

DICKER

D A T A

ANNUAL REPORT 2017

4



YEARS



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DICKER
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1978-2018

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

Incorporated in 1978, Dicker Data's mission is to inspire, educate and enable ICT resellers to achieve their full potential through the delivery of unparalleled service, technology and logistics. Dicker Data is Australia's largest locally owned and operated ICT distributor. Serving in excess of 5,000 registered reseller partners annually, Dicker Data boasted revenues in excess of \$1.3bn in FY17. Since listing on the ASX in January 2011, Dicker Data has delivered consistently profitable results for shareholders whilst maintaining a 100% dividend policy.



Chairman's Letter



Welcome to our full year report for 2017.

2018 marks the 40th year of operation of our company.

In July 1978 I went to the USA and bought 4 of the then new microcomputers from a company called Vector Graphic. We could see that these machines had a bright future. Our initial aim was to sell 10 of them a month. We have certainly come a long way.

As I said in last year's report, and all the ones before, this year has been a record year for sales and profit. And a record increase in the share price and market capitalisation.

All very, very satisfying outcomes that are entirely the result of the superb efforts of all the people in the company.

David Dicker
Chairman and CEO

Sydney, 28 February 2018

Company History

1978
Founded in
July 1978

1978
First distributed
Vector Graphic
computers

1987
First Toshiba
distributor in
Australia

1993
Appointed
Compaq
distributor in
Australia

2001
Annual
Revenue
exceeds
\$100m

40
1978-2018

4



YEARS

2010
Relocated to new custom build facility

2011
Listed on ASX



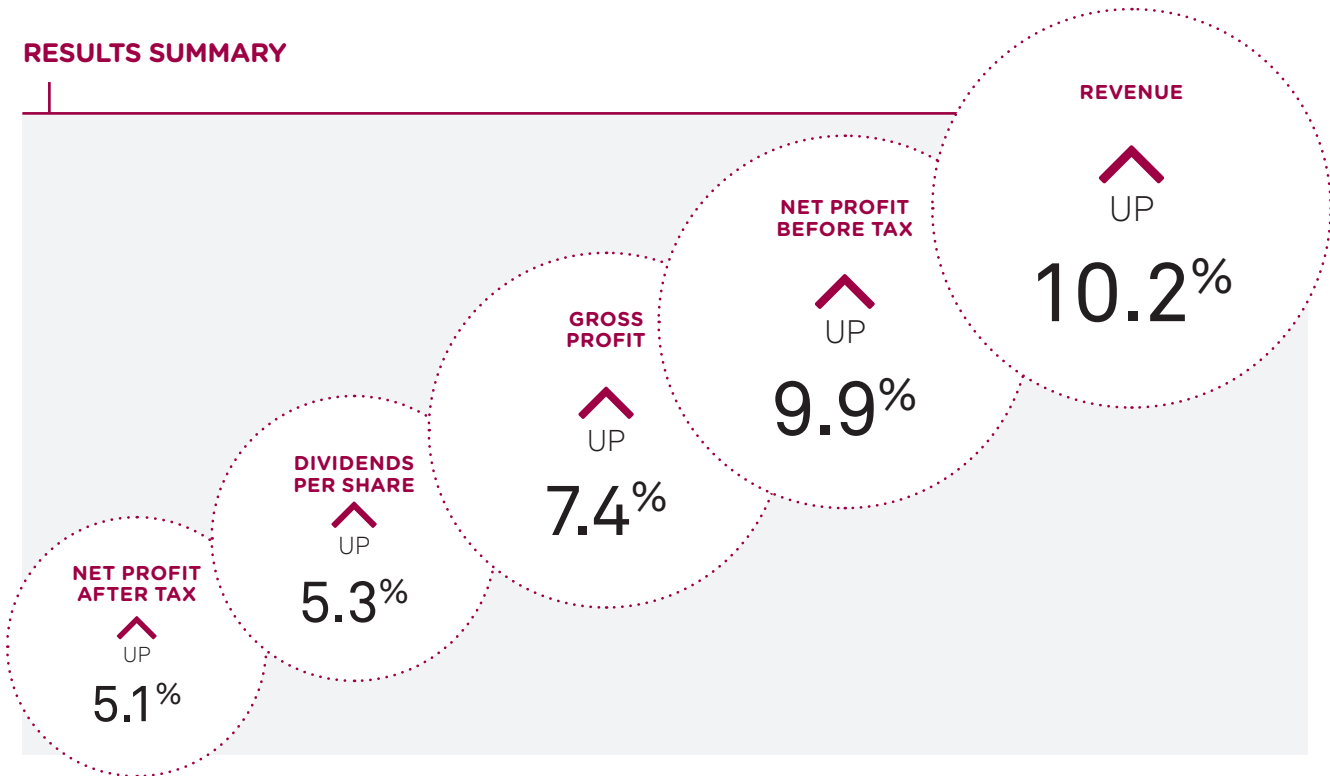
2014
Acquired Express Data Holdings

2015
Annual Revenue exceeds \$1bn

2016
Purchased new land 17.2 hectares to build new distribution facility

Results Highlights

RESULTS SUMMARY

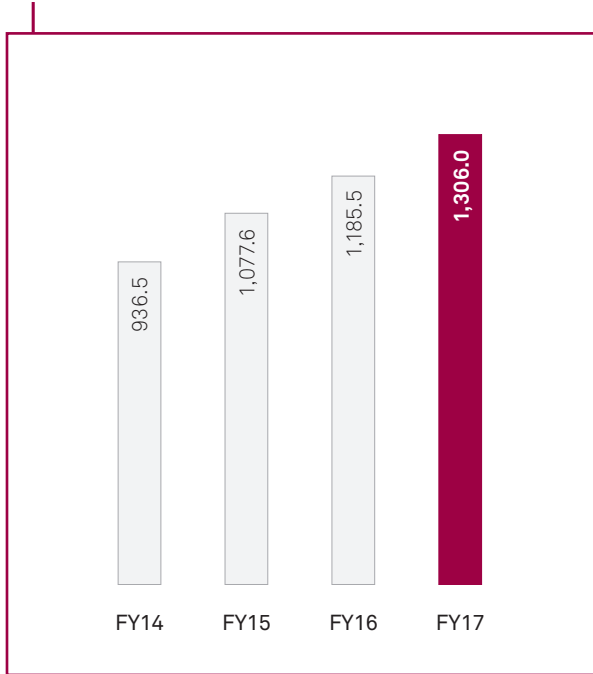


Key Financial Data

	2017 \$'000	2016 \$'000
Total revenue	1,305,972	1,185,543
Gross Profit	117,799	109,733
Earnings before interest, tax, depreciation and amortisation [EBITDA]	48,055	45,408
Operating profit before tax	40,170	36,568
Net profit before tax	40,170	36,568
Net profit after tax [NPAT]	26,942	25,624
Earnings per share (cents)	16.82	16.04
Dividends paid	26,265	24,833
Dividends per share (cents)	16.40	15.55

Results Highlights

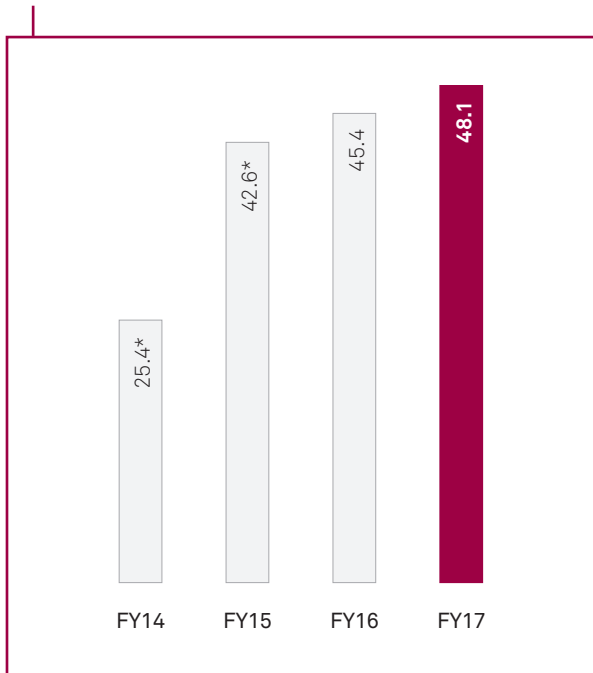
REVENUE (\$M)



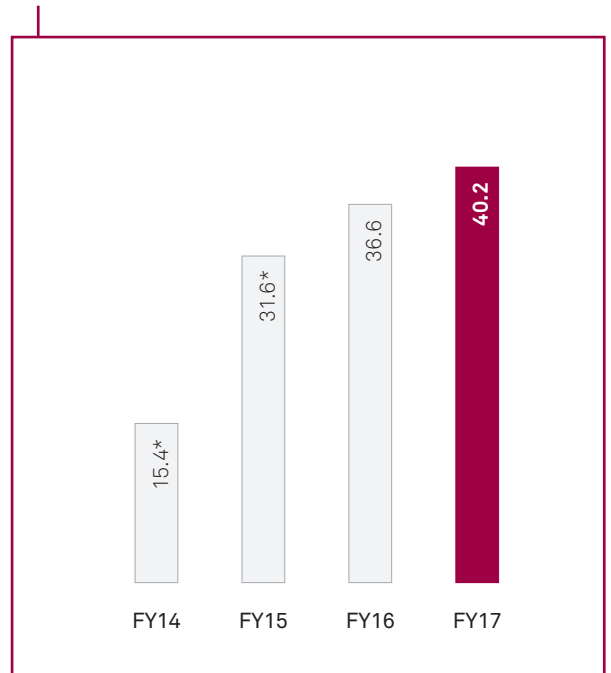
GROSS PROFIT (\$M)



EBITDA (\$M)



OPERATING PROFIT BEFORE TAX (\$M)



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

Board of Directors
and Senior Management



David Dicker ○*
Chairman and
Chief Executive Officer



Mary Stojcevski ○*
Executive Director and
Chief Financial Officer



Michael Demetre ○*
Executive Director
and Logistics Director



Vladimir Mitnovetski ○*
Executive Director and
Chief Operating Officer



Ian Welch ○*
Executive Director and
Chief Information Officer



Fiona Brown ○
Non-executive Director

○ Board of Directors * Senior Management

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1978-2018

Our Brands

OUR VENDOR PORTFOLIO INCLUDES:

	Life Is On	 a Hewlett Packard Enterprise company	 Inspiring Innovation • Persistent Perfection		 Value Added Distributor



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1978-2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the ‘consolidated entity’) consisting of Dicker Data Limited (referred to hereafter as the ‘company’ or ‘parent entity’) and the entities it controlled at the end of, or during, the year ended 31 December 2017.



Directors' Report

DIRECTORS

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

David J Dicker

Fiona T Brown

Mary Stojcevski

Michael Demetre

Vladimir Mitnovetski

Ian Welch

Wendy O'Keeffe (appointed 26.4.17, resigned 12.10.17)

PRINCIPAL ACTIVITIES

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

DIVIDENDS

Dividends paid during the financial year were as follows:

Record Date:	Payment Date:	Dividend/Share (in \$)	Amount (in 000's)	Type	FY	Amount Franked
07-Mar-17	20-Mar-17	0.0440	\$7,040	Final	2016	100%
26-May-17	09-Jun-17	0.0400	\$6,404	Interim	2017	100%
15-Aug-17	01-Sep-17	0.0400	\$6,409	Interim	2017	100%
20-Nov-17	01-Dec-17	0.0400	\$6,412	Interim	2017	100%
Total		0.1640	\$26,265			

The total dividends paid during the financial year were 16.40 cents per share or a total of \$26.3m, fully franked. (2016: 15.55 cents per share, \$24.8m)

Our dividend policy provides for fully franked dividends to be paid on a quarterly basis, with the intent to pay out 100% of the underlying after-tax profits from operations after taking into account projected capital expenditure and cash requirements. The Dividend Reinvestment Plan introduced in March 2014 has been retained for the 2017 year. Of the \$26.3m dividends paid, \$25.4m was paid as cash dividends and \$822.4k participated in the DRP.

A final dividend for FY17 of 4.8 cents per share was declared on 13 February 2018 with a record date of 19 February 2018 and a payment date of 2 March 2018.

OPERATING AND FINANCIAL REVIEW

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

	Dec-17 (in 000's)	Dec-16 (in 000's)	Change \$ (in 000's)	Change %
Revenues from ordinary activities	\$1,305,972	\$1,185,543	\$120,430	10.2%
Gross Profit	\$117,799	\$109,733	\$8,066	7.4%
Net profit before tax	\$40,170	\$36,568	\$3,602	9.9%
Net profit after tax attributable to members	\$26,942	\$25,624	\$1,318	5.1%

Directors' Report

continued

REVENUE

The revenue for the consolidated entity for the 12 months to 31 December 2017 was \$1,305.9m (2016: \$1,185.5m), up by \$120.4m (+10.2%) and in line with our expectations.

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

In 2017 Dicker Data added a total of 18 new vendors, contributing an incremental \$87m. Of the existing vendors, we saw growth of \$33.8m (+2.9%).

At a country level, Australia grew \$116.1m (+11.1%), New Zealand grew \$3.8m (+3.0%).

At a sector level, we maintained strong growth across all business units, with Hardware (+\$71m, +7%), Software (+\$49m, +22%), Services (+\$1m, +15%), and Storage (+\$3m, +23%).

GROSS PROFIT

Despite a decrease in gross profit margin, gross profit for the reporting period was up 7.4% at \$117.8m (2016: \$109.7m). As expected gross profit margins have abated slightly at 9.0% (2016: 9.3%) due to product mix and market competition.

OPERATING EXPENSES

Operating Expenses

Operating costs for the reporting period were \$71.4m (2016: \$66.3m), an increase of \$5.1m (7.8%), falling slightly as a proportion to sales at 5.5% (2016: 5.6%).

The increase in costs is attributed to an increase in salary related expenses. Salary costs were \$59.0m (2016: \$53.6m) an increase of \$5.4m, remaining flat as a proportion of sales at 4.5% (2016: 4.5%). The increase in salary costs is attributed to investment in additional headcount as a result of new vendor signings. Headcount across the group finished at 410 (2016: 374).

Depreciation, Amortisation and Finance Costs

Depreciation and Amortisation for the reporting period was \$2.6m, down from the prior period of \$2.9m.

Finance costs in the reporting period were \$5.5m, down \$0.8m from the prior year (2016: \$6.3m). The company continues to improve its working capital efficiencies, providing for a reduction in net average debt over the course of the year.

PROFIT

Profit before tax finalised at \$40.2m (2016: \$36.6m) up by 9.9%.

Net Profit after tax increased to \$26.9m (2016: \$25.6m), up by 5.1%.

Weighted average earnings per share increased to 16.82 cents per share (2016: 16.04 cents), up by 4.8%.

STATEMENT OF FINANCIAL POSITION

Total assets as at 31 December 2017 increased to \$384.3m (2016: \$365.7m).

The statement of financial position reflected a reduction in working capital investment with working capital finishing lower than the previous period. This continues with the improvement in our working capital efficiencies from the previous year. Total investment in net working capital was \$96.7m, down by \$17.9m from previous year (2016: \$114.6m). Cash finalised at \$9.4m, down by \$8.1m (2016: \$17.5m). Trade and other receivables were up from the from the previous period to \$207.0m (2016: \$162.7m). The company showed a significant improvement in inventory days with Inventories finishing at \$88.6m (27.2 days), down from \$107.0m (36.3 days) in 2016. Trade and other payables were up to \$199.0m (2016: \$155.1m).

Property, plant and equipment increased to \$45.9m during the period (2016: \$43.9m) an increase of \$2.0m mainly related to preliminary capital expenditure in relation to demolition and site preparation for the property purchased last year for construction of the new distribution centre. Regarding the new distribution centre, plans are underway to be lodged for DA approval. We expect this to be approved for construction in H2 '18 and do not expect to have any major capital expenditure until later in H2 '18.

Total liabilities as at 31 December 2017 were \$309.4m, up from the prior period (2016: \$291.7m).

Current borrowings comprising a receivables purchase facility with Westpac was at \$55.0m as at 31 December 2017, \$20.0m lower than prior year (2016: \$75.0m) reflecting our improved working capital efficiencies.

Equity has increased to \$74.8m during the period (2016: \$74.0m).

Equity Movement	\$'000
Equity 31 Dec 2016	73,958
Total Comprehensive Income for FY2017	26,368
Dividends Paid	(26,265)
Share Issue (DRP)	822
Equity 31 Dec 2017	74,883

The company's improved working capital and increased equity levels have continued to improve both the debt to equity ratio to 1.26x (2016: 1.54x) and Net Tangible Assets position to \$45.75m (2016: \$43.47m). The Debt Service Cover Ratio has improved to 8.81x (2016: 7.17x).

Directors' Report

continued

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Building Update

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

The development application for the new distribution centre is expected to be lodged by 28 February 2018 and we expect to have this approved within six months. Therefore we do not expect to start construction until the later part of 2018 and would not expect to incur any major capital expenditure until that date. The initial costs of construction are expected to be funded through our existing receivables facility with Westpac, and we are currently reviewing our options for funding the balance of the construction that is expected to be incurred in FY19.

During FY17 the existing buildings on the site were demolished and the site was cleared to prepare for the construction of the new facility. The cost of this is reflected in the balance sheet together with costs incurred to date for the design and development application process.

Refinance

We are in the process of finalising the renewal of our existing receivables purchase facility with Westpac for a period of 3 years. The limit of the facility is expected to increase to \$130m.

There were no other significant changes in the state of affairs of the company during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There is increased emphasis around Hybrid Computing, Edge Intelligence, IOT and Private and Public Cloud opportunities. This is driven by customers implementing hybrid IT strategies across their organization and demand for complete digital solutions. Leveraging Dicker Data's strengths and capabilities, we are well positioned to support and grow this partner community.

We have solidified our digital strategies which allow our customers to take pre-packaged digital solutions to the vertical industries they are servicing. We have created a flexible cloud platform and are continually investing in its functionalities by developing robust digital road maps with our key cloud vendors. Ability to develop our digital strategies in house allow us to stay ahead of the curve.

Dicker Data's stated position as a leading cloud aggregator continues to gain momentum in driving cloud adoption. We are also seeing a continuing trend with convergence of traditional Telco channel and IT which represents great cross sell opportunities for our ecosystem partners.

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

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

David Dicker – Chief Executive Officer (CEO) and Chairman

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

Interest in Equities:

60,553,495 Ordinary shares in Dicker Data Limited
10,000 Ordinary shares held by his wife

Interest in Contracts:

Nil

Special Responsibilities:

Chairman and responsible for the overall business management and strategy as Chief Executive Officer. Member of the Audit Committee

Other Current Listed Company Directorships:

None

Other Current Listed Company Directorships Held in Previous 3 Years:

None

Directors' Report

continued

Fiona Brown – Non-Executive Director

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

Interest in Equities:

53,947,640 Ordinary shares in Dicker Data Limited 74,436 Ordinary shares held by South Coast Developments Pty Ltd as trustee for the Brown Family Superfund

Interest in Contracts:

Nil

Special Responsibilities:

Member of the Work Health and Safety Committee
Chairperson of the Audit Committee

Other Current Listed Company Directorships:

None

Other Current Listed Company Directorships Held in Previous 3 Years:

None

Vladimir Mitnovetski – Chief Operating Officer

Vlad joined the company in 2010 in his role as Category Manager. In this role he was responsible for the establishment and growth of key volume vendors and was instrumental in the introduction of new vendors to Dicker Data's portfolio. Vlad is a business technology professional with over 17 years of distribution industry experience. Vlad started his career at Tech Pacific and then Ingram Micro where he worked in various roles before progressing to business unit manager roles in enterprise and personal systems, working closely with many leading vendors. Vlad holds a Bachelor of Business Degree from University of Technology and a Master Degree in Advanced Marketing and Management from the University of New South Wales. Vlad was appointed to the position of Chief Operating Officer on 8th September 2014.

Interest in Equities:

161,118 Ordinary shares in Dicker Data Limited

10,000 Ordinary shares held by his wife

Interest in Contracts:

Nil

Special Responsibilities:

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

Member of the Audit Committee

Other Current Listed Company Directorships:

None

Other Current Listed Company Directorships Held in Previous 3 Years:

None

Mary Stojcevski – Chief Financial Officer

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

Interest in Equities:

23,078 Ordinary shares in Dicker Data Limited

146,701 Ordinary Shares held by Stojinvest Pty Ltd as trustee for Stojinvest Superannuation Fund

Interest in Contracts:

Nil

Special Responsibilities:

Responsible for the overall financial management of the consolidated entity

Other Current Listed Company Directorships:

None

Other Current Listed Company Directorships Held in Previous 3 Years:

None

Michael Demetre – Logistics Director

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

Interest in Equities:

18,571 Ordinary shares in Dicker Data Limited

Interest in Contracts:

Nil

Directors' Report

continued

Special Responsibilities:

Responsible for the warehouse and logistics operations

Other Current Listed Company Directorships:

None

Other Current Listed Company Directorships Held in Previous 3 Years:

None

Ian Welch – Chief Information Officer

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

Interest in Equities:

30,000 Ordinary shares in Dicker Data Limited

Interest in Contracts:

Nil

Special Responsibilities:

Responsible for IT operations, systems and processes

Other Current Listed Company Directorships:

None

Other Current Listed Company Directorships Held in Previous 3 Years:

None

Wendy O'Keeffe – Non-executive Director

Wendy joined the board of Dicker Data on 26th April 2017 as independent non-executive director. She previously held the role of Executive Vice President – Asia Pacific at rival distribution company Westcon Comstor. Wendy joined the board with many years of experience in the IT Distribution sector. Wendy resigned as director on 12th October 2017 to take up an executive role at another rival distribution company.

Interest in Equities:

Nil Ordinary shares in Dicker Data Limited

Interest in Contracts:

Nil

Special Responsibilities:

Independent non-executive director

Other Current Listed Company Directorships:

None

Other Current Listed Company Directorships Held in Previous 3 Years:

None

COMPANY SECRETARY

Mrs Leanne Ralph B. Bus, ACIS, AAICD was appointed to the position of Company Secretary on the 8th of February 2011. Leanne has over 26 years' experience as a Chief Financial Officer and Company Secretarial roles for various publicly listed and unlisted entities.

Leanne is a qualified Chartered Secretary and holds this role for a number of ASX listed entities.

DIRECTOR MEETINGS

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

Board Meetings

Directors	Number Eligible to Attend	Number Attended
David Dicker (Chairperson)	7	7
Fiona Brown	7	7
Mary Stojcevski	7	7
Vladimir Mitnovetski	7	7
Michael Demetre	7	6
Ian Welch	7	7
Wendy O'Keeffe	4	4

No audit committee meetings were held during the year.

Directors' Report

continued

REMUNERATION REPORT (AUDITED)

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

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

(a) Principles used to Determine the Nature and Amount of Remuneration

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

Executives

The executive pay and reward framework includes the following components:

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

The combination of these comprises the executive's remuneration.

Base Pay

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

Performance-Related Bonuses

Performance-related cash bonus entitlements are linked to the achievement of financial and non-financial objectives which are relevant to meeting the company's business objectives. A major part of the bonus entitlement is determined by the actual performance against net profit margin targets. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan.

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

Non-Executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The Board determines remuneration of non-executive directors within the maximum amount approved by the shareholders from time to time. This maximum currently stands at \$250,000 per annum in total for salary and fees, to be divided among the non-executive directors in such a proportion and manner as they agree. The Board appointed Wendy O'Keeffe as independent director on 26th April 2017, however Wendy subsequently resigned as director on 12.10.17 to take up an executive position at a rival distributor. The board does not currently have any independent directors. The only current non-executive director is Fiona Brown, who represents a major shareholder.

(b) Details of Remuneration

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

Directors' Report

continued

Details of Remuneration for Directors and Key Management Personnel

FY	Short-Term				Short-Term	Long-Term	Share Based Payments		Total	Proportion of remuneration that is performance based	% of Value of remuneration that consists of share Based Payments
	Salary & Fees	Cash	Short-term Incentive Cash Bonus	Super-annuation	Non-Cash	Annual Leave	Long Service Leave	Shares			
	\$	\$	\$	FBT Reportable	\$	\$	\$	\$	\$	%	%
Executive Directors											
David Dicker - Chief Executive Officer											
December 2017	-	-	-	-	-	-	-	-	-	-	0.00%
December 2016	-	-	-	-	-	-	-	-	-	-	0.00%
Vladimir Mitnovetski - Chief Operating Officer											
December 2017	-	1,606,816	152,648	-	43,855	10,000	-	-	1,813,318	100.00%	0.00%
December 2016	-	1,528,280	145,187	-	25,390	12,115	-	-	1,710,971	100.00%	0.00%
Mary Stojcevski - Chief Financial Officer											
December 2017	200,000	602,556	76,243	-	8,462	333	-	-	887,593	74.34%	0.00%
December 2016	200,000	547,451	71,008	-	1,434	3,205	-	-	823,097	66.51%	0.00%
Michael Demetre - Logistics Director											
December 2017	225,000	401,704	59,537	-	4,760	3,749	-	-	694,750	63.31%	0.00%
December 2016	225,000	365,969	56,142	-	71,614	3,605	-	-	722,330	50.67%	0.00%
Ian Welch - Chief Information Officer											
December 2017	250,000	401,704	61,912	-	11,058	-	-	-	724,674	60.70%	0.00%
December 2016	250,000	364,969	58,422	-	10,749	-	-	-	684,140	46.83%	0.00%

Directors' Report

continued

FY	Short-Term		Super-annuation	Non-Cash	Short-Term		Long-Term		Share Based Payments		Total	Proportion of remuneration that is performance based	% of Value of remuneration that consists of share Based Payments
	Cash	Short-term Incentive Cash Bonus			Annual Leave	Long Service Leave	Shares	Options					
	Salary & Fees			FBT Reportable	Leave	Leave						%	%
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
Non-Executive Directors													
Fiona Brown													
December 2017	33,486	-	3,181	-	-	-	-	-	-	-	36,667	0.00%	0.00%
December 2016	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Wendy O'Keeffe <i>[Commenced 26.4.17, Resigned 12.10.17]</i>													
December 2017	22,414	-	2,129	-	-	-	-	-	-	-	24,543	0.00%	0.00%
December 2016	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
TOTAL													
December 2017	730,899	3,012,780	355,650	-	68,133	14,082	-	-	-	-	4,181,544	-	-
December 2016	675,000	2,806,668	330,758	-	109,186	18,925	-	-	-	-	3,940,537	-	-

(c) Service Agreements

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

Consultancy Agreement for David Dicker

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

Deed of Adherence for David Dicker

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

Directors' Report

continued

Executive Service Agreement for Vladimir Mitnovetski

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

Executive Service Agreement for Mary Stojcevski

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

Executive Service Agreement for Michael Demetre

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

Executive Service Agreement for Ian Welch

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

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

(d) Share-Based Compensation

No shares, rights, or options were granted to directors or key management personnel during the year ended 31 December 2017, no rights or options vested or lapsed during the year, and no rights or options were exercised during the year by directors.

(e) Additional Information

Relationship between Remuneration and Company Performance

The overall level of executive reward takes into account the performance over the financial year with greater emphasis given to improving performance over the prior year. Operating profit for the consolidated entity grew by 9.9% during the year and excluding one off integration and restructure costs grew 41.1% on average over the last 4 years. As a large proportion of the executive's remuneration package is based on net operating profit outcomes the average executive remuneration also increased. Since 2014, the net profit before tax has grown at an average rate of 41.1% per annum, whilst the average executive remuneration has increased by an average of 31.9% per annum. Shareholder wealth has increased at an average rate of 24.0% per annum over this period.

Voting and Comments made at the Company's 2016 Annual General Meeting (AGM)

At the 2017 AGM, 98.53% of the votes received supported the adoption of the remuneration report for the financial year ended 31 December 2016. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Directors' Report

continued

(f) Additional Disclosures Relating to Key Personnel Shareholding

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

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

December 2016	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
<i>Ordinary Shares</i>				
David Dicker	60,553,495	–	–	60,553,495
Fiona Brown	52,839,510	1,162,768	–	54,002,278
Vladimir Mitnovetski	63,010	36,441	–	99,451
Mary Stojcevski	120,162	31,646	–	151,808
Michael Demetre	18,571	–	–	18,571
Ian Welch	30,000	–	–	30,000
	113,624,748	1,230,855	–	114,855,603

This concludes the remuneration report which has been audited.

TRANSACTIONS WITH RELATED PARTIES

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

SHARE OPTIONS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

Directors' Report

continued

INDEMNITY AND INSURANCE OF AUDITOR

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

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

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

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

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

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF BDO

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

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 53.

AUDITOR

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

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

On behalf of the directors



David Dicker
CEO and Chairman

Sydney, 28 February 2018

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December, 2017

	Note	Consolidated	
		31-Dec-17 \$'000	31-Dec-16 \$'000
REVENUE			
Sale of goods	4	1,304,153	1,183,357
<i>Other revenue:</i>			
Interest received	4	131	284
Recoveries		–	700
Other	4	1,688	1,202
		1,305,972	1,185,543
EXPENSES			
Changes in inventories		(18,460)	(9,303)
Purchases of inventories		(1,167,894)	(1,064,321)
Employee benefits expense		(58,958)	(53,595)
Depreciation and amortisation	5	(2,564)	(2,874)
Finance costs	5	(5,452)	(6,250)
Borrowing costs		(606)	(441)
Other expenses		(11,868)	(12,191)
		(1,265,802)	(1,148,975)
Profit before income tax expense		40,170	36,568
Income tax expense	6	(13,228)	(10,944)
Profit after income tax expense for the year		26,942	25,624
Profit attributable to members of the company		26,942	25,624
Other comprehensive income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign Currency Translation		(574)	292
Total comprehensive income for the year		26,368	25,916
Total comprehensive income attributable to members of the company		26,368	25,916
Earnings per share			
		Cents	Cents
Basic earnings per share	31	16.82	16.04
Diluted earnings per share	31	16.82	16.04

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

Statement of Financial Position

as at 31 December, 2017

	Note	Consolidated	
		31-Dec-17 \$'000	31-Dec-16 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	9,394	17,459
Trade and other receivables	11	206,993	162,718
Inventories	12	88,565	107,025
Total Current Assets		304,952	287,202
Non-Current Assets			
Property, plant and equipment	13	45,895	43,872
Intangible assets	14	29,129	30,492
Deferred tax assets	8	4,320	4,135
Total Non-Current Assets		79,344	78,499
TOTAL ASSETS		384,296	365,701
LIABILITIES			
Current Liabilities			
Trade and other payables	15	198,887	155,149
Borrowings	16	55,000	75,000
Current tax liabilities	7	2,138	9,967
Short-term provisions	17	7,881	6,082
Total Current Liabilities		263,906	246,198
Non-Current Liabilities			
Borrowings	16	39,360	39,075
Deferred tax liabilities	9	4,846	5,144
Long-term provisions	17	1,301	1,326
Total Non-Current Liabilities		45,507	45,545
TOTAL LIABILITIES		309,413	291,743
NET ASSETS		74,883	73,958
EQUITY			
Equity attributable to Equity Holders			
Issued capital	18	56,868	56,046
Reserves	19	135	664
Retained profits		17,880	17,248
TOTAL EQUITY		74,883	73,958

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

Statement of Changes in Equity

for the year ended 31 December, 2017

Consolidated	Note	Issued Capital \$'000	Retained Profits \$'000	Reserves \$'000	Total Equity \$'000
Balance at 1 January 2016		55,003	16,457	372	71,832
Profit after income tax for the year		–	25,624	–	25,624
Other comprehensive income for year net of tax		–	–	292	292
Total comprehensive income for the year		–	25,624	292	25,916
<i>Transactions with the owners in their capacity as owners:</i>					
Share Issue (DRP)		1,043	–	–	1,043
Dividends Paid	20	–	(24,833)	–	(24,833)
Balance at 31 December 2016		56,046	17,248	664	73,958
Balance at 1 January 2017		56,046	17,248	664	73,958
Profit after income tax for the year		–	26,942	–	26,942
Other comprehensive income for the year net of tax		–	–	(574)	(574)
Transfer between reserves		–	(45)	45	–
Total comprehensive income for the year		–	26,897	(529)	26,368
<i>Transactions with the owners in their capacity as owners:</i>					
Share Issue (DRP)		822	–	–	822
Dividends Paid	20	–	(26,265)	–	(26,265)
Balance at 31 December 2017		56,868	17,880	135	74,883

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

Statement of Cash Flows

for the year ended 31 December, 2017

	Note	Consolidated	
		31-Dec-17 \$'000	31-Dec-16 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		1,392,768	1,304,598
Payments to suppliers and employees (inclusive of GST)		(1,325,173)	(1,234,391)
Interest received		131	284
Interest and other finance costs paid		(5,452)	(6,250)
Income tax paid		(21,539)	(4,498)
NET CASH FROM OPERATING ACTIVITIES		40,735	59,743
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	13	(3,260)	(19,219)
Payments for intangibles	14	(97)	(63)
NET CASH USED IN INVESTING ACTIVITIES		(3,357)	(19,282)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from bond issue		–	(47)
Repayments of borrowings		(20,000)	(15,000)
Payment of dividends		(25,443)	(23,790)
NET CASH USED IN FINANCING ACTIVITIES		(45,443)	(38,837)
NET CASH FLOWS		(8,065)	1,624
Cash and cash equivalents at the beginning of the period		17,459	15,835
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	10	9,394	17,459

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

— Notes to the Financial Statements —

for the year ended 31 December, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

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

New, Revised or Amending Accounting Standards and Interpretations Adopted

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

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

Basis of Preparation

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

Historical Cost Convention

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

Parent Entity Information

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

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dicker Data Limited ('company' or 'parent entity') as at 31 December 2017 and the results of all subsidiaries for the year then ended. Dicker Data Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

Foreign Currency Translation

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

Foreign Currency Transactions

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

— Notes to the Financial Statements —

continued

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Operations

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

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

Current and Non-Current Classification

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

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

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

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

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

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

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

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

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

Rounding of Amounts

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

New Accounting Standards and Interpretations not yet Mandatory or early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2017, unless otherwise stated. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its Consequential Amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 January 2018. The impact of adoption has yet to be assessed by the consolidated entity. However, this is not expected to be significant.

— Notes to the Financial Statements —

continued

**1. SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)****IFRS 15 Revenue from Contracts with Customers**

This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 and is currently in the process of assessing the impact.

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

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

The main changes introduced by the new Standard include:

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

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

The directors have yet to assess the impact of adopting this standard. However, it is expected that the accounting treatment for the majority of non-cancellable operating leases disclosed under Note 26 will change as a result of implementation.

**2. CRITICAL ACCOUNTING JUDGEMENTS,
ESTIMATES AND ASSUMPTIONS**

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

— Notes to the Financial Statements —

continued

3. OPERATING SEGMENTS

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

Identification of Reportable Operating Segments

The consolidated entity is organised into two operating segments: Australian and New Zealand operations. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

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

Intersegment Transactions

During the year there was a dividend paid from Dicker Data NZ Ltd to Express Data Holdings Pty Ltd for \$3,228,688.

Intersegment Receivables, Payables and Loans

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

Operating Segment Information

Consolidated - December 2017	Australia \$'000	New Zealand \$'000	Eliminations \$'000	TOTAL \$'000
Revenue				
Sale of goods	1,173,481	130,672	–	1,304,153
<i>Other revenue:</i>				
Other revenue	4,077	840	(3,229)	1,688
Interest revenue	53	78	–	131
Total Revenue	1,177,611	131,589	(3,229)	1,305,972
EBITDA	47,721	3,563	(3,229)	48,055
Depreciation & Amortisation	(2,445)	(118)	–	(2,564)
Interest revenue	53	78	–	131
Finance costs	(5,452)	–	–	(5,452)
Profit before income tax	39,877	3,522	(3,229)	40,170
Income tax expense	(12,134)	(1,094)	–	(13,228)
Profit after income tax expense	27,743	2,428	(3,229)	26,942
Segment Current Assets	285,480	19,500	(28)	304,952
Segment Non-Current Assets	78,612	732	–	79,344
Segment Assets	364,091	20,233	(28)	384,296
Segment Current Liabilities	252,240	11,694	(28)	263,906
Segment Non-Current Liabilities	45,507	–	–	45,507
Segment Liabilities	297,747	11,694	(28)	309,413

— Notes to the Financial Statements —

continued

3. OPERATING SEGMENTS (CONTINUED)

Operating Segment Information

Consolidated - December 2016	Australia \$'000	New Zealand \$'000	Eliminations \$'000	TOTAL \$'000
Revenue				
Sale of goods	1,056,470	126,887	–	1,183,357
<i>Other revenue:</i>				
Interest received	176	108	–	284
Recoveries	700	–	–	700
Other revenue	3,477	257	(2,533)	1,201
Total Revenue	1,060,823	127,252	(2,533)	1,185,543
EBITDA	44,367	3,574	(2,533)	45,408
Depreciation & Amortisation	(2,568)	(307)	–	(2,874)
Interest revenue	176	108	–	284
Finance costs	(6,244)	(7)	–	(6,250)
Profit before income tax	35,732	3,369	(2,533)	36,568
Income tax expense	(9,994)	(950)	–	(10,944)
Profit after income tax expense	25,738	2,419	(2,533)	25,624
Asset				
Segment Current Assets	258,470	28,742	(10)	287,202
Segment Non-Current Assets	77,755	744	–	78,499
Segment Assets	336,225	29,486	(10)	365,701
Liabilities				
Segment Current Liabilities	226,630	19,578	(10)	246,198
Segment Non-Current Liabilities	45,545	–	–	45,545
Segment Liabilities	272,175	19,578	(10)	291,743

— Notes to the Financial Statements —

continued

4. REVENUE

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of Goods

Sale of goods or access services revenue is recognised at the point of sale, whereby the risks and rewards are transferred to the customer through either physical delivery or through electronic providing of access and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns. We also have limited contractual relationships with certain of our customers and suppliers whereby we assume an agency relationship in the transactions. In such arrangements we recognise revenue the net fee associated with serving as agent.

Interest

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

Other Revenue

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

	Note	Consolidated	
		Dec-17 \$'000	Dec-16 \$'000
Revenue:			
Sale of goods		1,304,153	1,183,357
Other revenue:			
Interest		131	284
Recoveries		–	700
Other		1,688	1,201
Total Revenue		1,305,972	1,185,543

5. EXPENSES

Cost of Sales

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

Depreciation and Amortisation

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives. Amortisation of intangibles is calculated on a straight-line basis over their expected useful lives, as either determined by management or by an independent valuation.

Finance Costs

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

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

— Notes to the Financial Statements —

continued

5. EXPENSES (CONTINUED)

Defined Contribution Superannuation Expense

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

Operating Leases

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

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Depreciation		
Building	466	463
Plant and equipment	641	937
Total depreciation	1,107	1,400
Amortisation		
Website Development	26	33
Software	52	59
Customer Contracts	1,379	1,382
Total amortisation	1,457	1,474
Total depreciation and amortisation	2,564	2,874
Finance Costs		
Interest and finance charges paid / payable	5,452	6,250
Superannuation Expense		
Defined contribution superannuation expense	4,303	3,864
Operating Leases		
Property Rental Expense	806	844
Equipment rental expense	16	20
	822	864

— Notes to the Financial Statements —

continued

6. INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. With the change in financial year, the Company has applied and has been approved for a substituted accounting period for the lodgement of its tax return based on the calendar year January to December.

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

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

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

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

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

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

— Notes to the Financial Statements —

continued

6. INCOME TAX (CONTINUED)

Income Tax Critical Judgements

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

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
(a) The components of tax expense comprise:		
Current tax	13,719	11,179
Over/(Under) provision in respect of prior years	31	(59)
	13,750	11,120
Deferred tax	(485)	(176)
Over/(Under) provision in respect of prior years	(37)	-
	(522)	(176)
	13,228	10,944
Deferred tax included in income tax expense comprises:		
(Increase) Decrease in deferred tax assets	(187)	(137)
Increase (Decrease) in deferred tax liabilities	(298)	(39)
	(485)	(176)
(b) The prima facie tax payable on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30%	12,051	10,970
Add tax effect of:		
Over/ (Under) provision for income tax in prior year	(6)	(59)
Non-deductible expenses	245	94
Franking Deficit Tax	1,008	-
	13,298	11,005
Less tax effect of:		
Differences in overseas tax rates	(70)	(61)
	(70)	(61)
Income tax expense attributable to entity	13,228	10,944
The applicable weighted average effective tax rates are as follows:	32.9%	29.9%

Tax expense includes payment for franking deficit amount for which an objection has been lodged with the Australian Taxation Office.

— Notes to the Financial Statements —
continued

7. CURRENT TAX

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Current tax liability	2,138	9,967

8. DEFERRED TAX ASSET

Deferred tax asset comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Provision for receivables impairment	307	95
Provision for employee entitlements	2,678	2,112
Accrued expenses	29	305
Inventory	684	778
Capitalised expenditure	185	277
Property Plant and Equipment	178	179

Amounts recognised in equity:

Share Issue Costs	259	389
Deferred tax asset	4,320	4,135

Movements in Deferred Tax Asset

Opening Balance	4,135	4,153
Credited / (charged) to profit or loss	354	112
Credited / (charged) to equity	(169)	(130)
Closing Balance	4,320	4,135

9. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Land and Buildings	181	187
Prepayments	15	–
Accrued income	1,296	1,189
Intangible assets	3,354	3,768
Deferred tax liability	4,846	5,144

Movements in Deferred Tax Liability

Opening Balance	5,144	5,183
Credited / (charged) to profit or loss	(298)	(39)
Credited / (charged) to equity	–	–
Closing Balance	4,846	5,144

— Notes to the Financial Statements —

continued

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Cash at bank	9,394	17,459

11. TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days from end of month.

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

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

Trade receivables	194,877	151,397
Less: Provision for impairment of receivables	(285)	(237)
	194,592	151,160
Other receivables	12,401	11,558
	206,993	162,718

Impairment of Receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

The consolidated entity has recognised an increase in the provision of \$47,870 (2016: (\$75,326) decrease) in profit or loss in respect of impairment of receivables for the year ended 31 December 2017.

Past due but not Impaired

Customers with balances past due but without provision for impairment of receivables amount to \$9,965,916 as at 31 December 2017 (2016: \$6,748,170). The consolidated entity did not consider a credit risk on these balances after reviewing credit terms of customers and trading history.

<i>Past due but not impaired:</i>		
0 to 3 Months overdue	9,532	6,466
3 to 6+ Months overdue	434	283
	9,966	6,749

— Notes to the Financial Statements —

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12. INVENTORIES

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

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

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

Impairment of Inventories

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

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Finished Goods	90,034	109,198
Less: Provision for Impairment	(1,469)	(2,173)
	88,565	107,025

13. PROPERTY, PLANT AND EQUIPMENT

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

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

Buildings	–	40 Years
Property improvements	–	10 - 20 Years
Leasehold improvements	–	10 - 20 Years
Plant and equipment	–	2 - 10 Years
Plant and equipment under lease	–	2 - 10 Years
Motor vehicles	–	8 years

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

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

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

— Notes to the Financial Statements —

continued

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Estimation of Useful Lives of Assets

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

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Freehold land	25,339	25,338
Building - at cost	21,192	18,707
Less accumulated depreciation	(2,491)	(2,034)
	18,701	16,673
Total land and buildings	44,040	42,011
Fitout & Leasehold improvements - at cost	3,046	3,083
Less accumulated depreciation	(1,948)	(1,813)
	1,098	1,270
Plant and equipment - at cost	2,606	2,439
Less accumulated depreciation	(1,869)	(1,874)
	737	565
Motor vehicles	252	252
Less accumulated depreciation	(232)	(225)
	20	27
Total plant and equipment	1,856	1,862
Total property, plant and equipment	45,895	43,872

Reconciliations

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

	Freehold land \$'000	Buildings \$'000	Fitout Costs \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 January 2016	6,904	16,847	1,604	683	35	26,072
Additions	18,434	289	138	358	–	19,219
Depreciation expense	–	(463)	(472)	(455)	(8)	(1,398)
Disposals	–	–	–	(22)	–	(22)
Effect of movements in exchange rate	–	–	–	2	–	2
Balance at 31 December 2016	25,338	16,673	1,270	565	27	43,872
Additions	1	2,599	112	548	–	3,260
Depreciation expense	–	(466)	(281)	(353)	(7)	(1,107)
Disposals	–	(105)	–	(18)	–	(123)
Effect of movements in exchange rate	–	–	(2)	(5)	–	(7)
Balance at 31 December 2017	25,339	18,701	1,098	737	20	45,895

— Notes to the Financial Statements —

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14. INTANGIBLES

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

Goodwill

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

Customer Contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life which varies between 18 months and 12 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Impairment of Intangibles

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

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

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Goodwill	17,799	17,799
Customer Contracts	17,657	17,657
Less: Accumulated amortisation	(6,477)	(5,098)
Software - at cost	134	83
Less: Accumulated amortisation	(53)	(44)
Website - at cost	258	258
Less: Accumulated amortisation	(191)	(164)
	29,129	30,492

— Notes to the Financial Statements —

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14. INTANGIBLES (CONTINUED)

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

	Goodwill \$'000	Customer Contracts \$'000	Software \$'000	Website Development \$'000	Total \$'000
Balance at 1 January 2016	17,799	13,942	35	126	31,902
Additions	–	–	63	–	63
Amortisation expense	–	(1,382)	(59)	(32)	(1,473)
Effect of movements in exchange rate	–	–	1	–	1
Balance at 31 December 2016	17,799	12,560	40	94	30,493
Additions	–	–	97	–	97
Amortisation expense	–	(1,379)	(52)	(26)	(1,457)
Effect of movements in exchange rate	–	–	(4)	–	(3)
Balance at 31 December 2017	17,799	11,181	81	68	29,129

Goodwill and other Indefinite Life Intangible Assets Estimates

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year EBITDA projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

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

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

- 11.0% (2016: 11.2%) post-tax discount rate;
- 2.5% in year 1 and 2.5% thereafter (2016: 2.5%) per annum EBITDA growth rate;

The discount rate of 11.0% post-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements. Management believes the projected 2.5% EBITDA growth rate is reasonable based on general market growth.

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

Sensitivity Analysis

As disclosed in Note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Management believes that any reasonable changes in the key assumptions on which the recoverable amount of division goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount. The sensitivities are as follows: (a) EBITDA would need to decrease by more than 49% to trigger impairment for the Australian CGU, and 50% for the New Zealand CGU, with all other assumptions remaining constant; b) The discount rate would be required to increase to 30% to trigger impairment for the Australian CGU, and 17% for the New Zealand CGU, with all other assumptions remaining constant.

— Notes to the Financial Statements —

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15. TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 - 60 days of recognition.

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Trade payables	188,002	145,372
Other payables	10,885	9,777
	198,887	155,149

The consolidated entity has entered into a bailment facility with Wells Fargo (previously GE Capital) for the purchase of Dell and APC products up to a limit of \$37.0 million. Included in trade payables is an amount of \$16,185,704 (2016: \$39,836,266) payable to Wells Fargo under this arrangement. Under this arrangement Wells Fargo has legal title and first priority over its bailed goods and proceeds. The bailment facility is supported by a Westpac Bank Guarantee of \$3m in favour of Wells Fargo. The nature of the bailment facility is such that the arrangement is treated as a trade payable. The 2016 year balance includes an amount for a Cisco trade payable, however during the year the account was transitioned from the Wells Fargo bailment facility to an open trading account with Cisco directly supported by a \$20m Standby Letter of Credit issued in favour of Cisco Australia Pty Ltd.

16. BORROWINGS

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

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

Current		
Receivables Facility	55,000	75,000
Non-Current		
Corporate Bond	39,360	39,075
Total current and non-current borrowings	94,360	114,075
(a) Total current and non-current secured liabilities:		
Receivables Facility	55,000	75,000
(b) The receivables purchase facility is secured by a registered fixed and floating charge over all assets and undertakings of the company and fixed charge over all debtors. The corporate bond is an unsecured facility.		
(c) Facility Limits for each of the facilities are as follows:		
Receivables Facility	120,000	120,000

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

Receivables Facility

The Company is in the process of rolling over its current Westpac Receivables facility that is due to expire 12 March 2018. The receivables facility will be rolled over for a period of 3 years with an increased limit of \$130 million. The receivables facility will also support the Standby Letter of Credit for \$20m issued to Cisco and \$3m bank guarantee issued in favour of Wells Fargo.

— Notes to the Financial Statements —

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16. BORROWINGS (CONTINUED)

Corporate Bond

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

The bond offering is part of our active approach to capital management. This bond issue is an important initiative for the Company which reflects our strategy to ensure that we have multiple sources of funding and the security of longer term debt.

17. PROVISIONS

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

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Current		
Employee Benefits	7,705	5,913
Lease make-good provision	176	169
	7,881	6,082
Non-Current		
Employee Benefits	1,301	1,326

Employee Benefits

Short-Term Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other Long-Term Employee Benefits

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

Amounts not expected to be settled within the next 12 months

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

— Notes to the Financial Statements —

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17. PROVISIONS (CONTINUED)

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

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Employee benefits obligation expected to be settled after 12 months	2,595	2,543

Lease Make Good Provision

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

18. ISSUED CAPITAL

Ordinary shares are classified as equity.

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

	Dec 2017 Shares	Dec 2016 Shares	Dec 2017 \$'000	Dec 2016 \$'000
Ordinary shares - fully paid	160,337,241	160,005,955	56,868	56,046

Movements in Ordinary Share Capital

Details	Date	No of Share	Issue Price	\$'000
Opening Balance	1-Jan-16	159,443,267		55,003
Issue of shares on dividend re-investment plan (DRP)	16-Mar-16	200,914	\$1.61	323
Issue of shares on dividend re-investment plan (DRP)	16-Jun-16	152,648	\$1.85	282
Issue of shares on dividend re-investment plan (DRP)	7-Sep-16	117,551	\$1.92	225
Issue of shares on dividend re-investment plan (DRP)	15-Dec-16	91,575	\$2.31	212
Balance	31-Dec-16	160,005,955	–	56,046
Issue of shares on dividend re-investment plan (DRP)	20-Mar-17	105,153	\$2.40	252
Issue of shares on dividend re-investment plan (DRP)	9-Jun-17	114,499	\$2.41	276
Issue of shares on dividend re-investment plan (DRP)	1-Sep-17	58,311	\$2.57	150
Issue of shares on dividend re-investment plan (DRP)	20-Nov-17	53,323	\$2.70	144
Balance	31-Dec-17	160,337,241	–	56,868

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.

Share Buy-Back

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

— Notes to the Financial Statements —

continued

18. ISSUED CAPITAL (CONTINUED)

Capital Risk Management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2017, the Company raised \$822,484 through the Company's Dividend Reinvestment Policy (DRP) for existing shareholders.

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

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

The capital risk management policy remains unchanged from the 31 December 2016 Annual Report.

19. RESERVES

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Capital Profits Reserve (Pre-CGT)	369	369
Foreign currency reserve	(234)	295
	135	664

Capital Profits Reserve (Pre-CGT)

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

Foreign Currency Reserve

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

Movements in reserves

Opening Balance	664	372
Foreign currency translation	(529)	292
Closing Balance	135	664

— Notes to the Financial Statements —

continued

20. DIVIDENDS

	Dec-17 \$'000	Dec-16 \$'000
<i>Dividends declared or paid during the financial year were as follows:</i>		
Final Dividend - 31 December 2016. Fully franked at 0.04 per ordinary share, paid 20.03.17 [Prior Period - 31 December 2015. Fully franked at 0.04 per ordinary share, paid 16.03.16]	7,040	6,378
Interim Dividend - 31 December 2017. Fully franked at 0.04 per ordinary share, paid 09.06.17 [Prior Period - 31 December 2016. Fully franked at 0.0385 per ordinary share, paid 16.06.16]	6,404	6,146
Interim Dividend - 31 December 2017. Fully franked at 0.04 per ordinary share, paid 01.09.17 [Prior Period - 31 December 2016. Fully franked at 0.0385 per ordinary share, paid 16.09.16]	6,409	6,152
Interim Dividend - 31 December 2017. Fully franked at 0.04 per ordinary share, paid 01.12.17 [Prior Period - 31 December 2016. Fully franked at 0.0385 per ordinary share, paid 15.12.16]	6,412	6,157
	26,265	24,833

The tax rate that dividends have been franked is 30% (2016: 30%)

Franking credit balance:

Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 30%)	8,348	6,868
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The above amounts represent the balance of the franking account as at the end of the financial year adjusted for franking credits arising from:

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

21. FAIR VALUE DISCLOSURES

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

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

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

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

Fair Value Measurement Hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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

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

— Notes to the Financial Statements —

continued

21. FAIR VALUE DISCLOSURES (CONTINUED)

Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

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

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

22. FINANCIAL INSTRUMENTS

Derivative Financial Instruments

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

Investments and Other Financial Assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

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

Impairment of Financial Assets

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

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

Financial Assets and Liabilities	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Financial Assets		
Cash and cash equivalents	9,394	17,459
Loans and receivables	206,993	162,718
Total Financial Assets	216,387	180,177
Financial Liabilities		
Trade and other payables	198,887	155,149
Borrowings	94,360	114,075
Total Financial Liabilities	293,247	269,224

— Notes to the Financial Statements —

continued

22. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management Policies

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

Specific Financial Risk Exposures and Management

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

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

Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. Credit risk is reviewed regularly by the directors and key management personnel. It predominantly arises from exposures to customers. The company's exposure to credit risk is limited due to debtor insurance which is held over its trade receivables. The insurance policy limits the exposure of the company to 10% of the individual customer's balance plus the excess as specified in the policy after an aggregate first loss of \$200,000. Receivables balances are monitored on an ongoing basis and as a result the company's exposure to bad debts has not been significant.

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

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

The company has no significant concentration of credit risk with any single counterparty or group of counterparties. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality.

Liquidity Risk

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

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

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

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

— Notes to the Financial Statements —

continued

22. FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial liability maturity analysis	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Financial liabilities due for payment	Within 1 Year	Within 1 Year
Trade and other payables	198,887	155,149
Borrowings	55,000	75,000
Total contractual outflows	253,887	230,149
Financial liabilities due for payment	1 to 5 Years	1 to 5 Years
Borrowings	45,206	47,429
Total contractual outflows	45,206	47,429

Financial Assets Pledged as Collateral

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

Interest Rate Risk

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

Interest Rate Risk	Dec-17 \$'000	Dec-16 \$'000
<i>Floating rate instruments</i>		
Receivable finance facility	55,000	75,000
Corporate Bond	39,360	39,075
	94,360	114,075

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

Sensitivity Analysis

The company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. If interest rates changed by +/- 1% from the year end rates with all other variables held constant, post-tax profit would have been \$660,520 lower/higher (2016: \$798,525 lower/higher) as a result of higher/lower interest payments. The company constantly analyses its interest rate exposure. Within this analysis consideration is given to alternative financing and the mix of fixed and variable interest rates.

— Notes to the Financial Statements —

continued

22. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Exchange Risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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

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

	Sell Australian dollars		Average exchange rates		Sell New Zealand dollars		Average exchange rates	
	31-Dec-17 \$'000	31-Dec-16 \$'000	31-Dec-17	31-Dec-16	31-Dec-17 \$'000	31-Dec-16 \$'000	31-Dec-17	31-Dec-16
Buy US dollars								
Maturity:								
0 - 3 months	23,090	6,687	0.7625	0.7349	1,233	10,260	0.7073	0.7015
3 - 6 months	—	—	—	—	—	—	—	—
Buy Australian dollars								
Maturity:								
0 - 3 months	—	—	—	—	437	1,263	0.9028	0.9486
3 - 6 months	—	—	—	—	—	—	—	—

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

Consolidated	Dec-17	
	US\$'000	NZ\$'000
Cash at bank	1,820	3,967
Trade receivables	2,248	10,528
Trade payables	(26,852)	(8,482)
Net statement of financial position exposure	(22,784)	6,013

Based on the financial instruments held at 31 December 2017, a strengthening/weakening of AU\$ against US\$ and NZ\$ would have resulted in the following changes to the Groups reported profit and loss and/or equity.

Sensitivity Analysis (Effects in Thousands)	Equity		Profit or Loss	
	Strengthening	Weakening	Strengthening	Weakening
US\$ (5% movement)	—	—	1,085	(1,199)
NZ\$ (5% movement)	(407)	449	(112)	124

— Notes to the Financial Statements —

continued

23. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation

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

	Consolidated	
	Dec-17 \$	Dec-16 \$
Short-term benefits	3,811,812	3,590,854
Long-term benefits	14,082	18,925
Post-employment benefits	355,650	330,758
Total compensation	4,181,544	3,940,537

24. REMUNERATION OF AUDITORS

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

Audit services - BDO

Auditing or reviewing the financial report	175,000	182,388
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Audit Services - Other BDO Network Firms

Auditing or reviewing the financial report	35,000	27,262
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Other services - BDO East Coast Partnership

Indirect Tax Services	–	31,737
Tax and Corporate Services	245,180	174,982
	245,180	206,719

Other services - Other BDO Network Firms

Indirect Tax Services	–	1,248
Tax & Corporate Services	29,780	–
	29,780	1,248

25. CONTINGENT LIABILITIES

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

26. COMMITMENTS

Capital Commitments

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

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Property, plant and equipment	1,681	58

The current year contracted commitment is for the balance of the design and development application process for the building of the new distribution centre.

— Notes to the Financial Statements —

continued

26. COMMITMENTS (CONTINUED)

Lease Commitments

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

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

Lease Commitments - Operating

	Consolidated	
	Dec-17 \$'000	Dec-16 \$'000
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	989	1,104
One to five years	2,564	3,117
More than five years	–	502
	3,553	4,723

27. PARENT ENTITY INFORMATION

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

	Dec-17 \$'000	Dec-16 \$'000
<i>Statement of profit or loss and other comprehensive income</i>		
Profit after income tax	23,558	22,710
Total comprehensive income	23,558	22,710
<i>Statement of financial position</i>		
Total current assets	262,789	234,346
Total assets	357,067	327,749
Total current liabilities	256,648	225,822
Total liabilities	298,801	267,599
Equity		
Issued capital	56,868	56,046
Reserves	369	369
Retained profits	1,028	3,735
Total Equity	58,266	60,150

— Notes to the Financial Statements —

continued

27. PARENT ENTITY INFORMATION (CONTINUED)

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

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

Capital Commitments – Property, Plant and Equipment

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

Significant Accounting Policies

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

28. INTERESTS IN SUBSIDIARIES

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

Name	Principal place of business/country of incorporation	Ownership Interest	
		2017 %	2016 %
Dicker Data New Zealand Ltd	New Zealand	100%	100%
Express Data Holdings Pty Ltd	Australia	100%	100%
Dicker Data Services Pty Ltd	Australia	100%	–
Simms International Pty Ltd	Australia	100%	100%

Express Data Holdings Pty Ltd held 100% of the share capital in Simms International Pty Ltd. Simms International Pty Ltd was dormant and non-trading and this investment in Simms was written off during the year. Dicker Data Services Pty Ltd is a fully owned subsidiary of Dicker Data Limited incorporated in January 2017 but is also dormant and non-trading.

29. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH

	Dec-17 \$'000	Dec-16 \$'000
Profit after income tax	26,942	25,624
<i>Adjustments for:</i>		
Depreciation	1,107	1,400
Amortisation of intangibles	1,457	1,474
Amortisation of borrowing costs	288	292
Loss on the disposal of PPE	130	20
<i>Changes in Assets & Liabilities:</i>		
Decrease (increase) in current inventories	18,460	9,304
Decrease (increase) in current receivables	(44,323)	1,336
Decrease (increase) in deferred tax assets	(185)	19
(Decrease) increase in deferred tax liabilities	(297)	(39)
(Decrease) increase in payables	43,737	12,833
(Decrease) increase in provisions	1,248	1,014
(Decrease) increase in non-current assets	–	–
(Decrease) increase in current tax liabilities	(7,829)	6,467
Net cash from operating activities	40,735	59,744

— Notes to the Financial Statements —

continued

30. NON-CASH INVESTING AND FINANCING ACTIVITIES

	Dec-17 \$'000	Dec-16 \$'000
Shares issued under the dividend reinvestments plan (DRP)	822	1,043
	822	1,043

31. EARNINGS PER SHARE

Basic Earnings Per Share

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

Diluted Earnings Per Share

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

	Dec-17 \$'000	Dec-16 \$'000
Profit after income tax	26,942	25,624

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

Weighted average number of shares used as denominator	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	160,178	159,727
Weighted average number of ordinary shares and options granted are used as the denominator in calculating diluted earnings per share	160,178	159,727
	Cents	Cents
Basic earnings per share (cents)	16.82	16.04
Diluted earnings per share (cents)	16.82	16.04

32. RELATED PARTY TRANSACTIONS

Parent Entity:

Dicker Data Limited is the parent entity.

Subsidiaries:

Interests in subsidiaries are set out in Note 28.

Key Management Personnel:

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

Transactions with Related Parties:

There were no transactions with related parties during the year.

33. SUBSEQUENT EVENTS

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

————— Directors' Declaration —————

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31st December 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the directors



David Dicker
CEO & Chairman

Sydney, 28 February 2018

Auditor's Declaration
of Independence



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DECLARATION OF INDEPENDENCE BY KIERAN GOULD TO THE DIRECTORS OF DICKER DATA LIMITED

As lead auditor of Dicker Data Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Kieran Gould
Partner

BDO East Coast Partnership

Sydney, 28 February 2018

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the members of Dicker Data Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dicker Data Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

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

Independent Auditor's Report

continued



Valuation of inventory

As at 31 December 2017 the Group held inventory of \$88.6m, as disclosed in noted 12.

Valuation of inventory is a key audit matter because the industry in which the Group operates means the products held in inventory have an inherent risk of obsolescence. Our focus in relation to this matter was to consider whether inventory was being appropriately carried at the lower of cost and net realisable value.

How the matter was addressed in our audit:

To determine whether the valuation of inventory was appropriate at reporting date we undertook, amongst others, the following audit procedures:

- Assessed management's calculation for the inventory obsolescence provision and considered if this was appropriate in light of the Group's accounting policies, historic sales trends and analysis of slow moving inventory
- Agreed inventory on hand to initial purchase invoice and subsequent sales invoice on a sample basis and compared the carrying amount to the realisable value
- Analysed inventory turnover by vendor group in comparison to prior period and to expectations
- Performed gross margin analysis by product group in comparison to expectations to determine if any evidence of negative or declining gross margin was present
- Assessed the allocation of vendor rebates to inventory on hand.

Other information

The directors are responsible for the other information. The other information comprises the information in the Annual Report for the year ended 31 December 2017, but does not include the financial report and the Auditor's Report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

— Independent Auditor's Report —

continued



Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Dicker Data Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO East Coast Partnership

BDO
Kieran Gould

Kieran Gould
Partner

Sydney, 28 February 2018

Shareholder Information

The shareholder information set out below was applicable as at 9 February 2018.

ORDINARY SHARE CAPITAL

As at 31 December 2017, the issued capital of the Company was 160,337,241 ordinary fully paid shares.

DISTRIBUTION OF EQUITY SECURITIES

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

Size of Holding	Number of Shareholders	Number of Shares	% of Issued Capital
100,001 and Over	41	134,556,882	83.92%
10,001 to 100,000	631	15,300,556	9.54%
5,001 to 10,000	664	5,273,833	3.29%
1,001 to 5,000	1,739	4,582,224	2.86%
1 to 1,000	1,132	623,746	0.39%
Total	4,207	160,337,241	100.00%

UNQUOTED OPTIONS

The Company had no unquoted options on issue as at 9 February 2017.

LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES

There were 77 holders of less than a marketable parcel of ordinary shares. The number of shares in aggregate of these unmarketable parcels is 1,758.

Shareholder Information

continued

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

	Number of fully paid Ordinary Shares	% of Issued Capital
MR DAVID JOHN DICKER	60,553,495	37.77%
MS FIONA TUDOR BROWN	52,701,347	32.87%
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,289,553	3.30%
BNP PARIBAS NOMINEES PTY LTD	2,541,841	1.59%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,162,046	1.35%
NATIONAL NOMINEES LIMITED	1,251,041	0.78%
FIONA BROWN	1,217,095	0.76%
CITICORP NOMINEES PTY LIMITED	1,182,288	0.74%
AUST EXECUTOR TRUSTEES LTD	926,021	0.58%
BNP PARIBAS NOMS PTY LTD	892,563	0.56%
LINK TRADERS (AUST) PTY LTD	655,324	0.41%
BOND STREET CUSTODIANS LIMITED	352,417	0.22%
NEWECONOMY COM AU NOMINEES PTY LIMITED	351,586	0.22%
MRS LEONA REDDALL & MR BENJAMIN REDDALL & MR MATTHEW REDDALL	235,900	0.15%
BNP PARIBAS NOMINEES PTY LTD	233,538	0.15%
GWYNVILL TRADING PTY LTD	228,627	0.14%
AUST EXECUTOR TRUSTEES LTD	221,121	0.14%
MARTRE PROPERTIES PTY LIMITED	200,000	0.12%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	197,700	0.12%
MR TIMOTHY BRYCE KLEEMANN	192,723	0.12%
Totals	131,586,226	82.07%

SUBSTANTIAL HOLDERS

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

Shareholder	Number of Ordinary Fully Paid Shares	% of Issued Capital
MR DAVID JOHN DICKER	60,553,495	37.77%
MS FIONA TUDOR BROWN	54,021,076	33.69%

VOTING RIGHTS

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

ON-MARKET BUY-BACKS

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

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