



For personal use only

FINANCIAL REPORT 2023

FOR THE YEAR ENDED 30 JUNE 2023

TABLE OF CONTENTS

APPENDIX 4E	3
DIRECTORS' REPORT.....	5
AUDITOR'S INDEPENDENCE DECLARATION	19
INDEPENDENT AUDITOR'S REVIEW REPORT	20
DIRECTORS' DECLARATION	26
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	28
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	29
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	31
CONSOLIDATED STATEMENT OF CASH FLOWS	32
NOTES TO THE FINANCIAL STATEMENTS	34
1. BASIS OF PREPARATION.....	34
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	34
3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS.....	44
4. SEGMENT INFORMATION	47
5. REVENUE AND OTHER INCOME	48
6. EXPENSES	48
7. INCOME TAX EXPENSE.....	49
8. CASH AND CASH EQUIVALENTS	49
9. TRADE AND OTHER RECEIVABLES	49
10. INVENTORIES	50
11. PROPERTY, PLANT AND EQUIPMENT	51
12. LEASES.....	52
13. INTANGIBLE ASSETS	53
14. DEFERRED TAX ASSETS	53
15. TRADE AND OTHER PAYABLES	54
16. CURRENT TAX LIABILITIES.....	54
17. PROVISIONS	54
18. DEFERRED TAX LIABILITIES.....	54
19. ISSUED CAPITAL	55
20. RESERVES	55
21. DIVIDENDS	56
22. EARNINGS PER SHARE	57
23. REMUNERATION OF AUDITORS	57
24. NEW ACCOUNTING STANDARDS.....	57
25. INTERESTS IN SUBSIDIARIES	58
26. CASHFLOW INFORMATION.....	58
27. SHARE BASED PAYMENTS.....	59
28. FINANCIAL INSTRUMENTS	60
29. KEY MANAGEMENT PERSONNEL	61
30. RELATED PARTY TRANSACTIONS	62
31. PARENT ENTITY	62
32. EVENTS AFTER THE REPORTING DATE	62
33. SHARHOLDERS INFORMATION.....	63
34. COMPANY INFORMATION.....	65

For personal use only

A photograph of a man with short dark hair, smiling, wearing a red zip-up jacket. He is working on a wooden structure, possibly a boat or a deck, using a power drill. The background is a blurred outdoor setting with wooden beams and equipment.

SECTION 1

APPENDIX 4E

For personal use only

FINANCIAL REPORT 2023

FOR THE YEAR ENDED 30 JUNE 2023

APPENDIX 4E

Company details

Name of entity	IPD GROUP LIMITED
ACN	111 178 351
Current reporting period	Year ended 30 June 2023
Previous corresponding reporting period	Year ended 30 June 2022

Additional disclosure requirements and supporting information for the Appendix 4E are contained within IPD Group Limited's Financial Report for the year ended 30 June 2023. This Appendix should be read in conjunction with the full report.

This announcement was approved by the Board of Directors for release on 25 August 2023.

Results for announcement to market

	Movement	Year ended 30 June 2023		Year ended 30 June 2022	
		%	\$million	\$million	
Revenue from ordinary activities	up	28.3%	to	226.9	176.8
EBITDA before IPO costs ¹	up	27.1%	to	27.7	21.8
Depreciation and Amortisation				(4.4)	(3.6)
EBIT before IPO costs ¹	up	28.6%	to	23.4	18.2
Net interest costs				(0.2)	(0.5)
Profit before tax and IPO costs ¹	up	31.1%	to	23.2	17.7
Income Tax				(7.1)	(5.3)
NPAT from ordinary activities, before IPO costs net of tax ¹	up	30.9%	to	16.1	12.3
IPO costs net of tax				-	(1.2)
NPAT from ordinary activities after IPO costs attributable to owners of IPD Group Limited	up	45.0%	to	16.1	11.1
Earnings per share (cents per share) before IPO costs	up	17.0%	to	18.6	15.9
Earnings per share (cents per share) after IPO costs	up	30.1%	to	18.6	14.3

IPD Group Ltd recorded a statutory after-tax profit of \$16,077,000 (2022: \$11,115,000).

On 25 August 2023, the Directors declared a final dividend of 4.7 cents per share fully franked with an ex-dividend date of 19 September 2023, record date of 20 September 2023 and payable on 03 October 2023.

On 3 October 2022, the IPD Group paid the 2022 financial year end dividend of \$3,192,573 which was equivalent to 3.7 cents per share fully franked. On 4 April 2023, the IPD Group paid an interim 2023 financial year end dividend of \$3,972,827 which was equivalent to 4.6 cents per share fully franked.

Further information on the 'Review of operations' is detailed in the Directors' report which is part of the Financial Report for the year ended 30 June 2023.

The Company plans to hold the 2023 Annual General Meeting on 28 November 2023. The deadline to receive director nominations is 9 October 2023.

Net Tangible Assets

	30 June 2023	30 June 2022
	\$	\$
Net tangible assets per share (cents per share)	60.7	51.1
Diluted net tangible assets per share (cents per share)	60.2	51.0

SECTION 2

DIRECTORS' REPORT

For personal use only

FINANCIAL REPORT 2023

FOR THE YEAR ENDED 30 JUNE 2023

DIRECTORS' REPORT

The Directors present their report in compliance with the provisions of the Corporations Act 2001 on the consolidated entity (referred to hereafter as the "Group") consisting of IPD Group Ltd ("IPD Group" or the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2023.

DIRECTORS

Directors of IPD Group Ltd during and since the end of financial year unless otherwise stated below are:

David Rafter – Independent non-executive Chairman

Andrew Moffat – Independent non-executive Director

Michael Sainsbury – Executive Director

Mohamed Yoosuff – Executive Director

COMPANY SECRETARY

Euh (David) Wang (resigned 19 August 2022 as joint company secretary)

Michael Austin (resigned 1 December 2022 as company secretary)

Ms Marika White and Ms Jade Cook (joint secretaries appointed 1 December 2022, Marika White resigned 22 March 2023)

CORPORATE GOVERNANCE

The Board of Directors and management of IPD Group recognise the importance of, and are committed to, achieving high corporate governance standards. Our key Corporate Governance materials including policies, code of conduct and Board and Board Committee Charters, can be found in the Corporate Governance section of our website within the Investor Relation section.

In accordance with the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations, the Company's Corporate Governance Statement, as approved by the Board, is published and available on the IPD Group website at <https://ipdgroup.com.au/investors/corporate-governance/>

PRINCIPAL ACTIVITIES

The Group is a national distributor and service provider to the Australian electrical market. The Group consists of two core divisions:

- the distribution of products for quality global electrical infrastructure brands such as ABB, Elsteel, Emerson & Red Lion; and
- the provision of services, including installation and commissioning, calibration and testing, maintenance and repairs and refurbishment

Products division:

The Group's core focus in the products division is the sale of electrical infrastructure products to customers including switchboard manufacturers, electrical wholesalers, electrical contractors, power utilities, OEMs and system integrators. Within the division there are five key categories of products:

- Power distribution;
- Industrial and motor control;
- Automation and industrial communication;
- Power monitoring; and
- Electric vehicle solutions

In addition to selling products, the Group provides a range of value-added services, including custom assembly, sourcing, engineering design, technical compliance, procurement, transport, storage, regulatory management, technical support, packaging, labelling, inventory management and delivery.

Services division:

Within the Group's services division there are four categories of services:

- Installation and commissioning;
- Calibration and testing;
- Maintenance and repairs; and
- Refurbishment and other.

REVIEW OF OPERATIONS

	Year ended 30 June 2023 \$million	Year ended 30 June 2022 \$million	Movement %
Revenue from ordinary activities	226.9	176.8	28.3%
Gross profit	86.8	67.5	28.6%
Other income	0.6	0.6	0.0%
Operating Expenses	(59.7)	(47.9)	24.6%
EBITDA	27.7	20.2	37.1%
Depreciation and amortisation expenses	(4.3)	(3.6)	19.4%
EBIT	23.4	16.6	41.0%
Interest	(0.2)	(0.5)	(60.0%)
Profit before income tax	23.2	16.1	44.1 %
Income tax expense	(7.1)	(5.0)	42.0%
NPAT	16.1	11.1	45.0%

The IPD Group Board of Directors are pleased to advise a record performance for the financial year ended 30 June 2023.

The Group has delivered record organic revenues and profits for the year with sales revenue of \$226.9 million, up 28.3% on the prior corresponding period. This growth demonstrates the strength of the operating model with the organisational transformation over the financial year. On 1 July 2022, the employees and operations of Control Logic Pty Ltd and High Technology Control Pty Ltd were integrated into IPD Group Limited to enable the streamlining of customer and supplier transactions, improve service levels with expanded customer service and technical support teams, create process efficiencies, improve capital management and establish a uniform sales structure targeting dedicated sales channels.

There have been ongoing strategic investments made during the year, some of which include:

- the ongoing expansion of Gemtek, building a significant team to service the large and emerging Electrical Vehicle charging market.
- recruitment of specification focused business development managers across the country, to create pull-through demand by driving specification of IPD solutions through key influencers and identify significant opportunities early in the project life cycle.
- investment into resources over and above the current pool to support the strong revenue growth, and
- operational expansion with a new 4,000sqm long term lease for a second NSW warehouse at Eastern Creek.

While the Group has invested into these strategic initiatives during the financial year, the Group delivered recorded EBIT of \$23.4 million representing 41.0% growth on the prior corresponding period and strengthening EBIT margins at 10.3%.

Inventory increased by \$9.4 million on the prior corresponding period but remained consistent with inventory levels from 31 December 2022. As supply chains and lead times begin to normalise, the inventory build during the first half of the year was used to support the ongoing revenue growth into the second half of the year.

As at 30 June 2023, the Group has \$72.9 million of net assets on its balance sheet. The Group was not materially impacted by the RBA increases to the Australian cash rate during the year as the Group continues to have no debt, \$20.8 million in net cash and is well capitalised to execute on its strategic priorities.

On 3 October 2022, the IPD Group paid the 2022 financial year end dividend of \$3,192,573 which was equivalent to 3.7 cents per share fully franked. On 4 April 2023, the IPD Group paid an interim 2023 financial year end dividend of \$3,972,827 which was equivalent to 4.6 cents per share fully franked.

On 25 August 2023, the Directors declared a final dividend of 4.7 cents per share fully franked with an ex-dividend date of 19 September 2023, record date of 20 September 2023 and payable on 03 October 2023. This dividend relates to the profit in the second half of FY23 and represents an increase of 27.0% on the prior corresponding period.

At the 30 June 2023 the Group had a franking credit balance of \$16.0 million. The total dividends declared for FY23 were 9.3 cents per share, equating to a distribution of \$8.0 million and a payout ratio of 50%.

REVIEW OF OPERATIONS (CONT'D)

Outlook

IPD is well positioned to play a significant role in the decarbonisation effort by providing goods and services to meet the increasing demand for the efficient use and distribution of electricity.

The effect of the recent interest rate increases is minimal on IPD business as exposure to the residential building sector is small and the group has a net cash position with no borrowings.

It is too early in the new financial year to provide a full year earnings outlook given domestic and global economic volatility and the recent acquisition of Ex Engineering. IPD's market focus on higher growth non-residential sectors of the economy will continue. The Board will provide an update on Q1 trading performance at the IPD Group Limited AGM on 28th November 2023.

SUBSEQUENT EVENTS

On 21 July 2023, IPD Group acquired 100% interest of Ex Engineering Pty Ltd ("EX Engineering") and resulted in IPD Group Ltd gaining control of EX Engineering Pty Ltd. EX Engineering is a Perth-based business that specialises in the design, stocking, supply, modification, and repair of electrical hazardous area equipment (known as Ex equipment). This acquisition will significantly enhance IPD's Ex equipment offering to clients, with a focus on expanding the EX Engineering business to the Eastern States.

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

MEETINGS OF DIRECTORS

Director's Meetings	Board Meetings		Audit & Risk Committee		Nomination & Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mohamed Yoosuff	12	12	-	-	-	-
Michael Sainsbury	12	12	-	-	-	-
David Rafter	12	12	2	2	2	2
Andrew Moffat	12	12	2	2	2	2

INFORMATION ON DIRECTORS

For personal use only

Directors	Relevant interest in Shares	
David Rafter <i>Independent, Non-Executive Chairman</i> Master of Business Administration - Charles Sturt University Master of Design Science (Facilities Management) – University of Sydney	David has over 30 years' of experience in the building services sector. Major roles across David's career include the CEO of O'Donnell Griffin, a \$600 million electrical engineering/contracting business and CEO of Haden Engineering a \$300 million HVAC construction and service company, both part of the ASX-listed Norfolk Group via an IPO in 2007. Previously, David was an Executive General Manager at Transfield Services, an ASX-listed operations, maintenance and construction services business and the CEO at Web FM, a global provider of construction and facilities management consulting and software solutions. David was appointed as a Director on 14 August 2019 and is a member of the AICD David is a member of the Audit and Risk Committee David is chairman of the Remuneration and Nomination Committee	145,834
Andrew Moffat <i>Independent, Non-Executive Director</i> Bachelor of Business - Curtin University	Andrew has 23 years' of corporate and investment banking experience, including serving as a director of Equity Capital markets and Advisory for BNP Paribas Equities. Currently a Non-Executive Director of Sports Entertainment Group Limited, 360 Capital Group Limited, ICP Funding Pty Limited and CASL Funder Pty Ltd. Andrew was appointed as a Director on 24 March 2020. Andrew is chairman of the Audit and Risk Committee Andrew is a member of the Remuneration and Nomination Committee	450,091
Michael Sainsbury <i>Executive Director & CEO</i> Advanced Diploma Business Management – Leadership Management Australia	Michael has over 25 years' experience in sales, business development and management within the electrical industry; he joined IPD in 2013 as the National Sales Manager and has been CEO since 2015. Prior to IPD, Michael spent over 13 years working at Schneider Electric where he held various senior management roles in the electrical solutions and power monitoring space.	1,265,479
Mohamed Yoosuff <i>Executive Director (Former CFO)</i> Associate of Chartered Institute of Management Accountants (ACMA)	Mohamed Yoosuff has been an employee and board member of IPD since 2005. Mohamed Yoosuff held the position of CFO since the inception of IPD Group in 2005. On 1 January 2023 Mohamed Yoosuff was appointed Director of Strategic Development. Previously held various senior management positions in manufacturing and distribution companies, including as CFO of Ludowici Group (a manufacturing and distribution business previously listed on ASX) and as Financial Controller of Otis Elevators.	11,244,480

AUDITED REMUNERATION REPORT

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Directors' interests and remuneration

Non-Executive Director remuneration

Under the Constitution, the Board may decide the total amount paid by the Company to each Director as remuneration for their services as a Director. However, under the Constitution and the ASX Listing Rules, the total amount of fees paid to all Non-Executive Directors in any financial year must not exceed the aggregate amount of Non-Executive Directors fees approved by Shareholders at the Company's general meeting. This amount has been fixed by the Company at \$400,000 per annum.

The total annual Non-Executive Directors' fees agreed to be paid by the Company to:

- the Chairman, David Rafter is \$120,000; and
- the Non-Executive Director, Andrew Moffat is \$80,000.

From listing, Non-Executive Directors fees also include Committee fees of \$8,000 per year for each Board Committee of which they are a Chair and a Committee fee of \$2,000 for each Board Committee of which they are a non-Chair member.

All Non-Executive Directors' fees are inclusive of statutory superannuation contributions.

Executive Director remuneration

IPD has established a number of incentive arrangements to enable attraction, motivation and retention of management and employees.

The remuneration structure for executives of the Company is a mix of fixed remuneration and at-risk, performance -based remuneration to ensure a focus on both short-term and long-term performance, and alignment with shareholder interests. This approach is designed to attract, retain and reward executives to deliver sustainable returns for shareholders.

Key terms of employment contracts

Chief Executive Officer

Details regarding the terms of employment of the CEO and Executive Director, Michael Sainsbury are set out below:

Term	Description
Remuneration and other benefits	Effective from 1 July 2022, Michael Sainsbury is entitled to receive a base salary of \$440,000 (exclusive of superannuation). Michael is also entitled to use of a motor vehicle, laptop and mobile phone provided by the Company.
Short Term Incentives	For FY23, Michael was eligible for and achieved a cash bonus under IPD's STI. The STI can range from 0% to 50% of Michael's base salary (exclusive of superannuation)
Long Term Incentives	For FY23, Michael participated in IPD's employee incentive plan ("EIP") and was eligible to apply for a grant of Rights under the Plan. The number of Rights to be granted are calculated at 50% of Michael's base salary, exclusive of superannuation.
Termination	<p>Under Michael's employment contract, either Michael or the Company can terminate his employment by giving the other party 3 months' notice (which the Company may pay in lieu of notice of part or all of the notice period).</p> <p>The Company may also summarily terminate Michael's employment contract in certain circumstances, including if Michael engages in serious misconduct, is grossly negligent or incompetent in the performance of his duties, if he commits any serious or persistent breach of the employment contract or any workplace policy or if he is charged with a criminal offence that the Company considers adversely impacts his suitability for employment with the Company.</p>

AUDITED REMUNERATION REPORT (CONT'D)

Executive Director (and former Chief Financial Officer)

Mohamed Yoosuff held the position of CFO since the inception of IPD Group in 2005. On 1 January 2023 Mohamed Yoosuff was appointed Director of Strategic Development.

Details regarding the terms of employment of the executive director, Mohamed Yoosuff, are set out below:

Term	Description
Remuneration and other benefits	Effective from 1 July 2022, Mohamed Yoosuff is entitled to receive a base salary of \$341,668 (exclusive of superannuation). Mohamed is also entitled to a motor vehicle allowance of \$51,096 per annum and use of a laptop and mobile phone provided by the Company.
Short Term Incentives	For FY23, Mohamed was eligible for and achieved a cash bonus under IPD's STI. The STI can range from 0% to 50% of Mohamed's base salary (exclusive of superannuation)
Long Term Incentives	For FY23, Mohamed participated in IPD's EIP and was eligible to apply for a grant of Rights under the Plan. The number of Rights to be granted are calculated at 25% of Mohamed's base salary, exclusive of superannuation.
Termination	<p>Under Mohamed's employment contract, either Mohamed or the Company can terminate his employment by giving the other party 3 months' notice (which the Company may pay in lieu of notice of part or all of the notice period).</p> <p>The Company may also summarily terminate Mohamed's employment contract in certain circumstances, including if Mohamed engages in serious misconduct, is grossly negligent or incompetent in the performance of his duties, if he commits any serious or persistent breach of the employment contract or any workplace policy or if he is charged with a criminal offence that the Company considers adversely impacts his suitability for employment with the Company</p>

Executive Key Management remuneration

Jason Boschetti was appointed Chief Financial Officer commencing 1 January 2023.

Details regarding the terms of employment of the Chief Financial Officer (CFO), Jason Boschetti, are set out below:

Term	Description
Remuneration and other benefits	For the period of 1 January 2023 to 30 June 2023, Jason Boschetti was entitled to receive a half year salary of \$145,000 (exclusive of superannuation). Jason is also entitled to use of a laptop and mobile phone provided by the Company.
Short Term Incentives	Effective from 1 January 2023, Jason was eligible for and achieved a cash bonus under IPD's STI. The STI can range from 0% to 50% of Jason's half year salary (exclusive of superannuation)
Long Term Incentives	For FY23, Jason participated in IPD's EIP and was eligible to apply for a grant of Rights under the Plan. Jason was granted 26,599 Performance Rights during the financial year.
Termination	<p>Under Jason's employment contract, either Jason or the Company can terminate his employment by giving the other party 3 months' notice (which the Company may pay in lieu of notice of part or all of the notice period).</p> <p>The Company may also summarily terminate Jason's employment contract in certain circumstances, including if Jason engages in serious misconduct, is grossly negligent or incompetent in the performance of his duties, if he commits any serious or persistent breach of the employment contract or any workplace policy or if he is charged with a criminal offence that the Company considers adversely impacts his suitability for employment with the Company</p>

Executive incentive arrangements

Short-term incentives

The Company has established a short-term incentive (**STI**) program under which cash awards may be payable to participants, subject to the satisfaction of specified performance criteria. The Company's executive employment contracts recognise the potential for the award of STIs in future year.

Under the STI program, the Board may, in its absolute and sole discretion, determine the participation in, the amount of and performance criteria for the STI program for any given year. Performance criteria may include:

- individual performance criteria tailored to each respective role; and/or
- the Company's financial performance against criteria set by the Board for the relevant financial year and may include measures such as statutory or pro-forma EBITDA, EBIT or NPAT targets.

AUDITED REMUNERATION REPORT (CONT'D)

The STI for the period ended 30 June 2023 was structured on the following basis:

- Michael Sainsbury is entitled to a cash bonus under IPD's STI award for stretch performance, measured against group EBIT performance. The maximum cash bonus for Michael for FY23 has been set at \$220,000 (inclusive of superannuation), which is 50% of Michael's base salary (exclusive of superannuation) for FY23.
- Mohamed Yoosuff is entitled to a cash bonus under IPD's STI award for stretch performance, measured against group EBIT performance. The maximum cash bonus for Mohamed for FY23 has been set at \$170,834 (inclusive of superannuation), which is 50% of Mohamed's base salary (exclusive of superannuation) for FY23.
- Jason Boschetti is entitled to a cash bonus under IPD's STI award for stretch performance, measured against group EBIT performance. The maximum cash bonus for Jason for the period of 1 January 2023 to 30 June 2023 has been set at \$72,500 (inclusive of superannuation), which is 50% of Jason's half year base salary (exclusive of superannuation).

Subsequent to year end, the non-executive Directors approved the payment of the STI awards for Michael Sainsbury of \$220,000, Mohamed Yoosuff of \$170,834 and for Jason Boschetti \$72,500.

Equity incentives

The Company has established the EIP to assist in the motivation, reward and retention of senior management and other IPD employees from time to time. The EIP is designed to align the interests of senior management and other employees with the interests of Shareholders by providing an opportunity for employees to receive equity interests in the Company subject to the satisfaction of certain performance conditions. IPD may offer additional incentive schemes to the management and employees over time.

The EIP is a long-term incentive plan, under which options or performance rights to subscribe for or be transferred Shares (**Plan Awards**) may be offered to eligible employees (including a director employed in an executive capacity or any other person who is declared by the Board to be eligible) selected by the Directors at their discretion.

For the period ended 30 June 2023, the Company has granted Performance Rights to directors as follows:

- Michael Sainsbury CEO and Executive Director – 134,524 Performance Rights, calculated by dividing \$220,000 by the Volume Weighted average Price (VWAP) of the company's shares on the ASX during the 10 trading days immediately prior to 1 July 2022, rounded to the nearest whole number of Rights.
- Mohamed Yoosuff Executive Director – 52,230 Performance Rights, calculated by dividing \$85,417 by the Volume Weighted average Price (VWAP) of the company's shares on the ASX during the 10 trading days immediately prior to 1 July 2022, rounded to the nearest whole number of Rights.

For the period ended 30 June 2023, the Company has granted Performance Rights to Jason Boschetti as follows:

- Jason Boschetti – 26,599 Performance Rights, calculated by dividing \$43,500 by the Volume Weighted average Price (VWAP) of the company's shares on the ASX during the 10 trading days immediately prior to 1 July 2022, rounded to the nearest whole number of Rights.

Jason Boschetti was appointed Chief Financial Officer after the FY23 rights issue under the EIP.

Michael Sainsbury and Mohamed Yoosuff (the executive directors), Jason Boschetti (executive key management) as well as other senior managers are the only employees who received Performance Rights pursuant to the FY23 award under the EIP.

Plan Awards will not be listed and may not be transferred, assigned or otherwise dealt with except with the approval of the Directors. Plan Awards will only vest where the vesting conditions (if any) and any other relevant conditions advised to the participant by the Directors have been satisfied or as otherwise permitted under the EIP. The Directors may determine such conditions (including vesting conditions) at their discretion. An unvested Plan Award will lapse in a number of circumstances including where performance conditions (if any) are not satisfied within the relevant time period, the participant deals with the Plan Award in breach of the rules of the EIP, or in the opinion of the Directors, a participant has acted fraudulently or dishonestly.

If a participant's employment or engagement with IPD terminates before the Plan Awards have vested, the Plan Awards that have not vested will lapse, unless the invitation provides otherwise or the Directors in their absolute discretion determine that some or all of the unvested Plan Awards will be treated in another manner. Where Plan Awards have vested prior to the termination of a participant's employment or engagement with IPD the participant will have a period of time to exercise the vested Plan Awards before they lapse.

On the occurrence of certain events (such as the making of a takeover bid for the Company or the approval of a scheme of arrangement in relation to the Company), unless otherwise provided for in the terms of specific Plan Awards, the Directors may in their absolute discretion determine that some or all Plan Awards vest, lapse, become forfeited or are subject to amended conditions. If there are certain variations of the share capital of the Company including a capitalisation or rights issue, subdivision, consolidation or reduction in share capital, the Directors may make such adjustments as they consider appropriate under the EIP, in accordance with the provisions of the ASX Listing Rules.

AUDITED REMUNERATION REPORT (CONT'D)

Unless and until Shares are allocated following a Plan Award vesting and, where required, being exercised, the holder has no interest in those Shares and has no rights to dividends and no rights to vote at meetings of the Company. Shares issued upon vesting and, where required, exercise, of the Plan Awards will upon allotment rank equally in all respects with other Shares, except as regards any rights attaching to such Shares by reference to a record date prior to the date of their issue.

For so long as Shares are Listed, the Company will apply for quotation on ASX of the Shares issued under the EIP. No Plan Awards or Share may be offered under the EIP if to do so would contravene the Corporations Act, the ASX Listing Rules or instruments of relief issued by ASIC from time to time. The EIP provide the Board with broad clawback powers if, for example, the participant has acted fraudulently or dishonestly or dishonestly, or is in breach of his or her obligations to IPD.

The Board may at any time amend all or any provisions of the EIP or the terms or conditions of any Plan Award granted under the EIP, subject to limited restrictions on amendments that adversely affect the existing rights of a holder of Plan Awards. The exercise by the Board of any discretion granted under the EIP or the terms of a Plan Award will not constitute an amendment of the provisions of the EIP. The Board may at any time waive in whole or in part any terms or conditions (including any vesting conditions) in relation to any Plan Awards granted under the EIP. The Board may, at any time, terminate or suspend the EIP.

The Key Terms of the current award under the EIP are summarised in the table below

Vesting conditions	<p>The Performance Rights are subject to performance conditions as follows:</p> <ul style="list-style-type: none"> ▪ 50% of a Participant's Performance Rights will be tested against the Company's total shareholder return (TSR) for FY23 in comparison to the TSR achieved by a comparator group (TSR Rights); and ▪ 50% of a Participant's Performance Rights will be tested against the Company's NPAT for FY23 (NPAT Rights). <p>In addition to these performance conditions, the Performance Rights will only vest at their respective Vesting Date.</p>
Performance conditions	
<i>TSR Rights</i>	
<p>The Company's TSR will be assessed against the performance of the companies included in the S&P/ASX Small Ordinaries Index over the relevant performance period.</p> <p>The performance period is the period from 1 July 2022 to 30 June 2023.</p>	
<i>NPAT Rights</i>	
<p>The Company's NPAT will be calculated using the Company's financial performance as reported in the Company's audited full year audited results for FY23, excluding:</p> <ul style="list-style-type: none"> ▪ one-off or extraordinary revenue items; ▪ revenue received in the form of government grants, allowances, rebates or other hand-outs; and ▪ revenue or profit that has been 'manufactured' to achieve the performance condition. 	
Vesting Date	
<p>In addition, even if either of the performance conditions are satisfied, Performance Rights will only vest if the Participant continues to be employed by the Company and has not given notice on the following dates:</p> <ul style="list-style-type: none"> ▪ 1/3 of a Participant's Performance Rights that have satisfied the relevant performance condition will vest on 30 September 2023; ▪ 1/3 of a Participant's Performance Rights that have satisfied the relevant performance condition will vest on 30 September 2024; and ▪ 1/3 of a Participant's Performance Rights that have satisfied the relevant performance condition will vest on 30 September 2025, <p>(with each of 30 September 2023, 30 September 2024 and 30 September 2025 being a Vesting Date).</p> <p>Calculation of the performance conditions and achievement against the performance conditions and vesting schedule will be determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (subject to the stated exclusions from NPAT calculations applying in all cases).</p>	

AUDITED REMUNERATION REPORT (CONT'D)

Why were the vesting conditions chosen?	Performance conditions The performance condition for the TSR Rights was chosen to align the interests of the executives and senior management with shareholder interests in optimising TSR (including the value of any dividend) and achieving TSR when compared to a comparator group of listed companies. The Board believes that TSR is an appropriate performance condition as it links executive reward to the Company's relative share performance which is consistent with creating shareholder value relative to the Company's peer group. The Board believes that the S&P/ASX Small Ordinaries Index represents an appropriate comparator group of listed companies as it represents a meaningful statistical sample and an appropriate group of alternative potential investments for shareholders with which to compare the Company's performance.
	The performance conditions for the NPAT Rights were chosen to align the interests of the executives and senior management with shareholder interests in optimising the potential funds of the Company available for distribution to Shareholders as dividends and to provide an incentive for the executives to focus on the Company's effective management of, treasury and tax matters.
	Vesting Dates The Vesting Dates have been set to assist the Company in the ongoing retention of the executives and senior management.
Vesting and expiry of Performance Rights	Unless the Board exercises a discretion available to it under the EIP: <ul style="list-style-type: none"> ▪ in the event that either performance condition is not achieved, the Performance Rights relating to that performance condition will lapse; and ▪ if the Participant ceases to be employed or has given notice before any of the Vesting Dates, the Performance Rights that have not yet vested at that time will lapse. Otherwise, Performance Rights will vest on satisfaction of both the relevant performance condition and the Participant's continued employment (without having given notice) at the relevant Vesting Date for the Performance Right.
Cash settlement	On vesting, the Company may exercise its discretion to make cash payments in lieu of allocating Shares to satisfy the Performance Rights.
Change of control and other circumstances which may trigger early vesting	In the event of a change of control of the Company, the Board may determine that the Performance Rights vest in accordance with the EIP, notwithstanding that the performance milestones have not been achieved, but only if the change of control of the Company is triggered by a person who does not control the Company at the time the Performance Rights are issued achieving control of more than 50% of the ordinary voting securities in the Company.

The Plan Awards issued under the EIP are the Performance Rights referred to above.

Other information about Directors' interests and benefits

Directors are reimbursed for properly documented and incurred travelling and other expenses in connection with and returning from Board or Committee meetings and general meetings. Non-Executive Directors may be paid such additional remuneration as the Directors consider to be appropriate where a Director performs extra services which are in addition to the ordinary duties of a director of the Company.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions. Chapter 2E of the Corporations Act prohibits a company from giving a financial benefit to a related party (including any Director) without the prior approval of its members by ordinary resolution, unless an exemption applies.

AUDITED REMUNERATION REPORT (CONT'D)

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity for the year ended 30 June 2023 are set out below:

	Base salary 2023 \$'000	STI \$'000	Non- monetary Benefits \$'000	Super- annuation \$'000	Long		Total \$'000
					Term Benefits \$'000	Equity settled \$'000	
Non - executive directors							
David Rafter	108,597	-	-	11,403	-	-	120,000
Andrew Moffat	72,398	-	-	7,602	-	-	80,000
Total	180,995	-	-	19,005	-	-	200,000
Executive directors							
Michael Sainsbury	458,700	220,000	37,202	27,500	11,438	220,000	974,840
Mohamed Yoosuff	401,139	170,834	-	27,500	10,536	85,417	695,426
Total	859,839	390,834	37,202	55,000	21,974	305,417	1,670,266
Executive key management							
Jason Boschetti	145,000	72,500	-	22,838	-	-	240,338
Total	145,000	72,500	-	22,838	-	-	240,338
	Base salary 2022 \$'000	STI \$'000	Non- monetary Benefits \$'000	Super- annuation \$'000	Long		Total \$'000
					Term Benefits \$'000	Equity settled \$'000	
Non - executive directors							
David Rafter	89,388	-	-	3,189	-	-	92,577
Andrew Moffat	64,406	-	-	6,440	-	-	70,846
Total	153,794	-	-	9,629	-	-	163,423
Executive directors							
Michael Sainsbury	425,700	206,000	34,177	27,500	8,443	206,000	907,820
Mohamed Yoosuff	390,086	164,264	-	27,500	7,788	82,132	671,770
Total	815,786	370,264	34,177	55,000	16,231	288,132	1,579,590

For personal use only

AUDITED REMUNERATION REPORT (CONT'D)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

2023	Fixed Remuneration \$'000	At risk – STI \$'000	At risk – LTI \$'000
Non-executive directors			
David Rafter	120,000	-	-
Andrew Moffat	80,000	-	-
Executive directors			
Michael Sainsbury	534,840	220,000	220,000
Mohamed Yoosuff	439,175	170,834	85,417
Executive key management			
Jason Boschetti	145,000	72,500	-
2022	Fixed Remuneration \$'000	At risk – STI \$'000	At risk – LTI \$'000
Non-executive directors			
David Rafter	92,577	-	-
Andrew Moffat	70,846	-	-
Executive directors			
Michael Sainsbury	495,820	206,000	206,000
Mohamed Yoosuff	425,373	164,264	82,132

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 personally related parties, is set out below:

Shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Non-executive directors					
David Rafter	145,834	-	-	-	145,834
Andrew Moffat	833,022	-	-	(382,931)	450,091
Executive directors					
Michael Sainsbury	1,208,257	57,222	-	-	1,265,480
Mohamed Yoosuff	11,221,666	22,814	-	-	11,244,480
Executive key management					
Jason Boschetti	833	-	-	-	833

AUDITED REMUNERATION REPORT (CONT'D)

Share based payments

The table below discloses the number of outstanding performance rights and share based payments granted during the current financial year.

	Financial Year	Performance rights series	Effective grant date	Number granted	Grant date fair value \$	Vesting date
Executive directors						
Michael Sainsbury	2023	Tranche 1	9/12/2022	44,841	73,333	30/09/2023
	2023	Tranche 2	9/12/2022	44,841	73,333	30/09/2024
	2023	Tranche 3	9/12/2022	44,842	73,335	30/09/2025
Mohamed Yoosuff	2023	Tranche 1	9/12/2022	17,410	28,472	30/09/2023
	2023	Tranche 2	9/12/2022	17,410	28,472	30/09/2024
	2023	Tranche 3	9/12/2022	17,410	28,472	30/09/2025
Jason Boschetti	2023	Tranche 1	9/12/2022	8,866	14,499	30/09/2023
	2023	Tranche 2	9/12/2022	8,866	14,499	30/09/2024
	2023	Tranche 3	9/12/2022	8,867	14,501	30/09/2025
Michael Sainsbury	2022	Tranche 2	9/11/2021	57,222	68,666	30/09/2023
	2022	Tranche 3	9/11/2021	57,223	68,668	30/09/2024
Mohamed Yoosuff	2022	Tranche 2	9/11/2021	22,814	27,377	30/09/2023
	2022	Tranche 3	9/11/2021	22,815	27,378	30/09/2024

Michael Sainsbury was issued 57,222 shares and Mohamed Yoosuff was issued 22,814 shares during the financial year ended 30 June 2023.

This concludes the remuneration report, which has been audited.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial period, the Group paid a premium in respect of a contract insuring Directors of the Group, the Group secretary, and all executive officers of the Group and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 19 of the financial report.

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 23 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.

AUDITED REMUNERATION REPORT (CONT'D)

The directors are of the opinion that the services as disclosed in note 23 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.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in the Class order 2016/191 - *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Class Order amounts in the Directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s298 (2) (a) of the Corporations Act 2001.

On behalf of the Directors



David Rafter
Director
Sydney, 25 August 2023



Michael Sainsbury
Director
Sydney, 25 August 2023

A man wearing a high-visibility orange vest with reflective stripes and a 'Makita' logo is working on a construction site. He is wearing a dark t-shirt and light-colored pants. He is focused on his work, which appears to be welding or grinding metal. The background is a blurred construction environment with scaffolding and other workers.

For personal use only

SECTION 3

INDEPENDENT REPORTS

FINANCIAL REPORT 2023

FOR THE YEAR ENDED 30 JUNE 2023



IPD Group Limited
ACN: 111 178 351

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

SCOTT TOBUTT
PARTNER

25 AUGUST 2023
SYDNEY, NSW

For personal use only

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

Liability limited by a scheme
approved under Professional
Standards Legislation

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001

p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309

p +61 2 4962 2688
f +61 2 4962 3245



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IPD GROUP LTD

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of IPD Group Ltd (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2023, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group and the consolidated entity comprising the Group and the entities it controlled at the year end or from time to time during the financial year.

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

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

For personal use only

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

Liability limited by a scheme
approved under Professional
Standards Legislation

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001

p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309

p +61 2 4962 2688
f +61 2 4962 3245

Key Audit Matters (cont'd)

1. Revenue from contracts with customers (Refer to note 5) \$227.4million

Why significant

Revenue from contracts with customers was a key audit matter given the:

- magnitude of the amount
- number of different revenue streams and types of variable consideration given the diversity of products and services
- complexity of the contractual arrangements

We have also focused on revenue recognition as the Group uses complex manual calculations, dependent on information from multiple billing systems, to determine the timing of revenue recognition and the value of contract liabilities for the relevant financial period for each revenue stream.

How our audit addressed the key audit matter

We assessed the Group's accounting policy in light of the requirements of Australian Accounting Standards and developed an understanding of the key terms of the arrangements with customers and performance obligations.

Our procedures included, amongst others:

- tested on a sample basis whether revenue had been recorded at the correct amount and in the correct period, in accordance with the Group's revenue recognition policy. This included assessing whether:
 - evidence of an underlying arrangement with the customer existed
 - appropriate performance obligations and consideration had been identified
 - amounts allocated to the performance obligations were made with reference to their standalone selling prices, where relevant
 - the timing of revenue recognition had been appropriately considered for each revenue stream in accordance with its performance obligations
- considered and assessed the adequacy of the Group's disclosures of revenue from contracts with customers in accordance with Australian Accounting Standards.

2. Inventory Valuation and Existence (Refer to note 10) \$42.3million

Inventory was a key audit matter due to the:

- financial significance of inventory to the consolidated balance sheet
- the geographically diverse locations where inventory is stored; and
- the principles applied in the determining the valuation of inventory.

We also considered the accounting treatment in line with the requirements of AASB 102 Inventories.

We focused our efforts on developing an understanding and testing the methodology for which the Group recognises and measures inventory. We considered the appropriateness of the Group's accounting policies to requirements of Australian Accounting Standards.

In obtaining sufficient, appropriate audit evidence, our procedures included, amongst others:

- attending, observing and assessing stocktakes performed by the Group at a sample of locations and performing independent test counts where appropriate

Key Audit Matters (cont'd)

2. Inventory Valuation and Existence (cont'd) (Refer to note 10) \$42.3million

Why significant	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> • reviewing the application of the Group's cycle count procedures • obtaining confirmations of inventories held at a sample of locations • evaluating whether any required adjustments identified from our count attendance, cycle count procedures or confirmations were appropriately reflected • testing, for a sample of inventory items, whether the cost was recorded at the correct amount • compared the carrying value to the NRV to identify projects with potential impairments • assessing the Group's inventory provisioning policy by comparing the prior period inventory provision to inventory sold below cost or written off in the current period; and • evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

For personal use only

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

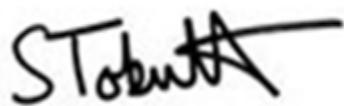
In our opinion, the Remuneration Report of IPD Group Ltd for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Group 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.



PKF



SCOTT TOBUTT
PARTNER

25 AUGUST 2023
SYDNEY, NSW

SECTION 4

DIRECTORS' DECLARATION

For personal use only

FINANCIAL REPORT 2023

FOR THE YEAR ENDED 30 JUNE 2023

DIRECTORS' DECLARATION

In the directors' opinion:

- a) the attached financial statements and notes comply with the Corporations Act 2001, Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b) the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements: and
- c) the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



David Rafter
Director
Sydney, 25 August 2023



Michael Sainsbury
Director
Sydney, 25 August 2023

For personal use only



For personal use only

SECTION 5

CONSOLIDATED STATEMENTS

FINANCIAL REPORT 2023

FOR THE YEAR ENDED 30 JUNE 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2023

	Note	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Revenue from continuing operations	5	226,902	176,781
Materials and consumables used		(140,119)	(109,310)
Other income	5	554	599
Employee benefits expense		(44,880)	(34,069)
Freight and delivery expenses		(5,395)	(4,016)
Depreciation and amortisation expenses	6	(4,368)	(3,596)
Occupancy costs		(1,026)	(1,132)
Finance costs	6	(678)	(632)
Other expenses		(7,790)	(6,948)
IPO expense		-	(1,593)
Profit before income tax		23,200	16,084
Income tax expense	7	(7,123)	(4,969)
Profit after income tax expense for the period		16,077	11,115
Earnings per share			
Basic earnings per share (cents per share)	22	18.6	14.3
Diluted earnings per share (cents per share)	22	18.5	14.3

The consolidated statement of profit or loss should be read in conjunction with the Notes to the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2023

	Note	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Profit/(Loss) after income tax for the period		16,077	11,115
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		116	(147)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial revaluation gain		36	20
Total comprehensive income for the period attributable to the owners of IPD Group Ltd		16,229	10,988

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the Notes to the financial statements.

For personal use only

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2023

	Note	30 June 2023 \$'000	30 June 2022 \$'000
Current assets			
Cash and cash equivalents	8	20,757	25,401
Trade and other receivables	9	44,966	37,604
Inventories	10	42,327	32,908
Other assets		1,030	1,108
Total current assets		109,080	97,021
Non-current assets			
Property, plant and equipment	11	3,973	3,354
Right of use assets	12	12,299	11,126
Intangible assets	13	10,459	10,459
Deferred tax assets	14	3,796	2,891
Total non-current assets		30,527	27,830
Total assets		139,607	124,851
Current liabilities			
Trade and other payables	15	40,830	40,382
Current tax liabilities	16	2,710	1,638
Lease liability	12	3,011	2,388
Provisions	17	8,166	6,261
Total current liabilities		54,717	50,669
Non-current liabilities			
Lease liability	12	10,804	10,174
Provisions	17	470	341
Deferred tax liabilities	18	701	235
Total non-current liabilities		11,975	10,750
Total liabilities		66,692	61,419
Net assets		72,915	63,432
Equity			
Issued capital	19	31,580	31,488
Reserves	20	374	(69)
Retained earnings		40,961	32,013
Total equity		72,915	63,432

The consolidated statement of financial position should be read in conjunction with the Notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	Issued capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total \$'000
Balance at 30 June 2021	8,920	30,186	85	39,191
Profit for the period	-	11,115	-	11,115
Other comprehensive income for the period (net of tax)	-	20	(147)	(127)
Total comprehensive income	-	11,135	(147)	10,988
Dividends paid (note 21)	-	(9,308)	-	(9,308)
Share issue (note 19)	22,568	-	(7)	22,561
Balance at 30 June 2022	31,488	32,013	(69)	63,432
Balance at 30 June 2022	31,488	32,013	(69)	63,432
Profit for the period	-	16,077	-	16,077
Other comprehensive income for the period (net of tax)	-	36	116	152
Total comprehensive income	-	16,113	116	16,229
Dividends paid (note 21)	-	(7,165)	-	(7,165)
Share issue (note 19)	92	-	327	419
Balance at 30 June 2023	31,580	40,961	374	72,915

The consolidated statement of changes in equity should be read in conjunction with the Notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2023

	Note	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Cash flows from operating activities			
Receipts from customers		242,472	185,966
Payments to suppliers and employees		(228,194)	(169,085)
Finance costs paid		(368)	(628)
Income taxes paid		(6,490)	(5060)
Net cash generated by operating activities	26	7,420	11,193
 Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	57	213	
Payment for property, plant and equipment		(2,157)	(1,997)
Acquisition of Subsidiary, net of cash acquired		-	(2,333)
Net cash used in investing activities		(2,100)	(4,117)
 Cash flows from financing activities			
Repayment of lease liabilities		(2,862)	(2,406)
Dividends paid		(7,165)	(9,308)
Proceeds from issue of shares	19	-	20,000
Share issue transaction costs		-	(2,475)
Net cash generated from/(used in) financing activities		(10,027)	5,811
 Net increase/(decrease) in cash and cash equivalents		(4,707)	12,887
 Cash and cash equivalents at the beginning of the financial period		25,401	12,579
Effects of exchange rate changes on cash		63	(65)
 Cash and cash equivalents at the end of the financial period		20,757	25,401

The consolidated statement of cash flows should be read in conjunction with the Notes to the financial statements.

For personal use only



For personal use only

SECTION 6

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL REPORT 2023

FOR THE YEAR ENDED 30 JUNE 2023

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These general-purpose financial statements for the year ended 30 June 2023 have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The principal accounting policies adopted are consistent with those of the previous financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. IPD Group Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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 31.

Subsidiaries

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

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.

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.

(b) Business combinations

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combinations (cont'd)

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

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

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

(c) Revenue and other income

Revenue from contracts with customers

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

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

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

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

Specific revenue streams

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

Sale of goods

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

Rendering of services

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

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

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

Other income

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

Government grants are not recognised until there is reasonable assurance the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) 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.

(e) Taxation

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

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

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

Deferred tax is not provided for the following:

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

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

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

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

Tax consolidation

IPD Group Limited ("the Group") and its 100% owned Australian subsidiaries are part of a tax consolidated group. As a result, members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidation is the Group.

The Group has recognised the current tax liability of the tax consolidated group.

Members of the tax consolidated group are part of a tax funding agreement. The tax funding agreement provides for the allocation of current and deferred taxes to members of the tax consolidated group in accordance with their taxable income for the year. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the head entity. The Group has applied the group allocation approach to determine the appropriate amount of current and deferred tax to allocate to each member of the tax consolidated group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(g) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST.

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

(h) Inventories

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

(i) Property, plant and equipment

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

Land and buildings

Land and buildings are measured using the cost model.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

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

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

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

Fixed asset class	Useful life
Plant and Equipment	3 - 10 years
Furniture, Fixtures and Fittings	4 - 10 years
Motor Vehicles	4 - 5 years
Leasehold improvements	Over the period of the lease

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Right of use assets

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

(k) Financial Instruments

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

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

Financial assets

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

Classification

On initial recognition the Group classifies measures its financial assets at amortised cost.

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

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Impairment of financial assets

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

- financial assets measured at amortised cost

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Financial Instruments (cont'd)

Trade receivables and contract assets

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

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

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

Other financial assets measured at amortised cost

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

Financial liabilities

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

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

(l) Impairment of non financial assets

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Intangible assets

Goodwill

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

- i) the consideration transferred;
- ii) any non-controlling interest; and
- iii) the acquisition date fair value of any previously held equity interest;

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

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

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

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

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

(n) Cash and cash equivalents

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

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

(o) Trade and other receivables

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

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

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

(p) Trade and other payables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leases

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

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

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

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

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

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

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

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

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

Exceptions to lease accounting

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

(r) Employee benefits

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Warranty provisions

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

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

(t) 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.

(u) Dividends

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

(v) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Group, 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 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.

(w) Share based payments

The Company has established the EIP to assist in the motivation, reward and retention of senior management and other IPD employees from time to time. The EIP is designed to align the interests of senior management and other employees with the interests of Shareholders by providing an opportunity for employees to receive equity interests in the Company subject to the satisfaction of certain performance conditions. IPD may offer additional incentive schemes to the management and employees over time.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Financial Instruments (cont'd)

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Foreign currency transactions and balances

Transaction and balances

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

At the end of the reporting period:

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

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

Foreign operations

Foreign subsidiary transactions and balances are translated at the closing rate at the end of each reporting period. Exchange differences arising on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised in equity.

(y) Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 30 June 2023, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

(z) Rounding of amounts

The Company is a company of the kind referred to in the Class order 2016/191 - *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Class Order amounts in the Directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 27 for further information.

Revenue from contracts with customers involving sale of goods

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

Determination of variable consideration

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

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Net realisable value of inventories

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

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

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

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

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

Income tax

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

Recovery of deferred tax assets

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

Lease term

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

Incremental borrowing rate

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

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

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

Warranty provision

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

Business combinations

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

4. SEGMENT INFORMATION

Operating segments are reported in a manner which is consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the Board of Directors for the Group.

The internal reports reviewed by the Board, which are used to make strategic decisions, are separated into the Group's key market segments Products division and Services Division:

Operating segments have been defined as:

- Products division – core focus in the products division is the sale of electrical infrastructure products to customers including switchboard manufacturers, electrical wholesalers, electrical contractors, power utilities, OEMs and system integrators
- Services Division – provision of services, including installation and commissioning, calibration and testing, maintenance and repairs and refurbishment

The accounting policies of the reportable secondary segments are the same as Group's accounting policies.

Year ended 30 June 2023	Products division \$'000	Services division \$'000	Total \$'000
Revenue from external customers	208,063	18,839	226,902
Other revenue / income	243	1	244
Total revenue from ordinary activities	208,306	18,840	227,146
 Earnings before Interest, Tax, Depreciation and Amortisation	 26,436	 1,303	 27,739
Depreciation and amortisation expense			4,368
Interest expense			171
Profit before income tax	23,200		
 Income Tax	 	 	7,123
Net profit after income tax			16,077
 Year ended 30 June 2022	 Products division \$'000	 Services division \$'000	 Total \$'000
Revenue from external customers	159,200	17,581	176,781
Other revenue / income	126	469	595
Total revenue from ordinary activities	159,326	18,050	177,376
 Earnings before Interest, Tax, Depreciation and Amortisation	 18,787	 1,354	 20,141
Depreciation and amortisation expense			3,596
Interest expense			461
Profit before income tax			16,084
 Income Tax	 	 	4,969
Net profit after income tax			11,115

The Group's assets were not split by reportable secondary operating segment as the chief operating decision makers do not utilise this information for the purposes of resource allocation and assessment of segment performance.

5. REVENUE AND OTHER INCOME

	2023 \$'000	2022 \$'000
Revenue from external customers	226,902	176,781
 Other Income		
Recoveries	193	77
Profit/(loss) from sale of fixed assets	48	73
Interest income	310	4
Other Income	3	445
Total other income	554	599
 Total Revenue	227,456	177,380
 <i>Other income includes:</i>		
Government grants including Covid Relief	-	412
Other	3	33
	3	445

6. EXPENSES

	2023 \$'000	2022 \$'000
Depreciation		
Plant and Equipment	1,430	1,050
Buildings ROU	2,888	2,434
Plant and Equipment ROU	50	112
Total depreciation	4,368	3,596
 Finance costs		
Bank charges	198	148
Interest and finance charges on lease liabilities	480	484
Total finance costs	678	632

7. INCOME TAX EXPENSE

	2023 \$'000	2022 \$'000
<i>Income tax expense</i>		
Current Tax Expense		
Local income tax -current period	7,552	5,365
Adjustment recognised for prior periods	(89)	(94)
Deferred Tax Expense		
Origination and reversal of temporary differences	(340)	(302)
Total income tax expense	7,123	4,969

Numerical reconciliation of income tax expense and tax at the statutory rate

Profit before income tax expense	23,200	16,085
Tax at the statutory tax rate of 30%	6,960	4,825
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	122	46
Management share rights	126	61
Other non-allowable items	4	131
Under/(over) provision for income tax in prior year	(89)	(94)
Income tax expense	7,123	4,969

8. CASH AND CASH EQUIVALENTS

	2023 \$'000	2022 \$'000
Cash at bank	25,757	25,401
Cash and cash equivalents	20,757	25,401
Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:		
Cash and cash equivalents	20,757	25,401
Balance as per statement of cash flows	20,757	25,401

9. TRADE AND OTHER RECEIVABLES

	2023 \$'000	2022 \$'000
Trade receivables	45,535	38,128
Provision for impairment	(569)	(524)
Trade and other receivables	44,966	37,604

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

9. TRADE AND OTHER RECEIVABLES (CONT'D)

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

Impairment of receivables

	2023 \$'000	2022 \$'000
Balance at beginning of the year	524	405
(Write off) / additional impairment loss recognised	45	119
Balance at end of year	569	524

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

	Trade receivables \$'000	Credit loss allowance	Provision for impairment \$'000
Current	41,661	0.42%	173
0 – 30 days	2,478	4.72%	117
31 – 60 days	540	12.40%	67
61 – 90 days	305	19.38%	59
90+ days	551	27.77%	153
Total trade receivables	45,535		569

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

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

10. INVENTORIES

	2023 \$'000	2022 \$'000
Finished goods	42,065	32,324
Work in progress	262	584
Total Inventories	42,327	32,908

Write downs of inventories to net realisable value during the year were \$NIL (2022: \$ NIL).

11. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment \$'000	Computer Equipment \$'000	Furniture, Fixtures and Fittings \$'000	Motor Vehicles \$'000	Leasehold Improvements \$'000	Total \$'000
Year ended 30 June 2023						
Balance 1 July 2022	463	721	420	1,060	690	3,354
Additions	108	627	167	496	606	2,004
Disposals	-	(4)	-	(13)	-	(17)
Foreign exchange on translation	-	53	6	1	2	62
Depreciation expense	(189)	(427)	(99)	(438)	(277)	(1,430)
Balance at 30 June 2023	382	970	494	1,106	1,021	3,973
Year ended 30 June 2023						
Cost	3,321	3,900	1088	2,957	2,031	13,297
Accumulated depreciation	(2,939)	(2,930)	(594)	(1,851)	(1,010)	(9,324)
Balance at 30 June 2023	382	970	494	1,106	1,021	3,973
Year ended 30 June 2022						
Balance 1 July 2021	585	232	425	929	498	2,669
Additions	117	800	104	552	415	1,988
Additions through acquisition of entity	-	-	-	-	-	-
Disposals	(19)	(3)	(26)	(79)	(34)	(161)
Foreign exchange on translation	-	(94)	-	2	-	(92)
Depreciation expense	(220)	(214)	(83)	(344)	(189)	(1,050)
Balance at 30 June 2022	463	721	420	1060	690	3,354
Year ended 30 June 2022						
Cost	3,215	3,196	915	2,672	1,421	11,419
Accumulated depreciation	(2,752)	(2,475)	(495)	(1,612)	(731)	(8,065)
Balance at 30 June 2022	463	721	420	1060	690	3,354

For personal use only

12. LEASES

Right-of-use assets

	Buildings \$'000	Motor Vehicles \$'000	Total \$'000
Year ended 30 June 2023			
Balance at beginning of year	11,074	52	11,126
Additions to right-of-use assets	4,110	-	4,110
Reductions in right-of-use assets due to changes in lease liability	-	-	-
Depreciation charge	(2,887)	(50)	(2,937)
Balance at end of year	12,297	2	12,299
Year ended 30 June 2022			
Balance at beginning of year	13,027	164	13,191
Additions to right-of-use assets	958	-	958
Reductions in right-of-use assets due to changes in lease liability	(477)	-	(477)
Depreciation charge	(2,434)	(112)	(2,546)
Balance at end of year	11,074	52	11,126

Lease liabilities

	< 1 year \$'000	1 - 5 years \$'000	> 5 years \$'000	Total undiscounted lease liabilities \$'000	Lease liabilities included in this Statement of Financial Position \$'000
June 2023					
Lease liabilities	3,454	10,808	786	15,048	13,815
June 2022					
Lease liabilities	2,838	8,403	2,607	13,848	12,562

Right-of-use assets and lease liabilities

The Group has leases for various network sites and motor vehicles. Rental contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment.

13. INTANGIBLE ASSETS

	30 June 2023 \$'000	30 June 2022 \$'000
Goodwill	10,459	10,459

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

Opening balance	10,459
Movement	-
Closing Balance	10,459

Goodwill impairment was assessed on the basis that IPD is the only cash generating and assets cannot be identified at a level distinguishable from IPD.

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 5 year projection period using a steady rate, together with a terminal value.

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

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

- 12% pre-tax discount rate reflects management's estimate of the time value of money.
- 12% per annum projected revenue growth rate which is an approximate 17-year revenue CAGR for the group.

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

14. DEFERRED TAX ASSETS

	30 June 2023 \$'000	30 June 2022 \$'000
Deferred tax assets		
Provisions and accruals	2,795	1,844
Right of use assets	443	404
Section 40-880 deduction – IPO and legal costs	496	583
Other	62	60
Total deferred tax assets	3,796	2,891

	30 June 2023 \$'000	30 June 2022 \$'000
--	---------------------------	---------------------------

The movement of net deferred tax assets during the year is as follows:

Opening balance	2,891	2,001
Amount recognised in profit and loss	817	402
Amount recognised in equity	-	373
Adjustments recognised for prior periods	88	(45)
Additions through business combinations	-	160
Closing balance	3,796	2,891

15. TRADE AND OTHER PAYABLES

	2023 \$'000	2022 \$'000
Trade payables	33,287	33,652
Other payables	7,543	6,730
Total trade and other payables	40,830	40,382

16. CURRENT TAX LIABILITIES

	2023 \$'000	2022 \$'000
Income tax payable	2,710	1,638
Total Income tax payable	2,710	1,638

17. PROVISIONS

	2023 \$'000	2022 \$'000
Current		
Warranties	142	142
Provision of employee benefits	8,024	6,119
Total current provisions	8,166	6,261
Non-current		
Provision of employee benefits	470	341

18. DEFERRED TAX LIABILITIES

	30 June 2023 \$'000	30 June 2022 \$'000
Deferred tax liabilities		
Depreciation	681	104
Unrealised foreign exchange losses	20	131
Total deferred tax liabilities	701	235

	30 June 2023 \$'000	30 June 2022 \$'000
The movement of net deferred tax liabilities during the year is as follows:		

Opening balance	235	134
Amount recognised in profit and loss	466	101
Amount recognised in equity	-	-
Adjustments recognised for prior periods	-	-
Additions through business combinations	-	-
Closing balance	701	235

19. ISSUED CAPITAL

		30 June 2023	30 June 2022
		\$	\$
86,365,798 fully paid ordinary shares (2022: 86,285,762)		31,579,708	31,487,944
Movement:			
Date	Details	\$	Number of Shares
1 July 2022	Opening balance	31,487,944	86,285,762
	<i>Movement:</i>		
30 September 2022	FY22 Performance Rights – Shares Issued	91,764	80,036
30 June 2023	Closing Balance	31,579,708	86,365,798

Ordinary shares

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

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

Capital risk management

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

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

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

20. RESERVES

	2023 \$'000	2022 \$'000
Foreign currency translation reserve	(59)	(175)
Share based payments reserve	433	106
Total reserves	374	(69)

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the 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.

Share based payments reserve

The reserve is used to recognise the equity-settled transactions with employees based on the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either the Binomial or Back-Scholes model taking into account the terms and conditions upon which the instruments were granted.

21. DIVIDENDS

The following dividends were declared and paid:

	2023 \$'000	2022 \$'000
Final ordinary fully franked dividend of 3.7 cents per share (2021: 2.3 cents per share)	3,192	1,782
Interim ordinary fully franked dividend of 4.6 cents per share	3,973	-
Special pre-IPO fully franked dividend of 11.4 cents per share paid on 3 December 2021	-	7,526
Total dividends declared and paid	7,165	9,308

The cents per share from the dividends paid during the year ended 30 June 2023 have been recalculated to reflect the proportion of shares post share split.

On 25 August 2023, the Directors declared a final dividend of 4.7 cents per share fully franked with an ex-dividend date of 19 September 2023, record date of 20 September 2023 and payable on 03 October 2023.

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

Franking credits account

	2023 \$'000	2022 \$'000
The franking credits available for subsequent financial years at a tax rate of 30%	16,006	13,946

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

- (a) Franking credits that will arise from the payment of the current tax liabilities;
- (b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- (c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

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

22. EARNINGS PER SHARE

	Year ended 30 June 2023 Cents per share	Year ended 30 June 2022 Cents per share
Basic earnings per share	18.6	14.3
Diluted earnings per share	18.5	14.3

Reconciliation of earnings used in calculating earnings per share

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Net profit	16,077	11,115

Reconciliation of shares used in calculating earnings per share

	Year ended 30 June 2023 No.	Year ended 30 June 2022 No.
Opening and closing balance of shares for the period	86,285,762	65,785,816
Shares issued	80,036	20,499,946
Closing balance of shares for the period	86,365,798	86,285,762
Weighted average number of ordinary shares used in the calculation of basic earnings per share	86,345,843	77,494,237

Shares deemed to be issued for no consideration in respect of:		
Employee performance Rights	674,742	634,252
Closing number of shares deemed to be issued for the period	87,040,798	85,891,620
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	86,795,191	77,933,608

The weighted average number of shares for the year ended 30 June 2023 has been restated to reflect the proportion of shares post share split that were on hand during the prior financial period

23. REMUNERATION OF AUDITORS

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

	2023 \$'000	2022 \$'000
Audit services – PKF Audit and Assurance		
Auditing and reviewing the financial statements	167	143
Other services PKF		
Taxation service	56	23
Other consulting services	109	58
Tax due diligence relating to IPO	-	28
Investigating accountants report and due diligence relating to IPO	-	90
Total remuneration of auditors	332	342

24. NEW ACCOUNTING STANDARDS

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 30 June 2023. These Accounting Standards and Interpretations are not expected to have a material impact.

25. 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 2:

	Principal place of business / Country of Incorporation	Percentage Owned (%) 2023	Percentage Owned (%) 2022
Addelec Power Services Pty Ltd	Australia	100	100
Control Logic Pty Ltd	Australia	100	100
High Technology Control Pty Ltd	Australia	100	100
IPD Colombo (PVT) Ltd	Sri Lanka	100	100
IPD Services Pty Ltd	Australia	100	100

26. CASHFLOW INFORMATION

Reconciliation of result for the year to cashflows from operating activities

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

	2023 \$'000	2022 \$'000
Profit for the year	16,077	11,115
Cash flows excluded from profit attributable to operating activities		

Non-cash flows and non-operating cash items in profit:

- depreciation	4,368	3,596
- net (gain)/loss on disposal of property, plant and equipment	(48)	(55)
- interest on lease liabilities	480	466
- performance rights expensed	419	204
- IPO costs	-	1,593

Changes in assets and liabilities:

- (increase)/decrease in trade and other receivables	(7,362)	(10,559)
- (increase)/decrease in other assets	182	(369)
- (increase)/decrease in inventories	(9,419)	(9,701)
- (increase)/decrease in tax liability	1072	653
- (increase)/decrease in deferred tax asset	(439)	(789)
- (increase)/decrease in financial assets	-	(141)
- (increase)/decrease in working capital on acquisition of subsidiary	-	(38)
- increase/(decrease) in trade and other payables	56	12,369
- increase/(decrease) in provisions	2,034	2,849
- increase/(decrease) in other liabilities	-	-
Cashflows from operations	7,420	11,193

Reclassification of Prior Year Presentation

Certain prior year expense amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. This change in classification does not affect previously reported cash flows from operating activities in the Statements of Cash Flows.

27. SHARE BASED PAYMENTS

At 30 June 2023 the Group has the following share-based payment schemes:

The Company has established the EIP to assist in the motivation, reward and retention of senior management and other IPD employees from time to time. The EIP is designed to align the interests of senior management and other employees with the interests of Shareholders by providing an opportunity for employees to receive equity interests in the Company subject to the satisfaction of certain performance conditions. IPD may offer additional incentive schemes to the management and employees over time.

The EIP is a long-term incentive plan, under which options or performance rights to subscribe for or be transferred Shares (Plan Awards) may be offered to eligible employees (including a director employed in an executive capacity or any other person who is declared by the Board to be eligible) selected by the Directors at their discretion.

The invitations issued to eligible employees will include information such as the amount required to be paid for the Plan Award (if any), vesting conditions and any trading restrictions on dealing with Shares allocated on vesting or exercise of a Plan Award. Upon acceptance of an invitation, the Directors will grant Plan Awards in the name of the eligible employee. On vesting, one Plan Award is exercisable into or entitles the holder to one Share. Unless otherwise specified in an invitation, the Directors have the discretion to settle Plan Awards with a cash equivalent payment.

Grants of the FY23 award under the EIP were made before Completion of the Offer in exchange for cancellation of existing performance rights issued by the Company in respect of FY23. The key features of the FY23 award under the EIP that are not provided for above are outlined in the table below:

Share based payments granted during the current financial year

Performance rights series	Effective grant date	Number granted	Grant date fair value \$	Vesting date
Tranche 1	9/12/2022	171,557	268,040	30/09/2022
Tranche 2	9/11/2021	171,557	256,075	30/09/2023
Tranche 3	9/11/2021	171,555	244,644	30/09/2024

Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects on non-transferability, performance hurdles, and employment considerations.

Performance rights series	Grant date fair value	Rights life	Dividend yield \$
Tranche 1	\$1.56	1 Year	4.67%
Tranche 2	\$1.49	2 Years	4.67%
Tranche 3	\$1.43	3 Years	4.67%

28. FINANCIAL INSTRUMENTS

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk) and credit risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

Foreign currency risk

Foreign currency forward contracts are used in the normal course of day-to-day business to hedge exposure to fluctuations in foreign exchange.

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

	Sell Australian dollars		Average exchange rates	
	2023	2022	2023	2022
Buy US dollars				
<i>Maturity</i>				
0 – 3 months	1,276	604	0.6757	0.6904
4 – 6 months	-	-	-	-
Buy Euros				
<i>Maturity</i>				
0 – 3 months	2,391	1,378	0.6199	0.6725
4 – 6 months	-	-	-	-
Buy Great British Pounds				
<i>Maturity</i>				
0 – 3 months	-	18	-	0.5670
4 – 6 months	-	-	-	-

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

	Assets		Liabilities	
	\$'000	2023	2022	\$'000
US dollars	33	93	-	-
Euros	450	187	-	-
New Zealand dollars	103	14	-	-
Total	586	294	-	-

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

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

28. FINANCIAL INSTRUMENTS (CONT'D)

2023	1 year or less	Between 1 and 5 years	Over 5 years \$'000	Total \$'000		
	\$'000	\$'000				
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	33,287	-	-	33,287		
Other payables	7,543	-	-	7,543		
<i>Interest bearing – fixed rate</i>						
Lease liability	3,454	10,108	786	15,048		
Total non-derivatives	44,284	10,108	786	55,178		
Derivatives						
Forward foreign exchange contracts net settled	-	-	-	-		
Total derivatives	-	-	-	-		
2022	1 year or less	Between 1 and 5 years	Over 5 years \$'000	Total \$'000		
	\$'000	\$'000	\$'000	\$'000		
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	33,652	-	-	33,652		
Other payables	6,730	-	-	6,730		
<i>Interest bearing – fixed rate</i>						
Lease liability	2,838	8,403	2,607	13,848		
Total non-derivatives	43,220	8,403	2,607	54,230		
Derivatives						
Forward foreign exchange contracts net settled	-	-	-	-		
Total derivatives	-	-	-	-		

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

Fair value of financial instruments

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

29. KEY MANAGEMENT PERSONNEL

The individuals within the Group who have been determined to be Key Management Personnel ('KMP') for the period ended 30 June 2023 are those people who have the authority and responsibility for planning, directing and controlling the Group's activities, either directly or indirectly. The Group's key management personnel are the Directors of the company.

Compensation

The aggregate compensation made to key management personnel of the Group is set out below:

	2023 \$'000	2022 \$'000
Short term employee benefits	1,686	1,374
Post employment benefits	97	65
Long term benefits	22	16
Share based payments	305	288
Total remuneration of key management personnel	2,110	1,743

30. RELATED PARTY TRANSACTIONS

There were no related party transactions for the year ended 30 June 2023.

31. PARENT ENTITY

The following information has been extracted from the books and records of the parent, IPD Group Ltd and has been prepared in accordance with Accounting Standards. The financial information for the parent entity, IPD Group Ltd has been prepared on the same basis as the financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

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

	30 June 2023 \$'000	30 June 2022 \$'000
Assets		
Total current assets	107,889	78,003
Non-current assets	28,742	24,749
Total assets	136,631	102,752
Liabilities		
Current liabilities	66,106	39,947
Non-current liabilities	11,539	9,656
Total liabilities	77,645	49,603
Equity		
Issued capital	31,580	31,488
Share based payments reserve	433	106
Retained earnings	26,973	21,555
Total equity	58,986	53,149
Summarised statement of profit and loss		
Profit for the year	12,583	4,204

32. EVENTS AFTER THE REPORTING DATE

On 21 July 2023, IPD Group acquired 100% interest of EX Engineering Pty Ltd ("EX Engineering") and resulted in IPD Group Ltd gained control of Ex Engineering Pty Ltd. EX Engineering is a Perth-based business that specialises in the design, stocking, supply, modification, and repair of electrical hazardous area equipment (known as Ex equipment). This acquisition will significantly enhance IPD's Ex equipment offering to clients, with a focus on expanding the EX Engineering business to the Eastern States.

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

33. SHARHOLDERS INFORMATION

Distribution of shareholders

At 25 August 2023, the distribution of shareholding was as follows:

Size of shareholding	Shares held	Percentage of Issued Share Capital	Number of shareholders	Distribution of shareholders
1 – 1,000	503,835	0.58%	921	40.66%
1,001 – 5,000	2,211,963	2.55%	856	37.79%
5,001 – 10,000	1,817,979	2.10%	234	10.33%
10,001 – 100,000	5,352,049	6.18%	213	9.40%
Over 100,000	76,701,244	88.58%	41	1.81%
Total	86,587,070	100.00%	2,265	100.00%

Substantial shareholdings

The number of shares held by the substantial shareholders listed in the Company's register of substantial shareholders as at 25 August 2023 were:

Shareholder	Number of shares	% Held
Mohamed Yoosuff and Mary Yoosuff	11,244,480	12.99%
Keith William Toose & Kirry Elizabeth Toose	6,542,999	7.56%
Geoffrey Bacon and associated interests	5,658,924	6.54%

Twenty largest shareholders

Shareholder	Number of shares	% Held
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,876,110	16.03%
MOHAMED YOOSUFF	11,244,480	12.99%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,524,519	11.00%
KEITH WILLIAM TOOSE & KIRRY ELIZABETH TOOSE	6,542,999	7.56%
GEOFFREY BACON AND ASSOCIATED INTERESTS	5,658,924	6.54%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	5,543,465	6.40%
NATIONAL NOMINEES LIMITED	5,070,414	5.86%
MIRRABOOKA INVESTMENTS LIMITED	2,683,202	3.10%
MRS DORIS MARIE ROBINSON	2,250,452	2.60%
CITICORP NOMINEES PTY LIMITED	2,094,374	2.42%
AHMAD AMIRI	1,955,431	2.26%
MICHAEL LINDEN AND LYN LINDEN	1,412,945	1.63%
MICHAEL SAINSBURY	1,265,479	1.46%
CERTANE CT PTY LTD <BIPETA>	1,155,355	1.33%
CERTANE CT PTY LTD <CHARITABLE FOUNDATION>	1,111,525	1.28%
UBS NOMINEES PTY LTD	842,181	0.97%
ANDREW MAN-TAT CHAN & KWAN-CHING WONG	802,842	0.93%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	627,480	0.72%
MR TERRENCE AUSTIN CHAPMAN & MRS ARZU AYLIN CHAPMAN <CFS SUPERFUND>	506,498	0.59%
ANDREW MOFFAT	450,091	0.52%
Total top 20 shareholders	74,618,766	86.18%

Shareholders with less than a marketable parcel

As at 25 August 2023 there were 32 shareholders holding less than a marketable parcel of 500 ordinary shares in the company, totalling 1,275 ordinary shares.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

For personal use only

34. COMPANY INFORMATION

Directors	David Rafter, Chairman, Non-executive director Andrew Moffat, Non-executive director Michael Sainsbury, CEO Mohamed Yoosuff, Director of Strategic Development
Company secretary	Jade Cook
Notice of annual general meeting	The annual general meeting of IPD Group Limited will be held on the 28 November 2023
Registered office	43-47 Newton Road Wetherill Park NSW 2164 Phone: 1300 556 601
Principal place of business	43-47 Newton Road Wetherill Park NSW 2164 Phone: 1300 556 601
Share register	Automic Registry Services Level 5, 126 Phillip Street Sydney, NSW 2000 Phone: (02) 9698 5414
Auditor	PKF Level 8, 1 O'Connell Street Sydney NSW 2000
Stock exchange listing	IPD Group Limited shares are listed on the Australian Securities Exchange (ASX code: IPG)
Website	www.ipdgroup.com.au

For personal use only

ipd group 