUED)

Lease Commitments

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits. Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Lease Commitments - Operating	Consolidated	
	Dec-18 $'000	Dec-17 $'000
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	898	989
One to five years	2,121	2,564
	3,019	**3,553**

27. PARENT ENTITY INFORMATION

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

	Dec-18 $'000	Dec-17 $'000
Statement of profit or loss and other comprehensive income		
Profit after income tax	32,869	23,558
Total comprehensive income	32,869	23,558
Statement of financial position		
Total current assets	304,729	262,789
Total assets	398,497	357,067
Total current liabilities	292,360	256,648
Total liabilities	335,536	298,801
Equity		
Issued capital	57,982	56,868
Reserves	369	369
Retained profits	4,610	1,028
Total Equity	**62,961**	**58,266**

Notes to the Financial Statements

Continued

For personal use only

27. PARENT ENTITY INFORMATION (CONTINUED)

Guarantees Entered into by the Parent Entity in Relation to the Debts of its Subsidiaries

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

Capital Commitments – Property, Plant and Equipment

The parent entity had the capital commitments for property, plant and equipment as detailed in Note 26.

Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1 and throughout the notes.

28. 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:

		Ownership Interest	
Name	Principal place of business/ country of incorporation	2018 %	2017 %
Dicker Data New Zealand Ltd	New Zealand	100%	100%
Express Data Holdings Pty Ltd	Australia	100%	100%
Dicker Data Financial Services Pty Ltd	Australia	100%	100%

29. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH

	Dec-18 $'000	Dec-17 $'000
Profit after income tax	32,467	26,942
Adjustments for:		
Depreciation	1,158	1,107
Amortisation on intangibles	1,430	1,457
Amortisation of borrowing costs	285	288
Profit/(Loss) on the Disposals of PPE	(9)	130
Changes in Assets & Liabilities:		
Decrease (increase) in current inventories	(16,924)	18,460
Decrease (increase) in current receivables	(31,730)	(44,323)
Decrease (increase) in deferred tax assets	638	(185)
(Decrease) increase in deferred tax liabilities	(439)	(297)
(Decrease) increase in payables & other	24,097	43,737
(Decrease) increase in provisions	1,508	1,248
(Decrease) increase in non current assets	–	–
(Decrease) increase in current tax liabilities	(453)	(7,829)
Net cash from operating activities	**12,028**	**40,735**

Notes to the Financial Statements

Continued

For personal use only

30. NON-CASH INVESTING AND FINANCING ACTIVITIES

	Dec-18 $'000	Dec-17 $'000
Shares issued under dividend reinvestments plan (DRP)	722	822

31. EARNINGS PER SHARE

Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Dicker Data 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.

	Dec-18 $'000	Dec-17 $'000
Profit after income tax	32,467	26,942

Profit after income tax attributable to the owners of Dicker Data Limited

Weighted average number of shares used as denominator	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	160,543	160,178
Weighted average number of ordinary shares and options granted are used as the denominator in calculating diluted earnings per share	160,543	160,178
	Cents	Cents
Basic earnings per share (cents)	20.22	16.82
Diluted earnings per share (cents)	20.22	16.82

32. RELATED PARTY TRANSACTIONS

Parent Entity:

Dicker Data Limited is the parent entity.

Subsidiaries:

Interests in subsidiaries are set out in Note 28.

Key Management Personnel:

Disclosures relating to key management personnel are set out in Note 23 and the remuneration report in the directors' report.

Transactions with Related Parties:

There were some occasional transactions with related parties during the year. Some payment of personal expenses were made on behalf of the director David Dicker throughout the year that were subsequently reimbursed to the value of $474,773.

33. SUBSEQUENT EVENTS

There were no other significant matters subsequent to the end of the financial year.

Directors Declaration

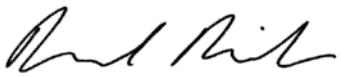
In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31st December 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the directors



David Dicker
CEO & Chairman

Sydney, 28 February 2019

For personal use only

Auditor's Declaration of Independence

For personal use only

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF DICKER DATA LIMITED

As lead auditor of Dicker Data Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Dicker Data Limited and the entities it controlled during the period.

Tim Aman
Partner

BDO East Coast Partnership

Sydney, 28 February 2019

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Independent Auditor's Report

For personal use only

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Dicker Data Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dicker Data Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Independent Auditor's Report

Continued

For personal use only

Carrying Value of Goodwill

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 14 to the financial report, Goodwill amounted to $17,799,000 at 31 December 2018. This was determined to be a key audit matter as the determination of the "Value in Use" of the cash generating unit's (CGU) and whether or not an impairment charge is necessary, involved judgements by management about the future growth rates of the business in this CGU, discount rates applied to future cash flow forecasts for each CGU and sensitivities of inputs and assumptions used in the cash flow models. Furthermore, the goodwill balance is material.	Our audit procedures included, amongst others: • Evaluating and challenging the assumptions used in the discounted cash flow analysis, in particular the key assumptions for each CGU; • Applying a sensitivity analysis on the Group's discounted cash flow models for each CGU to assess whether changes in the assumptions made would result in impairment; • Assessing the historical accuracy of management's forecasts in the context of the value in use model; and • Evaluating the adequacy of the disclosures in Note 14 about those assumptions to which the outcomes of the impairment test are most sensitive, that is, those that will have the most significant effect on the determination of the recoverable amount.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report

Continued

For personal use only

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 18 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Dicker Data Limited, for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

Tim Aman
Partner

Sydney, 28 February 2019

Shareholder Information

The shareholder information set out below was applicable as at 5 February 2019.

ORDINARY SHARE CAPITAL

As at 31 December 2018, the issued capital of the Company was 160,714,369 ordinary fully paid shares.

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Size of Holding	Number of Shareholders	Number of Shares	% of Issued Capital
100,001 and Over	43	129,269,837	80.43
10,001 to 100,000	789	18,558,908	11.55
5,001 to 10,000	844	6,644,333	4.13
1,001 to 5,000	2,035	5,447,043	3.39
1 to 1,000	1,488	794,248	0.49
Total	**5,199**	**160,714,369**	**100.00**

UNQUOTED OPTIONS

The Company had no unquoted options on issue as at 5 February 2019.

LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES

There were 100 holders of less than a marketable parcel of ordinary shares. The number of shares in aggregate of these unmarketable parcels is 1,353.

For personal use only

Shareholder Information

Continued

For personal use only

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

	Number of fully paid Ordinary Shares	% of Issued Capital
MR DAVID JOHN DICKER	60,553,495	37.68%
MS FIONA TUDOR BROWN	52,701,347	32.79%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,750,525	1.71%
BNP PARIBAS NOMINEES PTY LTD	1,433,513	0.89%
FIONA BROWN	1,217,095	0.76%
CITICORP NOMINEES PTY LIMITED	1,087,550	0.68%
BNP PARIBAS NOMS PTY LTD	974,594	0.61%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	933,408	0.58%
AUST EXECUTOR TRUSTEES LTD	926,021	0.58%
NATIONAL NOMINEES LIMITED	884,146	0.55%
MR VLADIMIR MITNOVETSKI	547,834	0.34%
BAINPRO NOMINEES PTY LIMITED	293,168	0.18%
BNP PARIBAS NOMINEES PTY LTD	269,170	0.17%
MRS LEONA REDDALL & MR BENJAMIN REDDALL & MR MATTHEW REDDALL	241,585	0.15%
DIALES PTY LIMITED	230,000	0.14%
GWYNVILL TRADING PTY LTD	228,627	0.14%
AUST EXECUTOR TRUSTEES LTD	221,121	0.14%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	213,380	0.13%
MARTRE PROPERTIES PTY LIMITED	200,000	0.12%
MR TIMOTHY BRYCE KLEEMANN	192,723	0.12%
TOTALS	**126,099,302**	**78.46%**

SUBSTANTIAL HOLDERS

The names of the Substantial Shareholders listed in the Company's Register as at 9 February 2018:

Shareholder	Number of Fully Paid Ordinary Shares	% of Issued Capital
MR DAVID JOHN DICKER	60,553,495	37.68%
MS FIONA TUDOR BROWN	54,045,303	33.63%

VOTING RIGHTS

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll.

ON-MARKET BUY-BACKS

There is no current on-market buy-back in relation to the Company's securities.

For personal use only

DICKER DATA

230 Captain Cook Drive
Kurnell NSW 2231
T. 1800 688 586
F. 1800 688 486
www.dickerdata.com.au
ABN: 95 000 969 362

