



**ARB CORPORATION LTD**

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Street Address:  
42-44 Garden Street, Kilsyth,  
Victoria 3137 Australia

**ASX ANNOUNCEMENT**

23 August 2022

**APPENDIX 4E, ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

ARB Corporation Limited herewith lodges the Appendix 4E, Annual Report and Financial Statements for the financial year ended 30 June 2022.

**Webcast**

Please join ARB's Chief Executive Officer, Mr Lachlan McCann, and Chief Financial Officer, Mr Damon Page, for a presentation of the Company's FY2022 results by webcast via the following link at 11:00 am (AEST) today:

[https://webcast1.boardroom.media/watch\\_broadcast.php?id=62cf62ff6aeba](https://webcast1.boardroom.media/watch_broadcast.php?id=62cf62ff6aeba)

Participants can preregister their details via the link above or can simply follow the link and enter their details prior to the commencement of the webcast.

A recording of the webcast will also be made available on ARB's website following the presentation.

This announcement has been authorised by the Board.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Damon Page', written over a white rectangular area.

Damon Page  
Company Secretary

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**APPENDIX 4E**

## FOR THE YEAR ENDED 30 JUNE 2022

1. The reporting period is the year ended 30 June 2022.  
The previous corresponding period is the year ended 30 June 2021.

**2. Results for announcement to the market**

Year ended	Jun 2022 \$'000	Jun 2021 \$'000	% Change
Sales revenue	694,525	623,072	Up 11.5%
2.1 Revenues from ordinary activities	697,276	625,857	Up 11.4%
Profit from ordinary activities before tax attributable to members	165,678	150,023	Up 10.4%
2.2 Profit from ordinary activities after tax attributable to members	122,006	112,895	Up 8.1%
2.3 Net profit for the period attributable to members	122,006	112,895	Up 8.1%

2.4 Dividends in respect of current financial year	Jun 2022	Record date	Payment date	Jun 2021	% Change
Interim dividend per share (fully franked @ 30% tax rate)	39.0 cents	8 Apr 2022	22 Apr 2022	29.0 cents	34.5%
Final dividend per share (fully franked @ 30% tax rate)	32.0 cents	7 Oct 2022	21 Oct 2022	39.0 cents	-17.9%
	71.0 cents			68.0 cents	4.4%

- 2.5 The record date for determining entitlements to dividends is shown in section 2.4 above and section 7 below.

- 2.6 Refer to the Chairman's Statement in the attached Annual Report for a review of the Group's operations.

3. Refer to the attached Annual Report for the Consolidated Statement of Comprehensive Income together with notes to the statement.

4. Refer to the attached Annual Report for the Consolidated Statement of Financial Position together with notes to the statement.

5. Refer to the attached Annual Report for the Consolidated Statement of Cash Flows together with notes to the statement.

6. Refer to the attached Annual Report for the Consolidated Statement of Changes in Equity.

7. Dividends paid during current financial year	Amount per Security	Franked Amount per Security	Total \$'000	Record date	Payment date
Final dividend - year ended 30 June 2021	39.0 cents	39.0 cents	31,500	8 Oct 2021	22 Oct 2021
Interim dividend - year ended 30 June 2022	39.0 cents	39.0 cents	31,466	8 Apr 2022	22 Apr 2022

8. The Dividend Reinvestment Plan and Bonus Share Plan will operate for the final dividend.  
The last date for the receipt of an election notice for participation in the plans is 12 October 2022.

9. Net tangible assets per security	Jun 2022	Jun 2021	% Change
Net tangible assets per security	\$6.02	\$5.18	Up 16.2%

10. There were no changes to controlled entities during the year ended 30 June 2022.

11. Details of associates or joint venture entities are not applicable.

**APPENDIX 4E (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

12. Significant information to make an informed assessment of the Group's financial performance and financial position is disclosed in this Appendix 4E and the attached Annual Report.
13. Accounting standards used by foreign entities are not applicable.
14. Refer to the attached Chairman's Statement and Annual Report for commentary on the results for the period.
15. The financial report has been independently audited by Pitcher Partners.
16. The independent audit has been completed.
17. The financial report has been independently audited and is not subject to a modified opinion or emphasis of matter paragraph.

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# Annual Report 2022



Financial  
Performance  
Review  
2022



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DRIVES EXCELLENCE  
WITH PASSION

# A REVIEW O

## NEXT GENERATION FORD RANGER AND EVEREST

A strategic collaboration between Ford and ARB has resulted in customers being offered the best range of accessories which have undergone a rigorous evaluation process by both Ford and ARB engineers. This process ensures fully compatible accessories for the Next Generation Ford Ranger and Everest delivering optimal integration and performance, taking the Ranger experience to the next level for customers. Early demand for these accessories is trending strongly and will only grow as vehicles continue to arrive in Australia.



## NEW HEAD OFFICE REDEVELOPMENT

The ARB office redevelopment will provide a new energised, professional and comfortable work environment for all our staff. This will enable ARB to facilitate anticipated growth by setting ourselves and our people up for long-term, continued success.



ARTIST IMPRESSION

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# F



## NEW STORES

ARB has continued its expansion of Flagship stores. Over the past year, four new Flagship stores were established in Melton and Sale (VIC), in Rutherford (NSW) and in Karratha (WA). Mornington (VIC) is currently under development. The new flagship style offers an improved retail design, educational displays and state-of-the-art fitting bays. The fresh new look brings with it expert advice and specialised service, making it the perfect place for customers to personalise their 4WDs.

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ore



## DISTRIBUTION CENTRE IN TEXAS

ARB has leased a new distribution centre in Texas which is our third in the USA, joining Seattle and Jacksonville. These three locations have been strategically chosen to allow us to reach any US based customer within two days. This centre will be approximately 4,000 square metres and is located 20 miles southwest of Dallas. It is scheduled to be completed by October 2022 and will enable ARB to facilitate anticipated growth across the US market.

ARTIST IMPRESSION

# FY 2021/22



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## CORPORATE INFORMATION

### COMPANY ABN

31 006 708 756

### DIRECTORS

Roger G Brown B.E., M.B.A.

Andrew H Brown

Adrian R Fitzpatrick B.Com., FCA

Robert D Fraser B.Ec., LLB (Hons)

Karen L Phin BA., LLB (Hons), GAICD

Andrew P Stott

### COMPANY SECRETARY

Damon Page B.Bus., CA

### PRINCIPAL REGISTERED OFFICE

42-44 Garden Street

Kiisyth Victoria 3137 Australia

Tel: +61 3 9761 6622

Fax: +61 3 9761 6807

### AUDITORS

Pitcher Partners

Level 13

664 Collins Street

Docklands Victoria 3008

### LOCATION OF REGISTER OF SECURITIES

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street

Abbotsford Victoria 3067

Tel: 1300 850 505 (within Australia)

Tel: +61 3 9415 4000 (from overseas)

Fax: +61 3 9473 2500

### STOCK EXCHANGE

Australian Securities Exchange

Level 4, North Tower

Rialto, 525 Collins Street

Melbourne Victoria 3000

## CHAIRMAN'S STATEMENT

## RESULTS

The Directors of ARB Corporation Limited ("ARB" or the "Company") are pleased to report that the Company achieved a net profit after tax of \$122.0 million for the financial year ended 30 June 2022, up 8.1% on the reported net profit after tax of \$112.9 million in the previous year.

Profit before tax of \$165.7 million for the financial year ended 30 June 2022 represents an increase of 10.4% compared with the previous year.

Sales for the year were \$694.5 million, an increase of \$71.5 million or 11.5% over the previous year sales of \$623.1 million. Continuing sales growth was particularly pleasing as the Company consolidated and built upon the significant 33.9% sales growth achieved last year, despite continuing constraints in new vehicle availability and ongoing personnel and supply chain challenges.

The full year results are summarised below:

Year ended	30 Jun 22	30 Jun 21	Change
	\$'000	\$'000	
<b>Sales</b>	<b>694,525</b>	<b>623,072</b>	<b>11.5%</b>
Other Revenue	2,751	2,785	
<b>Total Revenue</b>	<b>697,276</b>	<b>625,857</b>	<b>11.4%</b>
<b>Profit before Tax</b>	<b>165,678</b>	<b>150,023</b>	<b>10.4%</b>
Tax	(43,672)	(37,128)	
<b>Profit after Tax</b>	<b>122,006</b>	<b>112,895</b>	<b>8.1%</b>
<b>EPS - cents</b>	<b>149.4</b>	<b>140.0</b>	<b>6.7%</b>
<b>DPS - cents</b>			
Interim	39.0	29.0	
Final	<u>32.0</u>	<u>39.0</u>	
<b>Total</b>	<b><u>71.0</u></b>	<b><u>68.0</u></b>	<b>4.4%</b>
Franking (at 30% tax rate)	100%	100%	

The Company has declared a final fully franked dividend of 32.0 cents per share. This brings total dividends for the year to 71.0 cents per share fully franked, an increase of 4.4% compared with last year. The final dividend will be paid on 21 October 2022 and the Record Date will be 7 October 2022. The ARB Dividend Reinvestment Plan and Bonus Share Plan (the "Plans") will be in operation for the final dividend to assist with the funding of ARB's ongoing expansion programme.

Information about the Plans, which will apply to the final dividend, can be found on the Company's website at <https://www.arb.com.au/about/investor-relations/>. Investors wishing to make or change an election to participate in either of the plans can do so online via the Computershare Investor Centre website at [www.computershare.com.au/easyupdate/arb](http://www.computershare.com.au/easyupdate/arb) or by phoning Computershare on 1300 850 505.

## APPOINTMENT OF CHIEF EXECUTIVE OFFICER

The Board was pleased to appoint Mr Lachlan McCann to the role of Chief Executive Officer in early July 2022.

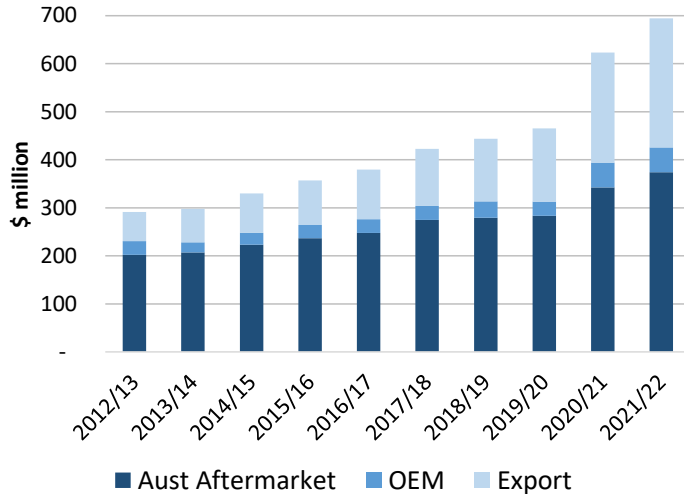
Lachlan commenced with ARB in 2001 and has been a key driver and leader in the business for the last 10 years, overseeing the Company's operations in Thailand (2010-2014), as General Manager of International and OEM Sales (2014-2018) and most recently as the Group Chief Operating Officer.

Shareholders will have the opportunity to hear from Lachlan during the Results webcast at 11.00am on 23 August 2022 and to meet him at the Company's annual general meeting on 28 October 2022 at the RACV Club in Melbourne.

CHAIRMAN'S STATEMENT (continued)

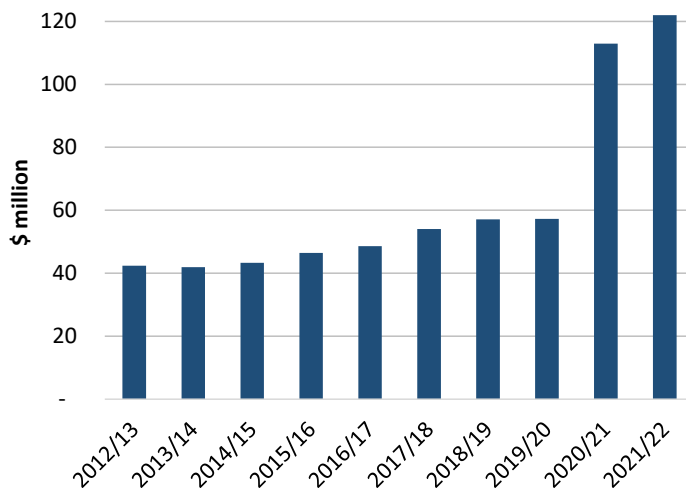
10 YEAR HISTORICAL PERFORMANCE

The sales, profits and dividends per share performance of the Company over the past 10 years are illustrated in the graphs below:



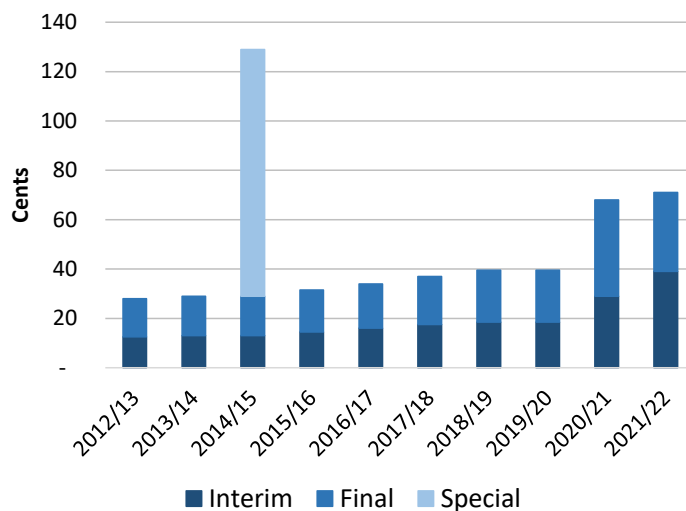
SALES REVENUE

Annual sales revenue has grown at an average compound rate of 10.0% over the past 10 years.



NET PROFIT AFTER TAX

Net profit after tax has grown at an average compound rate of 12.2% over the past 10 years.



DIVIDENDS PER SHARE

Dividends per share have grown steadily over the past 10 years with a special dividend of 100 cents paid in 2014/15.

All dividends have been fully franked.

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## CHAIRMAN'S STATEMENT (continued)

## HIGHLIGHTS OF THE 2021/22 YEAR

## Sales and Distribution

Sales revenue increased by 11.5% in 2021/22 over the previous year. Reasonably solid sales growth was achieved in the Australian Aftermarket and Export categories, whilst sales to Original Equipment Manufacturers were in line with last year as previously communicated:

Customer Category	Percentage of Sales		Sales Growth
	12 months to Jun 2022	12 months to Jun 2021	
Australian Aftermarket	53.8%	54.9%	9.2%
Exports	38.7%	36.7%	17.4%
Original Equipment	7.5%	8.3%	0.2%
Total	100.0%	100.0%	11.5%

The Company achieved very strong sales growth of 25.6% in the first half of this financial year which contrasts to a small decline of 1.1% in sales in the second half compared with the corresponding period last year.

Sales to the Australian Aftermarket and Export markets were significantly impacted in the second half by the emergence of the Omicron COVID-19 variant in January and February 2022, resulting in abnormally high staff absenteeism, and by ongoing limited new vehicle availability. Sales into Export markets were also impacted in the second half by the outbreak of war in Ukraine.

The following table shows the sales mix between the two halves of this financial year:

Customer Category	Sales (\$ millions)		2H v 1H Variance	
	1H FY2022	2H FY2022	\$ millions	%
Australian Aftermarket	191	183	(8)	(4.0%)
Exports	138	131	(7)	(5.1%)
Original Equipment	30	21	(9)	(29.8%)
Total	359	335	(24)	(6.6%)

ARB's distribution network to the wider Australian aftermarket is a key competitive strength, incorporating sales through the ARB branded store network, to ARB stockists, to new vehicle dealers and to fleet operators. ARB also distributes to niche Australian aftermarket segments through its GoActive Outdoors (THULE products), Kingsley Enterprises and SmartBar divisions. Australian Aftermarket sales remained relatively consistent at 53.8% of the Group's sales.

New vehicle sales in Australia declined by 2.1% over the last financial year, however new vehicle sales of ARB's target vehicles, being four-wheel drive utilities and SUVs, grew by 0.3%. Demand for second hand 4WD vehicles globally continues to be strong and product sales for used 4WD vehicles remains an important part of ARB's business.

Branded ARB stores are an integral part of the Company's distribution network throughout Australia. Four new stores were established since this time last year in Melton and Sale, Victoria, in Rutherford, New South Wales, and in Karratha, Western Australia. This brings the total number of ARB stores to 74, of which 30 are Company owned. All new stores were established in ARB's flagship store format.

Export sales grew by 17.4% for the year and now represent 38.7% of ARB's sales, up slightly on last year. ARB continues to focus on overseas markets and sales growth was achieved in all regions: the Americas, Asia/Pacific and the Rest of the World. Constraints in new vehicle availability continue around the world, however these constraints have been particularly severe in the UK where ARB's operations are heavily reliant on product fitment to new vehicles rather than fitment to used vehicles.

Sales to Original Equipment Manufacturers represented 7.5% of ARB's total sales during the year. Although OEM sales declined by 29.8% in the second half compared with the first half, the overall OEM sales growth of 0.2% for the full year was achieved after a record 73.9% sales increase last year. The decline in second half OEM sales was expected and reflects the timing of new contracts and OEMs stocking up during calendar 2021 for new model releases.

## CHAIRMAN'S STATEMENT (continued)

### Products and Engineering

ARB maintains its long-term competitive advantage through investments in product development and innovation. A significant element of the Company's investment in product development is the permanent employment of in excess of 100 engineers across Australia, Thailand, New Zealand and the US. A new Engineering centre located at the Company's corporate head office in Melbourne, Australia, is under construction and due for completion in October 2022. The new centre will consolidate the Australian engineering teams and provide state of the art facilities for collaboration, design, product development and testing.

Significant resources were used in the development of a comprehensive range of ARB and Old Man Emu accessories for the recently released Toyota Landcruiser 300 series and the new Ford Ranger, Raptor and Everest models. Engineering and development also continue on a full suite of premium, aftermarket products for the new Ford Bronco in the USA.

ARB's strategic partnership with Ford Australia via its *Ford Licensed Accessories program* provided ARB with early access to Ford vehicle designs, ensuring ARB was first to market with a complete range of accessories at the time of the vehicles' release.

Several long-term development projects will culminate with new products being released to market throughout 2022/2023. They present exciting growth opportunities and collaboration across the engineering, manufacturing, marketing and sales teams at ARB.

The Company's website at [www.arb.com.au](http://www.arb.com.au) provides further information on ARB's new product releases.

### Financial

Growth in profit before tax of 10.4% was broadly in line with sales revenue growth of 11.5%. Growth in profit after tax of 8.1% was slightly lower due to higher profits being generated in higher-taxing jurisdictions.

Cash flows generated from operations of \$84.6 million declined by \$18.6 million compared with the previous year due to an increase in inventories of \$50.7 million as the Company sought to mitigate increased supply chain lead times and ongoing disruptions. Cash flows from operations were broadly used in the purchase of property and equipment of \$58.1 million and the payment of dividends in cash of \$50.3 million.

The Company's larger than normal capital project expenditure programme will continue throughout 2022/2023 with the anticipated completion of the new 30,000 square metre factory in Thailand in December 2022, ongoing construction of the corporate head office in Melbourne, Australia, and development of the ARB New Zealand site in Hamilton, New Zealand, to consolidate the Beaut Utes and Proform businesses.

ARB's cash reserves of \$52.7 million and no debt as at 30 June 2022 ensure the Company is well placed to continue investing in people, new products, property, distribution networks, machinery and businesses to facilitate ongoing growth.

### THE FUTURE

The Company's growth in 2021/2022 was achieved in a very challenging and uncertain global environment, particularly in the second half of the financial year. These conditions have persisted into the first half of the current financial year and it is not possible to provide further financial or operational guidance in the short term with any level of confidence due to the continuing and significant global economic uncertainties.

Nonetheless, the Board remains positive and expects that the Company should benefit by the end of calendar 2022 from recent new vehicle models, a strong customer order book sitting well above historical levels, a number of all-new products due for imminent release, healthy demand for the Company's products around the world and the prospect of increasing supply of new vehicles to the market.

The Board remains focussed on the long-term growth of the Company as it develops and pursues a number of exciting opportunities, some of which have already been announced to the market. These include further growth in export markets and overseas opportunities, new products, improved distribution and increased manufacturing capacity.

ARB is well positioned to achieve long-term success with strong brands around the world, loyal customers, capable senior management and staff, a strong balance sheet and growth strategies in place.

A first quarter trading update will be provided to shareholders at the AGM on 28 October 2022.



**Roger Brown**  
Chairman, 23 August 2022

## DIRECTORS' REPORT

The Directors present their report together with the financial report of the consolidated entity of ARB Corporation Limited, being the Company and its controlled entities ("the Group"), for the financial year ended 30 June 2022 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Principal Activities

The principal activities of the Group during the course of the financial year remained unchanged and were the design, manufacture, distribution and sale of motor vehicle accessories and light metal engineering works.

### Results

The consolidated profit attributable to members of the parent entity after income tax expense for the financial year was \$122,006,000 (2021: \$112,895,000).

### Review of Operations

A review of the Group's operations is included in the Chairman's Statement on pages 3 to 6.

### Significant Changes in the State of Affairs

There have been no significant changes in the Group's state of affairs during the financial year.

### Subsequent Events

With the exception of the appointment of Lachlan A M McCann as Chief Executive Office on 5 July 2022 and the declaration of a final dividend detailed in Note 6, no other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### Likely Developments

The Group will continue to pursue its operating and financial strategies to create shareholder value. Further information is included in the Chairman's Statement.

### Environmental Regulation

The Group's operations are not significantly impacted by any environmental regulations or laws.

### Dividends Paid, Recommended and Declared

Dividends paid or proposed by the Company since the end of the previous financial year were:

In respect of the financial year:

- An interim fully franked ordinary dividend of 39.0 cents per share was paid on 22 April 2022 (2021: 29.0 cents per share fully franked paid on 23 April 2021)
- The final dividend proposed by the Directors of the Company to be paid on 21 October 2022 is a fully franked dividend of 32.0 cents per share (2021: 39.0 cents per share fully franked paid on 22 October 2021)

Total dividends in respect of the financial year

	2022 \$'000	2021 \$'000
	31,466	23,193
	26,194	31,798
	<b>57,660</b>	<b>54,991</b>

The final dividend was declared subsequent to the financial year end and is not recognised as a liability at 30 June 2022.

All dividends were fully franked at the corporate tax rate of 30%.

### Rounding of Amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and in the financial statements have been rounded to the nearest \$1,000, or in certain cases, to the nearest \$1 (where indicated).

### Comparatives

Where necessary, comparative information has been reclassified for consistency with current year disclosures.

## DIRECTORS' REPORT (continued)

### Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a Director of ARB Corporation Limited at any time during or since the end of the financial year are provided below, together with details of the Company Secretary.

The Directors listed below each held office as a Director of the Company at all times during or since the end of the financial year, except for Mr. John R Forsyth who retired on 14 October 2021.

#### NAME & QUALIFICATIONS

#### EXPERIENCE AND SPECIAL RESPONSIBILITIES

##### Mr. Roger G Brown

B.E., M.B.A.

Chairman

Non-executive Director

Wide range of experience within the automotive industry in Australia and overseas.

Non-executive Director of AMCIL Limited.

Non-executive Chairman of ARB Corporation Limited since 2016.

Executive Chairman of ARB Corporation Limited from 1987 to 2016.

Managing Director of ARB Corporation Limited from 1987 to 2012.

Member of the Risk Management Committee through to February 2022.

##### Mr. Andrew H Brown

Managing Director

Wide range of experience in automotive engineering and marketing.

Managing Director of ARB Corporation Limited since 2012.

Executive Director of ARB Corporation Limited from 1987 to 2012.

Member of the Risk Management Committee through to February 2022.

##### Mr. Adrian R Fitzpatrick

B.Com., FCA

Independent Non-executive Director

Former partner of Pitcher Partners (retired 30 June 2016).

Non-executive Chairman of AussieBroadband Limited since 2020.

Previously a Non-executive Director of RXP Services Ltd from 2019 to 2021.

Non-executive Director of ARB Corporation Limited since 2016.

Member of the Audit & Risk and the Remuneration & Nomination Committees.

##### Mr. John R Forsyth

B.E., M.B.A.

Non-executive Director

Director of ARB Corporation Limited from 1987 to 14 October 2021.

Non-executive Director of ARB Corporation Limited from 2016 to October 2021.

Executive Director of ARB Corporation Limited from 1989 to 2016.

Company Secretary of ARB Corporation Limited from 2004 to 2019.

Member of the Risk Management Committee through to October 2021.

##### Mr. Robert D Fraser

B.Ec., LLB (Hons)

Independent Non-executive Director

Company Director and corporate adviser. Director of Taylor Collison Limited, Deputy

Chairman of Magellan Financial Group Limited and Non-executive Director of F.F.I.

Holdings Limited and MFF Capital Investments Limited.

Non-executive Director of ARB Corporation Limited since 2004.

Chairman of the Audit & Risk and the Remuneration & Nomination Committees.

##### Ms. Karen L Phin

BA., LLB (Hons), GAICD

Independent Non-executive Director

Corporate advisor on capital markets, capital management and funding strategies.

Non-executive Director of Omni Bridgeway Ltd (formerly IMF Bentham Ltd) and

Magellan Financial Group Limited. Member of the Takeovers Panel.

Non-executive Director of ARB Corporation Limited since 2019.

Member of the Audit & Risk and the Remuneration & Nomination Committees.

##### Mr. Andrew P Stott

Independent Non-executive Director

Wide 4WD industry experience.

Non-executive Director of ARB Corporation Limited since 2006.

Member of the Audit & Risk and the Remuneration & Nomination Committees.

##### Mr. Damon Page

B.Bus., CA

Company Secretary

Company Secretary of ARB Corporation Limited since 2019.

Chief Financial Officer of ARB Corporation Limited since 2014.

### Share Options

No options over unissued shares or interests in the Group were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.



**DIRECTORS' REPORT (continued)****Indemnification and Insurance of Directors, Officers and Auditors**

The Company has, during the financial year, in respect of any person who is or has been an officer of the Company or a related body corporate, paid a premium in respect of Directors' and Officers' Liability insurance which indemnifies the Directors and Officers of the Company for any claims made against the Directors and Officers of the Company, subject to conditions contained in the insurance policy. Further disclosures required under Section 300(1)(g) of the *Corporations Act 2001* are prohibited under the terms of the contract.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for the auditors of the Group.

**Directors' Meetings**

The number of Board of Directors and Board Committee meetings held during the financial year, and each director's attendance at these meetings were:

	Board	Remuneration & Nomination Committee	# Audit & Risk Committee	# Audit Committee	# Risk Management Committee
	Meetings attended / Meetings held whilst a member				
Mr. Roger G Brown	11 / 13	*	*	*	13 / 14
Mr. Andrew H Brown	13 / 13	*	*	*	14 / 14
Mr. Adrian R Fitzpatrick	13 / 13	2 / 2	2 / 2	3 / 3	*
Mr. John R Forsyth	4 / 4	*	*	*	6 / 6
Mr. Robert D Fraser	13 / 13	2 / 2	2 / 2	3 / 3	*
Ms. Karen L Phin	13 / 13	2 / 2	2 / 2	3 / 3	*
Mr. Andrew P Stott	12 / 13	2 / 2	2 / 2	3 / 3	*

# The Audit & Risk Committee effectively replaced both the Audit Committee and the Risk Management Committee from 15 February 2022

\* Not a member of the Committee

In addition to scheduled meetings, the Board has informal discussions on a regular basis to consider relevant issues arising. It also has informal meetings, discusses strategic, operational and risk matters with senior management and undertakes site visits.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is included at page 46 of this report.

**Non-Audit Services**

Non-audit services are approved by resolution of the Audit & Risk Committee. Non-audit services provided during the year by the auditors of the Group, Pitcher Partners, are detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

	2022 \$	2021 \$
Amounts paid or payable to auditors for non-audit services provided during the year by the auditors to any entity that is part of the Group for:		
Taxation services	12,000	124,500

**Proceedings on Behalf of the Group**

No person has applied for leave of court to bring proceedings on behalf of the Group.

**DIRECTORS' REPORT (continued)****Remuneration Report - Audited**

The Directors present the Group's 2022 remuneration report which details the remuneration information for ARB Corporation Limited's key management personnel including executive directors and non-executive directors.

The remuneration report forms part of the directors' report and has been prepared and audited in accordance with the requirements of the *Corporations Act 2001*.

**Key Management Personnel**

'Key Management Personnel' ("KMP") are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Being a working Board, strategic direction and decision-making is exercised by the Directors. Accordingly, the Managing Director and the other Directors are considered to be the Group's KMP during all of the financial year ended 30 June 2022.

The Company appointed Lachlan A M McCann as Chief Executive Officer on 5 July 2022. Mr McCann will be included as a KMP in the Group's 2023 remuneration report.

**Remuneration Policies**

The Board's policy for determining the nature and amount of remuneration of KMP is agreed by the Board of Directors as a whole based on the recommendations of the Remuneration and Nomination Committee. The Board obtains professional advice where necessary to ensure that the Group attracts and retains talented and motivated KMP who can enhance the Group's performance through their contributions and leadership.

The Company provides a remuneration package to all KMP which may incorporate both cash-based and non cash-based remuneration. The contracts for service between the Company and specified KMP are on a continuing basis, the terms of which are not expected to change in the immediate future. The remuneration policy is based on providing a fair and competitive annual remuneration package to KMP based on market related data. KMP do not participate in any short-term or long-term incentive arrangements. The Board does not believe that incentives based on the Company's short term returns are appropriate to long term wealth creation for shareholders. The Board believes that the Managing Director and the Board as a whole are appropriately incentivised in the long term by their shareholdings in the Company.

The Company determines the total amount of remuneration for Directors by resolution.

The Group has reimbursed expenses incurred by the Non-executive Directors in the discharge of their duties of \$nil (2021: \$nil).

Details of the nature and amount of each major element of the remuneration of each Director of the Company and each KMP of the Company and the Group for the financial year are:

	Short Term		Long Term		Post Employment	Total
	Salary & Fees \$	Non-cash Benefits \$	Annual Leave \$	Long Service Leave \$	Super-annuation \$	
<b>2022</b>						
Roger G Brown (Chairman)	150,000	-	-	-	15,000	165,000
Andrew H Brown (Managing Director)	422,504	28,701	71,962	61,071	27,500	611,738
Adrian R Fitzpatrick	63,098	-	-	-	6,310	69,408
John R Forsyth (resigned 14 October 2021)	43,750	-	-	-	4,375	48,125
Robert D Fraser	102,003	-	-	-	-	102,003
Karen L Phin	63,098	-	-	-	6,310	69,408
Andrew P Stott	63,098	-	-	-	6,310	69,408
<b>Total</b>	<b>907,551</b>	<b>28,701</b>	<b>71,962</b>	<b>61,071</b>	<b>65,805</b>	<b>1,135,090</b>
<b>2021</b>						
Roger G Brown (Chairman)	153,750	-	-	-	14,606	168,356
Andrew H Brown (Managing Director)	368,347	28,701	32,319	5,960	25,000	460,327
Adrian R Fitzpatrick	62,337	-	-	-	5,922	68,259
John R Forsyth	153,750	-	-	-	14,606	168,356
Robert D Fraser	100,316	-	-	-	-	100,316
Karen L Phin	62,337	-	-	-	5,922	68,259
Andrew P Stott	62,337	-	-	-	5,922	68,259
<b>Total</b>	<b>963,174</b>	<b>28,701</b>	<b>32,319</b>	<b>5,960</b>	<b>71,978</b>	<b>1,102,132</b>

**DIRECTORS' REPORT (continued)**

Since the end of the previous financial year no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the consolidated financial report) because of a contract made by the Company, its controlled entities or a related body corporate with a Director or with a firm of which a Director is a member, or with an entity in which the Director has a substantial interest.

The following table summarises the Group's performance and key performance indicators:

	2022	2021	2020	2019	2018
Revenue (\$'000)	697,276	625,857	466,988	446,572	425,144
Increase in revenue (%)	11.4%	34.0%	4.6%	5.0%	11.5%
Profit before tax (\$'000)	165,678	150,023	78,092	77,692	74,372
Increase/(decrease) in profit before tax (%)	10.4%	92.1%	0.5%	4.5%	10.2%
Profit after tax (\$'000)	122,006	112,895	57,295	57,137	50,969
Increase/(decrease) in profit after tax (%)	8.1%	97.0%	0.3%	12.1%	3.7%
Basic earnings per share (cents)	149.4	140.0	71.8	71.9	64.3
Dividends per share fully franked (cents)	71.0	68.0	39.5	39.5	37.0
Earnings before interest and tax (\$'000)	167,673	151,874	79,766	77,908	74,641
Gearing ratio (%)	n/a	n/a	n/a	n/a	1.3%
End of year share price (\$)	28.24	43.19	17.95	18.20	22.83
Total remuneration of KMP (\$)	1,135,090	1,102,132	985,744	1,114,027	1,055,250

**Key Management Personnel Shareholdings**

The ordinary shares of ARB Corporation Limited held by each Director, either directly or indirectly, were:

2022		Beginning of Year	Acquired	Sold	End of Year
Roger G Brown (Chairman)	(a)	5,920,830	-	(1,000,000)	<b>4,920,830</b>
Andrew H Brown (Managing Director)	(a)	5,933,563	173	(1,000,000)	<b>4,933,736</b>
Adrian R Fitzpatrick		2,500	1,000	-	<b>3,500</b>
John R Forsyth	(b)	1,622,749	n/a	n/a	<b>n/a</b>
Robert D Fraser		29,163	544	-	<b>29,707</b>
Karen L Phin		4,700	-	-	<b>4,700</b>
Andrew P Stott		3,000	2,000	-	<b>5,000</b>

(a) Common to each of R.G. Brown and A.H. Brown are 4,879,272 (2021: 5,879,272) shares held indirectly.

(b) J.R. Forsyth resigned as a director on 14 October 2021. There were no transactions of shares between the beginning of the year and his resignation.

**\*\*\* End of the Remuneration Report \*\*\***

**Corporate Governance Statement**

The Company's Corporate Governance Statement is included at page 48 of this report and is also available on the Company website at <http://www.arb.com.au/about/investor-relations/>.

Signed in accordance with a resolution of the Directors.



Roger G Brown  
Director

Melbourne, 23 August, 2022

**CONSOLIDATED INCOME STATEMENT**

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
Sales revenue		694,525	623,072
Other income		2,751	2,785
<b>Total revenue and other income</b>	<b>3</b>	<b>697,276</b>	<b>625,857</b>
Materials and consumables used		(305,129)	(278,878)
Employee expenses		(144,403)	(129,093)
Government wage subsidies		-	9,819
Depreciation and amortisation expense	4	(24,992)	(23,513)
Advertising expense		(5,860)	(5,975)
Distribution expense		(17,013)	(14,467)
Finance expense		(2,069)	(2,002)
Occupancy expense		(14,432)	(13,820)
Maintenance expense		(6,392)	(5,065)
Other expenses		(11,308)	(12,840)
<b>Profit before income tax expense</b>		<b>165,678</b>	<b>150,023</b>
Income tax expense	5	(43,672)	(37,128)
<b>Profit attributable to members of the parent entity</b>		<b>122,006</b>	<b>112,895</b>
<b>Basic and Diluted earnings per share (cents)</b>	<b>25</b>	<b>149.4</b>	<b>140.0</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
<b>Profit attributable to members of the parent entity</b>		<b>122,006</b>	<b>112,895</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to Profit/(Loss)</b>			
Movement in fair value of cash flow hedges	19	(14)	82
Exchange differences on translation of foreign operations	19	(2,227)	(13,824)
<b>Other comprehensive income for the year</b>		<b>(2,241)</b>	<b>(13,742)</b>
<b>Total comprehensive income for the year attributable to members of the parent entity</b>		<b>119,765</b>	<b>99,153</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents	23	52,707	84,771
Receivables	7	76,713	79,890
Derivative financial instruments	14	42	151
Inventories	8	223,616	172,958
Other assets	9	5,980	6,292
<b>Total current assets</b>		<b>359,058</b>	<b>344,062</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	241,122	201,434
Deferred tax assets	5	9,096	9,977
Intangible assets	11	62,735	63,110
Right-of-use assets	12	32,197	39,679
<b>Total non-current assets</b>		<b>345,150</b>	<b>314,200</b>
<b>Total assets</b>		<b>704,208</b>	<b>658,262</b>
<b>Current liabilities</b>			
Payables	13	63,061	73,234
Derivative financial instruments	14	6	74
Current tax liabilities	5	9,179	14,168
Lease liabilities	16	6,326	5,927
Provisions	17	20,862	19,414
<b>Total current liabilities</b>		<b>99,434</b>	<b>112,817</b>
<b>Non-current liabilities</b>			
Lease liabilities	16	31,708	39,200
Deferred tax liabilities	5	1,104	933
Provisions	17	16,615	19,535
<b>Total non-current liabilities</b>		<b>49,427</b>	<b>59,668</b>
<b>Total liabilities</b>		<b>148,861</b>	<b>172,485</b>
<b>NET ASSETS</b>		<b>555,347</b>	<b>485,777</b>
<b>EQUITY</b>			
Contributed equity	18	183,560	170,789
Reserves	19	7,281	9,522
Retained earnings	20	364,506	305,466
<b>TOTAL EQUITY</b>		<b>555,347</b>	<b>485,777</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2022

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance as at 1 July 2020</b>	<b>116,916</b>	<b>23,264</b>	<b>232,081</b>	<b>372,261</b>
Profit for the year	-	-	112,895	112,895
Movement in fair value of cash flow hedges, net of tax	-	82	-	82
Exchange differences on translation of foreign operations, net of tax	-	(13,824)	-	(13,824)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(13,742)</b>	<b>112,895</b>	<b>99,153</b>
<b>Transactions with owners in their capacity as owners:</b>				
Contributions	53,728	-	-	53,728
Share issue	145	-	-	145
Dividends paid	-	-	(39,510)	(39,510)
<b>Total transactions with owners in their capacity as owners</b>	<b>53,873</b>	<b>-</b>	<b>(39,510)</b>	<b>14,363</b>
<b>Balance as at 30 June 2021</b>	<b>170,789</b>	<b>9,522</b>	<b>305,466</b>	<b>485,777</b>
<b>Balance as at 1 July 2021</b>	<b>170,789</b>	<b>9,522</b>	<b>305,466</b>	<b>485,777</b>
Profit for the year	-	-	122,006	122,006
Movement in fair value of cash flow hedges, net of tax	-	(14)	-	(14)
Exchange differences on translation of foreign operations, net of tax	-	(2,227)	-	(2,227)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(2,241)</b>	<b>122,006</b>	<b>119,765</b>
<b>Transactions with owners in their capacity as owners:</b>				
Dividend reinvestment and bonus share plans (net of underwriter's fee)	12,650	-	-	12,650
Share issue	121	-	-	121
Dividends paid	-	-	(62,966)	(62,966)
<b>Total transactions with owners in their capacity as owners</b>	<b>12,771</b>	<b>-</b>	<b>(62,966)</b>	<b>(50,195)</b>
<b>Balance as at 30 June 2022</b>	<b>183,560</b>	<b>7,281</b>	<b>364,506</b>	<b>555,347</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		747,783	651,141
Payments to suppliers and employees		(614,016)	(516,480)
Interest received		74	151
Finance costs		(1,654)	(1,864)
Income tax paid		(47,575)	(29,777)
<b>Net cash provided by Operating activities</b>	23	<b>84,612</b>	<b>103,171</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment	10	(58,097)	(33,138)
Payments for development costs	11	(3,919)	(2,754)
Payments for intangible software assets	11	(326)	(711)
Proceeds from sales of property, plant & equipment		2,487	783
Payments for business acquisition (net of cash acquired)	22	(769)	(15,188)
<b>Net cash used in Investing activities</b>		<b>(60,624)</b>	<b>(51,008)</b>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(50,302)	-
DRP underwriting fee		-	(551)
Payments for lease liabilities		(6,384)	(5,399)
Repayment of borrowings		-	(3,391)
<b>Net cash used in Financing activities</b>		<b>(56,686)</b>	<b>(9,341)</b>
Foreign exchange differences		634	380
<b>Net increase/(decrease) in cash held</b>		<b>(32,064)</b>	<b>43,202</b>
Cash at the beginning of the financial year		84,771	41,569
<b>Cash at the end of the financial year</b>	23	<b>52,707</b>	<b>84,771</b>

The accompanying notes form part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

### NOTES TO THE FINANCIAL STATEMENTS

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the consolidated entity ("the Group") in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for the purpose of preparing the financial statements.

The financial report covers ARB Corporation Limited and its controlled entities as a consolidated entity. ARB Corporation Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors as at the date of the Directors' report.

#### *Compliance with IFRS*

The consolidated financial statements of ARB Corporation Limited also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Historical cost convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (b) Going concern

The financial report has been prepared on a going concern basis.

#### (c) Principles of consolidation

The consolidated financial statements are those of the Group, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are fully consolidated from the date on which control is established.

#### (d) Revenue recognition

Revenue is recognised as, or when, goods or services are transferred to the customer, and is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods or services. The Group provides a general warranty for all goods sold. The Group does not provide customers with the option to purchase an additional or extended warranty. Warranty obligations are recognised as a provision, and are measured at the Group's estimate of the expenditure required to fulfil its warranty obligations at the reporting date.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

#### (e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of six months or less held at call with financial institutions, and bank overdrafts.

#### (f) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and consumables: purchase standard cost on a first-in-first-out basis;
- Finished goods and work in progress: cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(g) Property, plant and equipment***Cost and valuation*

Freehold land and buildings are shown at cost less accumulated depreciation for buildings and accumulated impairment losses.

All other classes of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

*Depreciation*

Land is not depreciated. The depreciable amounts of all other plant and equipment are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:	2022	2021
- Buildings:	40 years	40 years
- Plant and equipment:	3 to 20 years	3 to 10 years

**(h) Leases**

The Group accounts for leases on balance sheet and, as a lessee, recognises right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments for all leases with a term greater than 12 months.

Right-of-use assets are initially measured at their cost comprising the amount of the initial measurement of the lease liability, lease payments made prior to commencing the lease and other direct costs incurred including an estimate of required make good costs at the end of the lease term less any lease incentives received. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. Lease costs are depreciated over the shorter of the lease term or the estimated useful life of the asset.

Lease liabilities are initially measured at the present value of the lease payments over the lease term using the Group's incremental borrowing rate. Lease liabilities are subsequently measured at the present value of the remaining lease payments adjusted to reflect changes to lease terms or payments. Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

The Group has also elected (i) to not recognise right-of-use assets and lease liabilities for low value assets, rather, lease payments associated with these assets are recognised as an expense on a straight-line basis over the lease term, (ii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics, and (iii) to use hindsight to determine the lease term for contracts that include options to renew, extend or terminate the lease.

**(i) Intangibles***Goodwill*

Goodwill is initially measured as described in Note 1 (r). Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

*Research and development*

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on motor vehicle accessories design and development activities is capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of the intangible assets over their estimated useful lives, which range from 3 to 5 years. Amortisation commences when the intangible asset is available for use. Other development expenditure is expensed when incurred.

*IT software development costs*

Costs incurred in developing IT software are initially recognised as an asset, and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset.

*Distribution rights*

Distribution rights are recorded at cost.

Amortisation is calculated using a straight-line method to allocate the cost over the period of the distribution rights.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) Taxes**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

***Tax consolidation***

The parent entity and its controlled Australian entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

**(k) Impairment of non-financial assets**

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with *AASB 136 Impairment of Assets*. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

**(l) Employee benefits**

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities which are not expected to be settled wholly before 12 months after the end of the reporting period are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

**(m) Financial instruments**

**Receivables:** measured at fair value at inception and subsequently at amortised cost using the effective interest rate method. Receivables are tested for impairment. Any impairment loss is recognised in the profit and loss. The Group applies the simplified approach under *AASB 9 Financial Instruments* to measuring the allowance for credit losses for receivables from contracts with customers on the basis of the lifetime expected credit losses of the financial asset that are expected to result from default events. Expected credit losses are based on a review of debtor balances and identification of specific debtors, based on historical credit loss experience, and adjusted for factors that are specific to the financial asset, as well as current and future expected economic

**Financial liabilities:** include trade payables, other creditors, provision for deferred consideration and loans from third parties measured at amortised cost.

**Hedge accounting:** certain derivatives are designated as hedging instruments and are classified as cash flow hedges. At the inception of each hedging transaction the Group documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

**Cash flow hedge:** to qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the cash flow hedging reserve. The gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby mitigating any exchange fluctuations that would have transpired in the absence of the hedge.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) Foreign currency

##### *Functional and presentation currency*

The financial statements of each Group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### *Transactions and balances*

Transactions in foreign currencies of entities within the Group are translated into their functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Entities that have a functional currency different to the presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate prevailing on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate;
- All resulting exchange differences are recognised as Other Comprehensive Income.

#### (o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (p) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

#### (q) Significant accounting estimates and judgements

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

##### *Inventories*

Management has assessed the value of inventory that is likely to be sold below cost using past experience and judgement on the likely sell through rates of various items of inventory, and booked a provision for this amount.

##### *Impairment of goodwill*

Goodwill is allocated to cash generating units (CGU) according to management's expectations regarding which assets will be expected to benefit from the synergies arising from the business combination that gave rise to the goodwill. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated as disclosed in Note 11 of the financial statements.

##### *Impairment of non-financial assets other than goodwill*

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined. The recoverable amount of a CGU is based on value in use calculations.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (r) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss.

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Acquisition related costs are expensed as incurred.

#### (s) New and revised accounting standards effective at 30 June 2022

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2021.

#### (t) New accounting standards and interpretations issued but not operative at 30 June 2022

A number of new accounting standards and interpretations have been issued at the reporting date but are not yet effective. The Directors have not yet assessed the impact of these standards or interpretations.

#### (u) Rounding amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' Report and in the financial statements have been rounded to the nearest \$1,000, or in certain cases, to the nearest \$1 (where indicated).

#### (v) Government wage subsidies

Government wage subsidies are recognised when there is reasonable certainty that the subsidy will be received and all subsidy conditions are met. Subsidies relating to expense items are recognised as a negative expense over the periods necessary to match the subsidy to the costs for which they are compensating.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**2. FINANCIAL RISK MANAGEMENT**

The Group is exposed to a variety of financial risks comprising:

- |                        |                    |
|------------------------|--------------------|
| (a) Currency risk      | (b) Liquidity risk |
| (c) Interest rate risk | (d) Credit risk    |
| (e) Fair values        |                    |

The Board of Directors has overall responsibility for ensuring that the risk mitigation actions recommended by the senior management team are implemented. The Board's policy with respect to the Group's exposure to financial risks is to seek to minimise potential adverse effects on the financial performance as a result of risks arising from financial instruments.

**(a) Currency risk**

Derivative financial instruments are used by the Group to hedge exposure to exchange rate risk associated with foreign currency transactions. Transactions for hedging purposes are undertaken without the use of collateral as the Group only deals with reputable institutions with sound financial positions.

The Group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the Group against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

Forward exchange contracts as at 30 June were:

	2022 A\$'000	2021 A\$'000	2022 Forward Rate	2021 Forward Rate
<b>Settlement - less than 6 months</b>				
Sell AUD / Buy THB	1,219	41,411	25.2100	24.1482
Sell GBP / Buy THB	945	7,058	43.6424	40.7459
Sell GBP / Buy USD	72	1,608	1.3635	1.3315
Sell GBP / Buy Euro	-	1,022	-	1.1366
Sell AUD / Buy SEK	2,174	-	7.0430	-

The Group trades in various foreign currencies for both sales and purchases.

The Group purchases some equipment and products in Thai Baht (THB), United States Dollars (USD), New Zealand Dollars (NZD), Euro (EUR), Japanese Yen (JPY), Swedish Krona (SEK) and Great British Pounds (GBP). To minimise the risk on the exposure to these currencies, the Group may take out hedge contracts.

There is a net deficit of Thai Baht (THB) received over the Group's THB payments. Accordingly, the Group monitors the foreign currency exchange rates and may take out hedge contracts to stabilise the Group's purchase of THB.

There is a net deficit of United States Dollars (USD) received over the Group's USD payments. Accordingly, the Group monitors the foreign currency exchange rates and may take out hedge contracts to stabilise the Group's purchase of USD.

There is a net surplus of Euro received over the Group's Euro payments. Accordingly, the Group monitors the foreign currency exchange rates and may take out hedge contracts to stabilise the Group's sale of Euro.

If the Group considers its exposure in a foreign currency to be significant it will consider the use of hedging contracts.

**Sensitivity**

No reasonable movement in the Australian dollar (AUD) rates (for example 10% up or down) used to determine the fair value of the Group's financial instruments would result in a significant impact on profit or equity.

**(b) Liquidity risk**

The Group monitors its cash flow on a daily basis to ensure it can meet its obligations associated with financial liabilities.

*Maturity analysis*

Financial liabilities, excluding lease liabilities and deferred consideration, are contractually due to be settled within six months. As at 30 June 2022, property lease payments due within 1 year: \$7.7m; within 1-5 years: \$21.3m; and more than 5 years: \$15.2m. As at 30 June 2021, property lease payments due within 1 year: \$8.2m; within 1-5 years: \$27.0m; and more than 5 years: \$19.9m. As at 30 June 2022, deferred and contingent consideration is due within 1 year: \$2.3m; and within 1-5 years: \$15.6m. As at 30 June 2021, deferred and contingent consideration is due within 1 year: \$2.4m; and within 1-5 years: \$18.3m.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**2. FINANCIAL RISK MANAGEMENT (continued)****(c) Interest rate risk**

The Group monitors its cash flow on a daily basis. Borrowings as at 30 June 2022 were \$nil (2021: \$nil). Finance facilities available and used as at the reporting date are disclosed in Note 15.

The Group's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised at the balance date, are as follows:

	Note	Weighted Average Interest rate %	Floating Interest rate \$'000	Fixed interest maturing in :		Non Interest Bearing \$'000	Total \$'000
				1 year or less \$'000	More than 1 year \$'000		
<b>2022</b>							
<i>Financial assets</i>							
Cash	23	0.89%	52,707	-	-	-	<b>52,707</b>
Receivables	7	-	-	-	-	76,713	<b>76,713</b>
Derivative financial instruments	14	-	-	-	-	42	<b>42</b>
<i>Financial liabilities</i>							
Payables	13	-	-	-	-	63,061	<b>63,061</b>
Derivative financial instruments	14	-	-	-	-	6	<b>6</b>
Lease liabilities	16	3.84%	-	6,326	31,708	-	<b>38,034</b>
Provision for deferred consideration	17	2.91%	-	-	2,234	2,299	<b>4,533</b>
Provision for contingent consideration	17	2.91%	-	-	13,407	-	<b>13,407</b>
<b>2021</b>							
<i>Financial assets</i>							
Cash	23	0.12%	84,771	-	-	-	<b>84,771</b>
Receivables	7	-	-	-	-	79,890	<b>79,890</b>
Derivative financial instruments	14	-	-	-	-	151	<b>151</b>
<i>Financial liabilities</i>							
Payables	13	-	-	-	-	73,234	<b>73,234</b>
Derivative financial instruments	14	-	-	-	-	74	<b>74</b>
Lease liabilities	16	4.03%	-	5,927	39,200	-	<b>45,127</b>
Provision for deferred consideration	17	2.31%	-	-	4,619	2,425	<b>7,044</b>
Provision for contingent consideration	17	2.31%	-	-	13,688	-	<b>13,688</b>

**(d) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any allowance for credit losses, as disclosed in the Consolidated Statement of Financial Position and Notes to the Financial Statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by members of the Group.

**Concentrations of credit risk**

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers. The majority of cash holdings are held on deposit with Australian banks.

**(e) Fair values**

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Consolidated Statement of Financial Position and Notes to the Financial Statements.

The fair values of derivative hedging instruments have been determined based on observable inputs including foreign currency forward exchange rates. Derivative hedging instruments are classified as Level 2 in the fair value measurement hierarchy. These foreign currency forward contracts are valued on a discounted cash flow basis using forward exchange rates. All other financial assets and liabilities carrying amounts are a reasonable approximation of fair values as they are short term trade receivables and payables.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**3. REVENUES FROM CONTINUING OPERATIONS**

	2022 \$'000	2021 \$'000
Revenue from sale of goods	694,525	623,072
Other income:		
Interest	74	151
Net gain on disposal of property, plant and equipment	60	181
Other	2,617	2,453
Total other income	2,751	2,785
<b>Total income from continuing operations</b>	<b>697,276</b>	<b>625,857</b>

**4. PROFIT FROM CONTINUING OPERATIONS**

	Note	2022 \$'000	2021 \$'000
Cost of goods sold		379,762	350,187
Depreciation of non-current assets:			
Buildings	10 (a)	3,259	3,189
Plant and equipment	10 (a)	11,334	10,471
		<b>14,593</b>	<b>13,660</b>
Amortisation of non-current assets:			
Development costs capitalised	11	2,543	2,509
Intangible software assets	11	968	1,035
Right-of-use assets	12	6,888	6,309
		<b>10,399</b>	<b>9,853</b>
Total depreciation and amortisation		<b>24,992</b>	<b>23,513</b>
Other expense items:			
Trade receivables (recovered) / written off		29	(81)
Provision for inventory obsolescence		2,768	3,627
Research and development expenditure		12,028	12,001

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 5. INCOME TAX

Note	2022 \$'000	2021 \$'000
<b>(a) The components of tax expense:</b>		
Current tax	42,824	41,325
Deferred tax	1,075	(4,133)
(Over) / Underprovision prior year	(227)	(64)
<b>Total income tax expense</b>	<b>43,672</b>	<b>37,128</b>
<b>(b) Income tax expense</b>		
Prima facie income tax expense at 30% (2021: 30%) on the operating profit	49,703	45,007
Increase/(decrease) in income tax expense due to:		
Differences in overseas tax rates	(5,953)	(9,453)
Research & development	(66)	(117)
Intercompany dividend	-	1,135
Other	215	620
<b>Income tax expense on operating profit</b>	<b>43,899</b>	<b>37,192</b>
(Over) / Underprovision prior year	(227)	(64)
<b>Total income tax expense</b>	<b>43,672</b>	<b>37,128</b>
<b>(c) Deferred tax</b>		
<b>Deferred tax assets</b>		
Deferred tax asset comprises the estimated future benefits at applicable income tax rates of the following items:		
Provisions, accruals and accrued employee benefits	6,798	6,745
Doubtful debt impairment	201	221
Inventory write-down	2,792	2,334
Income tax expense on group unrealised profit	2,541	3,663
Leases	1,740	1,640
Other	(107)	178
	<b>13,965</b>	<b>14,781</b>
<b>Deferred tax liabilities</b>		
Deferred tax liability comprises the estimated future expenses at applicable income tax rates for the following items:		
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	1,755	528
Development costs capitalised	4,065	3,872
Acquired	-	989
Other income not yet assessable	153	348
	<b>5,973</b>	<b>5,737</b>
<b>Net deferred tax assets</b>	<b>7,992</b>	<b>9,044</b>
<b>Disclosed on Balance Sheet:</b>		
Deferred tax assets	<b>9,096</b>	9,977
Deferred tax liabilities	<b>(1,104)</b>	(933)
<b>Net deferred tax assets</b>	<b>7,992</b>	<b>9,044</b>
<b>(d) Current tax liabilities</b>		
Balance at the beginning of the financial year	14,168	2,948
Income tax	42,824	41,325
Tax payments	(47,575)	(29,777)
Acquired	-	(205)
Under / (over) provisions	(227)	(64)
Other	(11)	(59)
<b>Current tax liabilities</b>	<b>9,179</b>	<b>14,168</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 6. DIVIDENDS

	Note	2022 \$'000	2021 \$'000
Dividends recommended or paid by the Company are:			
<b>Recognised amounts</b>			
A final fully franked ordinary dividend of 39.0 cents per share was paid on 22 October 2021 (2021: 21 cents fully franked)		31,500	16,317
An interim fully franked ordinary dividend of 39.0 cents per share was paid on 22 April 2022 (2021: 29 cents fully franked)		31,466	23,193
	20	<b>62,966</b>	<b>39,510</b>
<b>Unrecognised amounts</b>			
A final fully franked ordinary dividend is proposed of 32.0 cents per share to be paid on 21 October 2022 (2021: 39.0 cents fully franked)		<b>26,194</b>	<b>31,798</b>

The final dividend was declared subsequent to 30 June 2022 and is therefore not recognised as a liability at 30 June 2022.

The dividends paid by the Company were fully franked at the tax rate of 30% (2021: 30%) and the recommended dividends will be fully franked at the tax rate of 30%.

**Dividend franking account**

The balance of the franking account at year end that could be distributed as franked dividends using franking credits already in existence or which will arise from the payment of income tax provided for in the financial statements and after deducting franking credits to be used in payment of the above dividends:

Franking credits (measured on a tax paid basis under Australian Legislation)	<b>75,806</b>	<b>62,340</b>
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## 7. RECEIVABLES

	2022 \$'000	2021 \$'000
<b>Current</b>		
Trade receivables	74,946	75,015
Other receivables	2,563	5,642
	<b>77,509</b>	<b>80,657</b>
Less: allowance for credit losses	(796)	(767)
	<b>76,713</b>	<b>79,890</b>
<b>Allowance for credit losses</b>		
Receivables ageing analysis at 30 June is:		
Not past due	69,593	72,558
Past due 0 - 30 days	5,483	6,157
Past due 31 - 90 days	1,504	994
Past due more than 91 days	929	948
	<b>77,509</b>	<b>80,657</b>

Trade receivables are non interest bearing with 30 day terms. A credit loss is recognised when there is an expectation of impairment of trade receivables. The credit losses have been included within Other expenses in the Consolidated Income Statement. All trade receivables that are not impaired are expected to be received.

Movements in the allowance for credit losses were:

Opening balance at 1 July	(767)	(848)
Writeback / (charge) for the year	(37)	9
Amounts written off	11	64
Foreign exchange translation	(3)	8
Closing balance at 30 June	<b>(796)</b>	<b>(767)</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 8. INVENTORIES

	2022 \$'000	2021 \$'000
<b>Current</b>		
Raw materials and work in progress	41,655	33,871
Finished goods	154,015	99,796
Goods in transit, at cost	39,804	48,381
Less: Provision for stock obsolescence	(11,858)	(9,090)
	<b>223,616</b>	<b>172,958</b>

## 9. OTHER ASSETS

	2022 \$'000	2021 \$'000
<b>Current</b>		
Prepayments	5,980	6,292

## 10. PROPERTY, PLANT AND EQUIPMENT

	2022 \$'000	2021 \$'000
Land and buildings, at cost	208,520	167,111
Less: accumulated depreciation	(21,552)	(18,574)
	<b>186,968</b>	<b>148,537</b>
Plant and equipment, at cost	144,915	135,024
Less: accumulated depreciation	(90,761)	(82,127)
	<b>54,154</b>	<b>52,897</b>
Total property, plant and equipment	<b>241,122</b>	<b>201,434</b>

(a) Movements in the carrying amounts	Land & Buildings \$'000	Plant & Equipment \$'000	Total \$'000
<b>2022</b>			
Balance at the beginning of financial year	148,537	52,897	201,434
Additions	44,509	13,588	58,097
Business acquisitions	123	277	400
Disposals	(1,815)	(612)	(2,427)
Depreciation	(3,259)	(11,334)	(14,593)
Foreign exchange impact	(1,127)	(662)	(1,789)
Balance at the end of financial year	<b>186,968</b>	<b>54,154</b>	<b>241,122</b>
<b>2021</b>			
Balance at the beginning of financial year	128,395	52,004	180,399
Additions	20,123	13,015	33,138
Business acquisitions	6,598	1,548	8,146
Disposals	-	(602)	(602)
Depreciation	(3,189)	(10,471)	(13,660)
Foreign exchange impact	(3,390)	(2,597)	(5,987)
Balance at the end of financial year	<b>148,537</b>	<b>52,897</b>	<b>201,434</b>

(b) Property, plant and equipment have been granted as security over bank facilities. Refer to note 15 for details.

(c) Fair value of freehold land and buildings – The Group obtains independent property valuations of freehold land and buildings on a 3 year rotational basis. The total current valuations for freehold land and buildings are \$205.9 million, compared with the collective carrying value of \$187.0 million. The fair value measurements have been determined as level 3 in the fair value measurement hierarchy. The valuations are based on the expected vacant possession sales price with consideration of comparable sales information and prevailing rental capitalisation rates.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 11. INTANGIBLE ASSETS

	2022 \$'000	2021 \$'000
Goodwill	48,745	49,844
Development costs	33,962	30,043
Less: accumulated amortisation	(21,666)	(19,123)
	<b>12,296</b>	<b>10,920</b>
Intangible software assets	11,986	11,691
Less: accumulated amortisation	(10,292)	(9,345)
	<b>1,694</b>	<b>2,346</b>
Total intangible assets	<b>62,735</b>	<b>63,110</b>

Movements in the carrying amounts	Goodwill \$'000	Development Costs \$'000	Intangible Software Assets \$'000	Total \$'000
<b>2022</b>				
Balance at the beginning of financial year	49,844	10,920	2,346	63,110
Additions	-	3,919	326	4,245
Business acquisitions	179	-	-	179
Adjustment to provisionally accounted goodwill (note 22)	(1,177)	-	-	(1,177)
Amortisation	-	(2,543)	(968)	(3,511)
Foreign exchange impact	(101)	-	(10)	(111)
Balance at the end of financial year	<b>48,745</b>	<b>12,296</b>	<b>1,694</b>	<b>62,735</b>
<b>2021</b>				
Balance at the beginning of financial year	22,660	10,675	2,189	35,524
Additions	-	2,754	711	3,465
Business acquisitions	27,197	-	473	27,670
Amortisation	-	(2,509)	(1,035)	(3,544)
Foreign exchange impact	(13)	-	8	(5)
Balance at the end of financial year	<b>49,844</b>	<b>10,920</b>	<b>2,346</b>	<b>63,110</b>

## Impairment

Goodwill is allocated to the cash-generating units in the table below. The impairment test for each of these units has been prepared using a value-in-use calculation with a calculation for year 1 cash flows approved by management and years 2 to 5 projected using the growth rate below. Growth rates are based upon Directors' assumptions and consideration of historical averages.

	Goodwill \$'000	Growth rate	Discount Rate (post tax)	Period of projection
<b>2022</b>				
GoActive Outdoors	2,008	5.0%	9.0%	5 years
Kingsley Enterprises	3,226	4.5%	9.0%	5 years
SmartBar	1,648	5.0%	9.0%	5 years
ARB Corporation (Australia)	12,665	6.5%	9.0%	5 years
ARB New Zealand	3,177	4.5%	9.0%	5 years
Auto Styling Truckman Group Limited	26,021	4.5%	9.0%	5 years
<b>2021</b>				
GoActive Outdoors	2,008	5.0%	10.0%	5 years
Kingsley Enterprises	3,226	4.5%	10.0%	5 years
SmartBar	1,648	5.0%	10.0%	5 years
ARB Corporation (Australia)	12,486	6.5%	10.0%	5 years
ARB New Zealand	3,279	5.0%	10.0%	5 years
Auto Styling Truckman Group Limited	27,197	(i)	(i)	(i)

(i) Auto Styling Truckman Group Limited was a recent acquisition as at 30 June 2021 and formal assumptions had not been developed.

No reasonable change in any of the key assumptions would result in a material impairment.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**12. RIGHT-OF-USE ASSETS**

The Group leases various properties for retail and warehouse operations. Lease terms are typically contracted for an initial period of 10 years with an option to renew at the end of the initial term. Lease payments are renegotiated every five years to reflect prevailing market conditions.

	2022 \$'000	2021 \$'000
<b>Lease Assets</b>		
Land and buildings under lease arrangements at cost	58,004	60,207
Accumulated depreciation	(25,807)	(20,528)
	<b>32,197</b>	<b>39,679</b>

<b>Movements in the carrying amounts</b>	2022 \$'000	2021 \$'000
Balance at the beginning of financial year	39,679	40,175
Additions	2,704	6,312
Disposals	(3,284)	(460)
Depreciation	(6,888)	(6,309)
Foreign exchange impact	(14)	(39)
Balance at the end of financial year	<b>32,197</b>	<b>39,679</b>

**13. PAYABLES**

	2022 \$'000	2021 \$'000
<b>Current</b>		
Trade payables	10,026	10,929
Other payables	53,035	62,305
	<b>63,061</b>	<b>73,234</b>

**14. DERIVATIVE FINANCIAL INSTRUMENTS**

	2022 \$'000	2021 \$'000
Derivatives that are designated and effective as hedging instruments carried at fair value.		
<b>Current assets</b>		
Forward exchange contracts	42	151
<b>Current liabilities</b>		
Forward exchange contracts	6	74

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 15. FINANCING ARRANGEMENTS

	2022 \$'000	2021 \$'000
<b>Financing arrangements</b>		
The Group has access to the following lines of credit:		
Total facilities available:		
Market loans	20,000	20,000
Lease guarantees	4,850	2,000
Standby letter of credit	500	3,000
	<b>25,350</b>	<b>25,000</b>
Facilities utilised at balance date:		
Market loan	-	-
Lease guarantees	2,111	1,302
Standby letter of credit	361	1,447
	<b>2,472</b>	<b>2,749</b>
Facilities not utilised at balance date:		
Market loan	20,000	20,000
Lease guarantees	2,739	698
Standby letter of credit	139	1,553
	<b>22,878</b>	<b>22,251</b>

**(i) Market loan and International facility**

The market loans and international facility are subject to annual review. Following such review, the bank retains the right at its discretion to review all of the terms and conditions of the facilities including without limitation all facility limits, fees, pricing, security and facility conditions.

**(ii) Security & conditions**

The above facilities are secured by a First Registered Company Charge over all assets and undertakings of the Company and its Australian controlled entities.

## 16. LEASE LIABILITIES

	2022 \$'000	2021 \$'000
<b>Lease liabilities</b>		
Current lease liabilities	6,326	5,927
Non-current lease liabilities	31,708	39,200
	<b>38,034</b>	<b>45,127</b>
<b>Lease expenses and cashflows</b>		
Interest expense on lease liabilities	1,654	1,864
Amortisation expense on lease assets	6,887	6,309
Cash outflow in relation to leases	8,037	7,263

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**17. PROVISIONS**

	2022 \$'000	2021 \$'000
<b>Current</b>		
Employee benefits	18,563	16,989
Provision for deferred consideration	2,299	2,425
	<b>20,862</b>	<b>19,414</b>
<b>Non-current</b>		
Employee benefits	974	1,228
Provision for deferred consideration (i)	2,234	4,619
Provision for contingent consideration (ii)	13,407	13,688
	<b>16,615</b>	<b>19,535</b>
<b>Total employee benefits</b>	<b>19,537</b>	<b>18,217</b>

(i) The movement in provision for non-current deferred consideration is attributable to an instalment payment on the first year anniversary of the acquisition and the impact of movements in foreign exchange and interest rates.

(ii) The movement in provision for non-current contingent consideration is attributable to the impact of movements in foreign exchange and interest rates.

**Contingent consideration**

The fair value of contingent consideration is estimated using the discounted cash flow technique and is determined by applying a market derived discount rate to the estimated future cash outflow (based on the probability adjusted estimated future earnings of the acquired business). The estimated contingent liability is translated to AUD at year end spot rate. If the estimated future earnings were to decrease, the fair value of the contingent consideration would also decrease.

**18. CONTRIBUTED EQUITY**

	2022 \$'000	2021 \$'000
<b>Issued and paid up capital</b>		
81,855,789 ordinary shares (2021: 81,533,865)	<b>183,560</b>	<b>170,789</b>

Fully paid ordinary shares carry one vote and carry the right to dividends.

<b>Movements during the year</b>	<b>2022 Shares</b>	<b>2021 Shares</b>	<b>2022 \$'000</b>	<b>2021 \$'000</b>
Balance at the beginning of the financial year	81,533,865	79,830,525	170,789	116,916
Dividend reinvestment plan, Bonus share plan and associated underwriting	319,287	1,698,660	12,650	54,279
Other shares issued	2,637	4,680	121	145
Transaction costs of share issue	-	-	-	(551)
Balance at the end of the financial year	<b>81,855,789</b>	<b>81,533,865</b>	<b>183,560</b>	<b>170,789</b>

**Capital management**

When managing capital, the Board monitors, with consideration of the domestic and international economic climates, the Group's debt and liquidity levels. The capital management objective is to maintain the dividend payout ratio, whilst generating cash for future growth. It is the Board's current intention to maintain a dividend payout ratio of between 40% to 60% of Net Profit after Tax.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 19. RESERVES

	Note	2022 \$'000	2021 \$'000
Capital profits reserve	(i)	4,090	4,090
Foreign currency translation reserve	(ii)	3,128	5,355
Cash flow hedge reserve	(iii)	63	77
		<b>7,281</b>	<b>9,522</b>

(i) Capital profits reserve reflects previously realised profits on sale of assets.

(ii) Foreign currency translation reserve reflects exchange differences on translation of foreign operations into Australian dollars.

(iii) Cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

Movements in the carrying amounts	Capital Profits Reserve \$'000	Foreign Currency Translation Reserve \$'000	Cash Flow Hedge Reserve \$'000	Total \$'000
<b>2022</b>				
Balance at the beginning of the financial year	4,090	5,355	77	<b>9,522</b>
Amount recognised in other comprehensive income	-	(2,227)	(14)	<b>(2,241)</b>
Balance at the end of the financial year	<b>4,090</b>	<b>3,128</b>	<b>63</b>	<b>7,281</b>
<b>2021</b>				
Balance at the beginning of the financial year	4,090	19,179	(5)	<b>23,264</b>
Amount recognised in other comprehensive income	-	(13,824)	82	<b>(13,742)</b>
Balance at the end of the financial year	<b>4,090</b>	<b>5,355</b>	<b>77</b>	<b>9,522</b>

## 20. RETAINED EARNINGS

	Note	2022 \$'000	2021 \$'000
Retained earnings		<b>364,506</b>	<b>305,466</b>
<b>Retained earnings</b>			
Balance at the beginning of the financial year		305,466	232,081
Net profit attributable to members of the parent entity		122,006	112,895
Dividends recognised	6	(62,966)	(39,510)
Balance at the end of the financial year		<b>364,506</b>	<b>305,466</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**21. PARENT ENTITY INFORMATION**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax expense	119,272	109,337
Income tax expense	(36,081)	(32,544)
<b>Profit attributable to members of the parent entity</b>	<b>83,191</b>	<b>76,793</b>
<b>Total comprehensive income for the year attributable to members of the parent entity</b>	<b>83,077</b>	<b>77,146</b>
Current assets	213,646	220,412
Non-current assets	304,707	285,714
<b>Total assets</b>	<b>518,353</b>	<b>506,126</b>
Current liabilities	76,827	92,202
Non-current liabilities	45,918	51,343
<b>Total liabilities</b>	<b>122,745</b>	<b>143,545</b>
<b>Net assets</b>	<b>395,608</b>	<b>362,581</b>
<b>Equity</b>		
Contributed equity	183,560	170,789
Reserves	4,028	3,997
Retained earnings	208,020	187,795
<b>Total equity</b>	<b>395,608</b>	<b>362,581</b>
<b>Capital expenditure commitments</b>		
Contracted, but not provided for and payable within one year	4,459	141

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 22. BUSINESS COMBINATIONS

## Current year

During the year the Group purchased a retail store in Pakenham, Victoria (April 2022).

## Prior year

The Company acquired 100% of the shares of Auto Styling Truckman Group Limited (trading as Truckman) and indirectly its wholly owned subsidiary Auto Styling UK Limited on 2 March 2021, both of which are private companies incorporated in the United Kingdom.

Summary of the acquisitions:

	2022 \$'000	2021 \$'000
<b>Total cost of combination</b>	<b>769</b>	<b>48,657</b>
Assets and liabilities acquired:		
Cash	-	12,937
Receivables	-	1,867
Inventories	345	5,153
Current tax asset	-	-
Other assets	-	152
Property, plant and equipment	400	8,146
Intangible assets	-	473
Deferred tax assets	21	-
Goodwill	179	26,020
Right-of-use assets	-	163
Payables	-	(1,433)
Borrowings	-	(3,391)
Lease liabilities	-	(163)
Current tax liabilities	-	(152)
Provisions	(79)	(126)
Other liabilities	(97)	-
Deferred tax liabilities	-	(989)
<b>Net assets acquired</b>	<b>769</b>	<b>48,657</b>
The cost of combination recognised at acquisition date:		
Payments for business acquisition (net of cash acquired)	769	15,718
Cash acquired	-	12,937
Payments for business acquisition	769	28,655
Current provision for deferred consideration valued at time of acquisition	-	2,355
Non current provision for deferred consideration valued at time of acquisition	-	4,453
Non current provision for contingent deferred consideration valued at time of acquisition (i)	-	13,194
<b>Total cost of combination</b>	<b>769</b>	<b>48,657</b>

(i) The contingent deferred consideration is quantified based on the company acquired achieving the maximum target EBITDA during the three years following completion. Acquisition price adjustments have also been agreed to (a) share any profit generated on the sale of the property if sold during the three years following completion, and (b) pass through any proceeds received for COVID-19 business interruption or other claims.

The acquisition of Truckman in 2021 was accounted for on a provisional basis which has now been finalising resulting in an adjustment to goodwill as reflected in Note 11.

Acquisitions for the year ended 30 June 2022 have been accounted for on a provisional basis.

The goodwill on acquisition arises as a result of the reputation, quality of employees and profitability of the businesses acquired.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**22. BUSINESS COMBINATIONS (continued)****Contributions since acquisition****Current year**

For the financial year ended 30 June 2022, the businesses acquired contributed revenue of \$863,000 and a profit after tax of \$55,000 which is included within the consolidated profit for the financial year.

**Prior year**

For the financial year ended 30 June 2021, the businesses acquired contributed revenue of \$12,817,000 and a profit after tax of \$1,439,000 which is included within the consolidated profit for the financial year.

**23. CASH FLOW INFORMATION**

	2022 \$'000	2021 \$'000
<b>(i) Reconciliation of cash</b>		
Cash	<b>52,707</b>	<b>84,771</b>
<b>(ii) Reconciliations of the net profit after tax to the net cash flows from operations:</b>		
Net profit	122,006	112,895
Add/(less) items classified as Investing/financing activities: (Profit)/loss on disposal of non-current assets	(60)	(181)
Add/(less) non-cash items		
Interest cost	-	138
Depreciation and amortisation	24,992	23,513
Allowance for credit losses of receivables	29	(81)
Provision for inventory obsolescence	2,768	3,627
Impact of foreign exchange	(945)	(7,643)
Share issue	121	145
Net cash provided by operating activities before change in assets and liabilities	<b>148,911</b>	<b>132,413</b>
<b>Change in assets and liabilities</b>		
(Increase)/decrease in trade receivables	69	(16,126)
(Increase)/decrease in other receivables	3,079	(1,896)
(Increase)/decrease in inventories	(53,081)	(52,262)
(Increase)/decrease in other assets	312	(2,457)
(Increase)/decrease in deferred tax asset	901	(3,731)
(Decrease)/increase in payables	(9,114)	34,067
(Decrease)/increase in income tax payable	(4,976)	11,425
(Decrease)/increase in deferred tax liability	171	(56)
(Decrease)/increase in provisions	(1,660)	1,794
Net cash flow from operating activities	<b>84,612</b>	<b>103,171</b>
<b>(iii) Credit stand-by arrangements are identified at note 15.</b>		
<b>(iv) Reconciliation of liabilities arising from financing activities:</b>		
Opening borrowings	-	-
Acquired	-	3,391
Repayments	-	(3,391)
Closing borrowings	-	-

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**24. COMMITMENTS AND CONTINGENCIES**

	2022 \$'000	2021 \$'000
<b>Capital expenditure commitments</b>		
Contracted, but not provided for and payable within one year		
Land & buildings	8,643	20,699
Plant & equipment	2,837	2,566
Other	105	-
	<b>11,585</b>	<b>23,265</b>

**25. EARNINGS PER SHARE**

	2022 cents	2021 cents
Earnings per share (cents)	149.4	140.0
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>81,666,252</b>	<b>80,662,800</b>

Diluted earnings per share do not differ from basic earnings per share and are therefore not separately disclosed.

**26. AUDITORS' REMUNERATION**

	2022 \$	2021 \$
Remuneration of Pitcher Partners, the auditors of the parent entity for:		
Auditing or reviewing the financial report	201,000	195,000
Taxation services (i)	12,000	124,500
Auditing or reviewing the financial report of subsidiaries:		
Remuneration of network firms of Pitcher Partners	58,972	76,759
Remuneration of other non-related auditors	144,651	89,800
Total auditors' remuneration	<b>416,623</b>	<b>486,059</b>

(i) The taxation services provided by the auditors of the parent entity related to compliance activities and represent 5.6% of the total auditors' remuneration in the current financial year. The Directors are satisfied that the provision of the taxation services and associated remuneration did not compromise the auditor's professional independence.

**27. SUBSEQUENT EVENTS**

With the exception of the appointment of Lachlan A M McCann as Chief Executive Officer on 5 July 2022 and the declaration of a final dividend detailed in Note 6, there has been no other matter or circumstance, which has arisen since 30 June 2022 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2022 of the Group;
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 30 June 2022 of the Group.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 30 JUNE 2022

**28. CONTROLLED ENTITIES**

The consolidated financial statements include the financial statements of ARB Corporation Limited and its controlled entities listed below:

	Country of Incorporation	2022 %	2021 %
<b>Parent entity</b>			
ARB Corporation Limited	Australia		
<b>Controlled entities</b>			
Air Locker, Inc.	United States of America	100	100
Kingsley Enterprises Pty Ltd	Australia	100	100
Off Road Accessories Ltd	Thailand	100	100
ARB Off Road Ltd	Thailand	100	100
ARB Europe s.r.o	Czech Republic	100	100
ARB Middle East FZE	United Arab Emirates	100	100
ARB New Zealand Limited	New Zealand	100	100
Auto Styling Truckman Group Limited	United Kingdom	100	100
Auto Styling UK Limited	United Kingdom	100	100

**29. DIRECTORS AND EXECUTIVES****Details of Key Management Personnel**

Roger G Brown	Non-executive Director and Chairman
Andrew H Brown	Managing Director
Adrian R Fitzpatrick	Non-executive Director
John R Forsyth	Non-executive Director
Robert D Fraser	Non-executive Director
Karen L Phin	Non-executive Director
Andrew P Stott	Non-executive Director

	2022 \$	2021 \$
<b>Key Management Personnel remuneration by category</b>		
Short term employment benefits	1,008,214	1,024,194
Long term employment benefits	61,071	5,960
Post employment benefits	65,805	71,978
	<b>1,135,090</b>	<b>1,102,132</b>

**30. RELATED PARTY TRANSACTIONS****Directors**

The name of each person holding the position of Director of ARB Corporation Limited during the financial year is:

Roger G Brown, Andrew H Brown, Adrian R Fitzpatrick, John R Forsyth, Robert D Fraser, Karen L Phin and Andrew P Stott.

No Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

**Controlled entities**

Details of interests in the controlled entities, being wholly-owned subsidiary companies, are set out at note 28. All transactions between the Company and its controlled entities have been eliminated on consolidation.

**Ultimate parent entity**

The immediate parent entity and ultimate parent entity is ARB Corporation Limited.

**Terms and conditions of transactions with related parties**

Sales to related parties for goods and services are made at arm's length transactions at normal prices and on normal commercial terms.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

## 31. SEGMENT INFORMATION

The major products/services from which the economic entity derived revenue during the year remained unchanged and were the design, manufacture, distribution and sale of motor vehicle accessories and light metal engineering works.

The reportable segments of the Group are based on geographical locations comprising operations in Australia & New Zealand, USA, Thailand and Middle East, Europe & United Kingdom.

(a) Income Statement	Australasia	USA	Thailand	Middle East Europe & UK	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2022</b>						
<b>Segment revenue</b>						
Total segment revenue	653,217	100,749	112,450	57,765	(226,905)	697,276
Intersegmental revenues	(124,212)	(7)	(102,685)	(1)	226,905	-
<b>Segment revenue from external source</b>	<b>529,005</b>	<b>100,742</b>	<b>9,765</b>	<b>57,764</b>	<b>-</b>	<b>697,276</b>
Total segment result	87,252	9,752	17,213	4,769	3,020	122,006
Intersegmental eliminations	18,739	(1)	(15,718)	-	(3,020)	-
<b>Segment result from external source</b>	<b>105,991</b>	<b>9,751</b>	<b>1,495</b>	<b>4,769</b>	<b>-</b>	<b>122,006</b>
Items included within the segment result:						
Net interest income (expense)	(1,500)	(84)	11	(7)	-	(1,580)
Depreciation and amortisation expense	17,751	1,041	5,016	1,099	85	24,992
Income tax expense	38,612	2,852	1,118	1,090	-	43,672
<b>2021</b>						
<b>Segment revenue</b>						
Total segment revenue	610,228	87,956	121,235	38,845	(232,407)	625,857
Intersegmental revenues	(118,709)	-	(113,644)	(54)	232,407	-
<b>Segment revenue from external source</b>	<b>491,519</b>	<b>87,956</b>	<b>7,591</b>	<b>38,791</b>	<b>-</b>	<b>625,857</b>
Total segment result	80,971	7,325	30,552	3,815	(9,768)	112,895
Intersegmental eliminations	18,876	-	(28,639)	(5)	9,768	-
<b>Segment result from external source</b>	<b>99,847</b>	<b>7,325</b>	<b>1,913</b>	<b>3,810</b>	<b>-</b>	<b>112,895</b>
Items included within the segment result:						
Net interest income (expense)	(1,638)	(76)	10	(9)	-	(1,713)
Depreciation and amortisation expense	17,497	862	4,448	706	-	23,513
Income tax expense	32,982	2,080	1,324	742	-	37,128
<b>(b) Statement of Financial Position</b>						
	Australasia	USA	Thailand	Middle East Europe & UK	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2022</b>						
Segment assets	593,124	57,467	138,750	50,324	(135,457)	704,208
Segment liabilities	154,773	19,547	15,523	15,478	(56,460)	148,861
Segment acquisition of property, plant, equipment and intangibles	31,795	5,369	25,293	464	-	62,921
<b>2021</b>						
Segment assets	560,412	40,674	127,995	45,145	(115,964)	658,262
Segment liabilities	173,193	15,423	19,025	15,933	(51,089)	172,485
Segment acquisition of property, plant, equipment and intangibles	53,556	140	12,530	6,193	-	72,419

## DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 12 to 39 are in accordance with the *Corporations Act 2001*, including:

- (a) Complying with Accounting Standards, and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- (b) Complying with International Financial Reporting Standards as indicated in note 1; and
- (c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2022 and of its performance for the year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that ARB Corporation Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

This declaration is made in accordance with a resolution of the Directors.



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Roger G Brown  
Director

Melbourne, 23 August, 2022



INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ARB CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of ARB Corporation Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the 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.

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ARB CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

Key Audit Matter	How our audit addressed the key audit matter
<p><i>Revenue Recognition</i></p> <p>Refer to Note 1(d) and Note 3</p> <p>The Group's revenue, \$694.5M (2021: \$623.1M), is primarily derived from the sale of product through retail and wholesale channels, domestically and internationally.</p> <p>We focused on the existence and appropriate recognition of revenue as a key audit matter as revenue is a key contributor to the determination of profit.</p>	<p>Our testing of revenue transactions focused on evidencing that the underlying transactions existed in the period.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating the design and implementation of the Group's controls and processes for recognising and recording revenue transactions.</li> <li>• Testing the existence and accuracy of revenue by agreeing a sample of revenue transactions to supporting documentation.</li> <li>• Analysing general journal entries impacting revenue to identify transactions considered to be outside ordinary transaction cycles for testing.</li> <li>• Assessing the adequacy and accuracy of the disclosures in the financial statements.</li> </ul>
<p><i>Inventory valuation</i></p> <p>Refer to Note 1(f) and Note 8</p> <p>As at 30 June 2022, the Group held inventories of \$223.6M (2021: \$173.0M). In recent years, the Group has increased its revenue, as well as increasing its warehousing and retail presence in numerous geographic locations and expanding the product range.</p> <p>The Group must make judgements to identify and quantify inventory that is valued in excess of its recoverable value. The Group undertakes this by reference to historic sales volumes, levels of inventory held and market conditions.</p> <p>We focused on the value of inventory as a key audit matter as it involves judgement as to the recoverable value of inventory.</p>	<p>Our testing focussed on the valuation of inventory.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating the design and implementation of the Group's controls and processes for recognising inventory valuation.</li> <li>• Assessing the inventory provisioning policy and methodology for determination of the provision.</li> <li>• Reviewing the Group's provisioning assessment including challenging inventory items not provided for and potentially at risk of overstatement.</li> <li>• For a sample of inventory items agreeing that they are held at the lower of cost and net realisable value, through comparison to recent purchase invoices and sales prices.</li> <li>• Assessing the adequacy and accuracy of the Group's disclosures in the financial statements.</li> </ul>

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INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ARB CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

Key Audit Matter	How our audit addressed the key audit matter
<p><i>Assessment of impairment of Goodwill</i></p> <p>Refer to Note 1(i), Note 1(q) and Note 11</p> <p>As at 30 June 2022, the Group had \$48.7M (2021: \$49.8M) of Goodwill capitalised. We identified the impairment of goodwill as a key audit matter due to the significance of these balances in the Group's consolidated statement of financial position and the estimation of recoverable amount of each cash generating unit ("CGU") involves complex and subjective management estimates based on management's judgement of key variables and market conditions such as future market conditions, future operating performance, and the discount rate.</p> <p>Goodwill and indefinite life intangible assets are required to be tested for impairment annually. As a result, management completed impairment testing for each relevant CGU as at 30 June 2022. Following management's assessment, no impairment was recognised against these CGUs for the year ended 30 June 2022.</p>	<p>Our testing of impairment of goodwill focused on assessing the appropriateness of management's assessments and judgements made in the forecast cashflows to support the valuation of goodwill.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating the design implication of management's processes and controls over the valuation of the Group's non-financial assets and goodwill to determine asset impairments.</li> <li>• Working with valuation experts to: <ul style="list-style-type: none"> <li>- Evaluate the appropriateness of the model used by management to calculate the recoverable amount of the individual CGUs.</li> <li>- Assess and challenge the reasonableness of the key assumptions such as discount rates used including agreeing them to external market data.</li> <li>- Challenge management's assessment by undertaking sensitivity analysis on key variables including discount rate, growth rates and terminal growth rates.</li> </ul> </li> <li>• Evaluated and assessed the competency of the expert.</li> <li>• Analysing the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of each relevant CGU.</li> <li>• Assessing the adequacy and accuracy of the related disclosures in the financial statements.</li> </ul>

*Information Other than the Financial Report and Auditor's Report Thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ARB CORPORATION LIMITED AND ITS CONTROLLED ENTITIES**

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 have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

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

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

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ARB CORPORATION LIMITED AND ITS CONTROLLED ENTITIES**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 10 to 11 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of ARB Corporation Limited, for the year ended 30 June 2022, 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.



K L BYRNE  
Partner



PITCHER PARTNERS  
Melbourne

23 August 2022

## ARB CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF ARB CORPORATION LIMITED

In relation to the independent audit for the year ended 30 June 2022, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of ARB Corporation Limited and the entities it controlled during the year.



K L BYRNE  
Partner

23<sup>rd</sup> August 2022



PITCHER PARTNERS  
Melbourne

**ASX ADDITIONAL INFORMATION**

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report.

**SHAREHOLDINGS****Substantial Shareholders**

The number of shares to which substantial shareholders were entitled as listed in the Company's register of substantial shareholders at 26 July 2022 was:

Shareholder	Ordinary
Rogand Pty Ltd	4,936,208
Bennelong Funds Management Group Pty Ltd	12,051,110

**Class of Shares and Voting Rights**

At 26 July 2022, there were 9,143 holders of ordinary shares of the Company. The voting rights attaching to the ordinary shares are set out in the Company's Constitution.

**Distribution of shareholders (as at 26 July 2022):**

	Holders	%	Shares Held	%
1 - 1,000	6,040	66.06	2,056,100	2.50
1,001 - 5,000	2,352	25.72	5,357,521	6.55
5,001 - 10,000	415	4.54	3,000,541	3.67
10,001 - 100,000	306	3.35	6,975,466	8.52
100,001 or more	30	0.33	64,466,161	78.76
	<b>9,143</b>	<b>100.00</b>	<b>81,855,789</b>	<b>100.00</b>

The number of shareholders holding less than a marketable parcel at 26 July 2022 was 397.

**Twenty largest shareholders (as at 26 July 2022)**

Name of Holder	Number of ordinary shares held	% of issued ordinary shares held
Citicorp Nominees Pty Limited	18,080,650	22.09
HSBC Custody Nominees (Australia) Limited	15,000,529	18.33
J P Morgan Nominees Australia Pty Limited	8,683,998	10.61
Rogand Pty Ltd	4,851,183	5.93
Australian Foundation Investment Company Limited	3,472,544	4.24
BNP Paribas Noms Pty Ltd (DRP)	2,623,267	3.20
National Nominees Limited	2,277,808	2.78
Formax Pty Ltd (Reparar A/C)	1,136,723	1.39
BKI Investment Company Limited	945,447	1.16
Milton Corporation Limited	911,065	1.11
Netwealth Investments Limited (Wrap Services A/C)	906,973	1.11
Ms Judith Caroline Carpenter + Ms Gillian Clare Carpenter (Est Late P Carpenter A/C)	653,831	0.80
Mirrabcoka Investments Limited	652,611	0.80
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	515,570	0.63
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	450,714	0.55
Santos L Helper Pty Ltd (The Van Paassen Family A/C)	410,000	0.50
Illabarook Pty Ltd	350,000	0.43
Djerriwarrh Investments Limited	335,091	0.41
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	297,423	0.36
Mr Philip Alan Kenneth Naylor + Mr Malcolm Kennedy Shore (Est Agnes Vivien Shore A/C)	272,935	0.33

The 20 largest shareholders hold 76.75% of the ordinary shares of the Company.

There is no current on market buy back of shares.

## CORPORATE GOVERNANCE STATEMENT

The Board of ARB Corporation Limited is committed to high standards of corporate governance and supports the principles of good corporate governance and best practice recommendations as published in the Corporate Governance Principles and Recommendations 4th Edition (the "Guidelines") of the ASX Corporate Governance Council released in February 2019.

ASX Listing Rule 4.10.3 requires ARB to disclose the extent to which it has followed these best practice recommendations. This statement outlines the key corporate governance practices of ARB, as they relate to the recommendations of the ASX Corporate Governance Council.

The Board recognises that some practices are more relevant to larger companies. The Board has adopted those practices that it believes are in the best interests of its stakeholders and will enhance long term shareholder value given ARB's specific circumstances.

This Corporate Governance Statement was approved by the Board on 23 August 2022 and is current as at that date.

## 1. The Roles of the Board and Management

The Board of Directors is responsible for increasing shareholder value and overseeing good governance practices through leadership and direction of the Company. The Board Charter is disclosed at <http://www.arb.com.au/about/investor-relations/> and sets out the roles, responsibilities and processes of the Board. Matters reserved for the Board include:

- setting the strategic direction and values of the Company
- appointing and reviewing the performance of the Managing Director and the Chief Executive Officer
- setting objectives for which the Managing Director and the Chief Executive Officer are responsible
- approving major investment decisions and financial budgets
- monitoring financial and operating performance
- determining capital, funding and dividend policies
- planning Board and management succession
- defining the limits to management's responsibilities
- setting the Company's risk appetite and monitoring the effectiveness of risk management
- ensuring the Company complies with the law and conforms to the highest standards of financial and ethical behaviour.

Board Meetings are held regularly and the Board meets on other occasions to deal with matters that require attention between scheduled meetings.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Managing Director, Chief Executive Officer and departmental executives.

The Board of ARB and senior management monitor the performance of all Divisions through fortnightly management meetings and the preparation of monthly management accounts.

Minutes of the fortnightly management meetings are circulated to all Board members to ensure that they are aware of key developments within the Company and in the industry and environment in which it operates.

The monthly management accounts are prepared using accrual accounting principles and report each Division's results. These monthly management accounts are compared by management with monthly targets. Each Division has key performance indicators and are reviewed by the Board monthly.

The monitoring of ARB's performance by the Board and management assists in identifying the areas where additional attention is required.

The Chief Executive Officer evaluates the performance of the senior management team on an informal basis throughout the year and on a formal basis once per year. A performance evaluation was undertaken in the current reporting period. The Chief Executive Officer also ensures appropriate checks are undertaken before appointing a senior executive.

The Company Secretary is accountable directly to the Board on all matters to do with the proper functioning of the Board, through the Chairman.

There is a written agreement with each Director and Senior Executive setting out the terms of their employment.

The Board has not adopted a formal diversity policy or set measurable objectives based on diversity alone for the reasons explained in section 3 of this Corporate Governance Statement.

## 2. The Structure of the Board

The composition of the Board is determined in accordance with ARB's constitution and the ASX Listing Rules.

The Board regards a Director as independent if he or she is free from any material interest in, or other material relationship with, the Company, other than as a Director, which could reasonably be perceived to materially interfere with the Director's ability to exercise independent judgement with respect to the matter being considered. Independence and materiality are considered by the Board in the context of all of the relevant circumstances.

The Board presently comprises one Executive Director and five non-executive Directors (four of whom are independent non-executive Directors). An additional independent non-executive Director has been appointed to the Board, effective 24 August 2022, which will increase the total number of non-executive Directors to six (five of whom will be independent). The Board believes that, at present, this structure combines the skills, experience and efficiency of operation best suited to governing the Company.



## CORPORATE GOVERNANCE STATEMENT (continued)

The Chairman became a non-executive Director on 1 July 2016. Prior to this, the Chairman had been the Executive Chairman since the company listed on the ASX in 1987. The Board acknowledges the recommendation of the ASX Corporate Governance Council that this role be carried out by an independent Director. However, the Board believes that the wealth of knowledge and expertise of the current Chairman and his interest in the Company as a substantial shareholder, make it appropriate for him to be the Chairman.

The Board comprises a majority of independent Directors. The Board believes that all of its Directors exercise due care and skill with respect to the matters which they consider and bring independent judgement to bear in decision making.

### Committees

The Board of Directors, as part of its responsibility to oversee the strategic direction of the Company, has established guidelines and committees to ensure that its businesses operate ethically and fairly and to ensure that the assets of the Company are properly protected. The committees which the Board has established are as follows:

- Audit and Risk Committee
- Remuneration and Nomination Committee.

The Board, either directly or through the Remuneration and Nomination Committee, periodically and objectively assesses its performance and that of its committees and individual members. The Board and the Audit and Risk and Remuneration and Nomination Committees undertook formal performance evaluations during the current reporting year. The Board periodically undertakes performance reviews on an informal basis.

The requirement for membership of the Remuneration and Nomination Committee is that the member must be a non-executive Director and able to make a contribution to this decision making process. This committee is composed of four independent non-executive Directors of ARB and is chaired by one of these independent non-executive Directors.

The committee's Charter is disclosed in the Investor Relations section of the Company's web site (<http://www.arb.com.au/about/investor-relations/>).

### Appointment of Directors

One of the roles and responsibilities of the Remuneration and Nomination Committee is to recommend to the Board the selection and appointment of suitable Directors to the Company after undertaking appropriate checks.

The committee considers the size and composition of the Board and the selection and appointment of new Directors as required based upon the existing expertise and experience of the Board, the future requirements of the Company and the desirability of increasing diversity as a means of enhancing shareholder value.

The Board's objective is to achieve the mix of skills and diversity that is best suited to maximising long-term shareholder value given the circumstances at any

particular time. The Board believes that the Remuneration and Nomination Committee is best placed to assess these requirements rather than using intermediaries.

The conditions relating to a Director's appointment are provided to the Director in writing prior to appointment. All Directors are subject to re-election by rotation in accordance with ARB's constitution, the ASX Listing Rules and the Corporations Act. The Board provides shareholders with the necessary information in order to make an informed decision prior to the election of Directors.

### Board Skills Matrix

The Board has identified the skills required of the members of the Board, which are:

- automotive and/or four-wheel drive industry experience
- manufacturing experience
- engineering experience
- management experience
- business experience, particularly in international sales and distribution
- financial management
- risk management
- corporate governance
- corporate finance
- regulatory knowledge
- legal knowledge
- sales and marketing experience, including digital
- director experience
- ability to think strategically
- high level of business acumen and integrity.

The skills matrix is subject to periodic review. The Board is satisfied that, as a group, the current Directors meet the requirements of this skills matrix.

Further information with respect to the Board is provided in the Directors' Report in the Company's Annual Report.

The Company provides appropriate induction as and when required for new Directors. The Board and the Remuneration and Nomination Committee periodically review whether there is a need for existing Directors to undertake professional development to maintain the skills and knowledge needed to perform their roles as Directors effectively.

Directors may obtain independent professional advice, at the Company's expense, on matters arising in the course of their Board duties after obtaining the Chairman's approval, which cannot be unreasonably withheld.

### 3. Ethical Business Practices

ARB is committed to being a socially responsible corporate citizen, using honest and fair business practices. The Company has articulated its values which are disclosed at <http://www.arb.com.au/about/>.

The Company's Code of Conduct and policies, including the Whistleblower and Anti-bribery and Corruption policies, apply to everyone who works for ARB and its subsidiaries including employees, consultants and Directors. The Board is informed of any material breaches of the Company's Code of Conduct or its various policies.

## CORPORATE GOVERNANCE STATEMENT (continued)

The Company's Code of Conduct and its policies are disclosed at <http://www.arb.com.au/about/policy/>.

The Company also believes that an effective means of enhancing investor confidence and actively promoting ethical and responsible decision-making is for the Board and the senior management team to foster, through their own actions, an ethical corporate culture.

Similarly, the Board believes that it has fostered and that the Company and its employees have a governance culture that encourages excellence and ethical business practices to enhance long term shareholder value, including the advancement of all employees in an ethical manner as appropriate irrespective of gender, age, ethnicity and cultural background.

Accordingly, the Board has not adopted a formal diversity policy or set measurable objectives based on diversity alone that might otherwise endorse diversity as the principal criteria for the selection and promotion of the Company's employees and directors. An employee or Director's skills, experience and overall prospects of adding value to the Company shall take precedence over diversity considerations. The Board believes that this is consistent with its objective of generating long term shareholder value in an ethical manner.

The Company benefits from and actively employs staff in Australia and internationally from a diverse range of ethnicities and backgrounds.

The proportion of women employed by the consolidated entity in the following roles is as follows:

• Board	17% *
• Senior executives	20%
• Office staff	39%
• Engineering	2%
• Factory & Workshops	9%
• Consolidated entity	16%

\* An additional independent non-executive female Director has been appointed to the Board, effective 24 August 2022, which will increase the proportion of women employed on the Board to 29%.

The Company complies with its reporting obligations as a relevant employer under the Workplace Gender Equality Act 2012 (Cth).

Senior executives are general managers of key business departments. The Board promotes open and honest disclosure and discussion, together with consideration and respect for the interests of all stakeholders, at all Board and fortnightly management meetings.

In addition, the Board and the senior management of the Company regularly consider relevant matters including conflicts of interest, corporate opportunities, business practices, confidentiality, fair dealing, complaints handling, protection and proper use of the Company's assets, compliance with laws and regulations and reporting unlawful and unethical behaviour.

The Board has ultimate responsibility for resolving all matters concerning ethical and responsible decision-making.

These procedures are designed to ensure that the integrity of the Company is maintained and that investor confidence is enhanced.

The Company is aware of its legal and other obligations to all legitimate stakeholders. The Board believes that appropriate recognition of these interests will enhance shareholder value in the long term.

The Board believes that the shareholders of the Company ultimately assess the performance of the Board, its committees, individual Directors and senior management based on the financial performance of the Company in the context of the commercial, legal and ethical framework within which the Company operates.

#### Directors' share trading

The Board of Directors has a formal policy for share dealing by Directors. This policy allows for the buying and selling of ARB shares only after approval has been obtained from the Chairman, with approval only to be given in blackout periods in exceptional circumstances and when the market is fully informed.

#### 4. Safeguard Integrity

ARB has an Audit and Risk Committee with a formal charter that is available on the Company's web site (<http://www.arb.com.au/about/investor-relations/>).

The Audit and Risk Committee is composed of four independent non-executive Directors of ARB and is chaired by one of these independent non-executive Directors.

The Board considers that the composition of the present Audit and Risk Committee maintains integrity and is most operationally effective for a Company of ARB's size and Board composition.

The primary function of the Audit and Risk Committee is to recommend to the Board the selection and appointment of the external auditors, based on the audit requirements of the Company and the independence and suitability of the auditors. The Audit and Risk Committee also acts as an interface between the Board and the external auditors to:

- ensure that the external auditors who are selected and appointed remain appropriate to the needs of the Company
- review the independence of the external auditors
- ensure the rotation of external audit engagement partners in accordance with regulatory requirements
- review, with management and the auditors, the Company's periodic statutory accounts and reports
- review the systems and controls established by management to safeguard the assets of the Company
- monitor procedures in place aimed at ensuring compliance with the Corporations Act and the Australian Stock Exchange Listing Rules
- monitor the effective management of financial and other business risks.

## CORPORATE GOVERNANCE STATEMENT (continued)

The Audit and Risk Committee has reviewed the independence of the external auditors and is satisfied that they are not restricted in forming an independent view on the Group's financial report.

The provision of non-audit services by the external auditors to the Group has been restricted by the Board to ensure audit independence.

Further information with respect to the Audit and Risk Committee is provided in the Directors' Report in the Company's Annual Report.

Prior to approving the financial statements, the Board received a declaration from the Managing Director and Chief Financial Officer that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company's process to verify the integrity of any periodic corporate reports released to the market that are not audited or reviewed by an external auditor is similar to the process it follows for all releases to the market and is designed to ensure:

- the relevant personnel who prepare the reports are appropriately qualified and have appropriate information available to them to support the relevant report
- that such reports have been checked and approved for release by authorised personnel in accordance with the Company's delegation of authority
- that relevant personnel are aware of the Company's policies, procedures and practices which are designed to assure integrity of process and avoid any improper practices which may compromise such integrity e.g. Code of Conduct, continuous disclosure, whistle-blower and anti-bribery and corruption policies.

### 5. Timely Disclosure of Material Matters

The Company's aim is to ensure timely, balanced and continuous disclosure to the market of all material matters concerning the Company in accordance with the ASX continuous disclosure regime.

The policies and procedures designed to ensure compliance with ASX Listing Rules and Corporations Act disclosure requirements and to ensure accountability at a senior management level for that compliance are as follows:

- the Company must notify the market, via the ASX continuous disclosure regime, of any price sensitive information
- the Directors, the Company Secretary and the Chief Financial Officer are designated as Disclosure Officers who are responsible for reviewing potential disclosures and deciding what information should be disclosed

- only a Disclosure Officer may authorise communication with external parties on behalf of the Company thereby safeguarding confidentiality of corporate information
- the onus is on all executives to inform a Disclosure Officer of all potential disclosures as soon as they become aware of the information. The senior management team is responsible for ensuring staff understand and comply with this policy
- ASX and media releases must be approved by a Director who is a Disclosure Officer
- All market announcements are sent to members of the Board
- Copies of presentations to investors or analysts are released to the ASX Market Announcements Platform ahead of the presentation.

### 6. Rights of Shareholders

The shareholders of ARB are responsible for voting on the election of Directors at the Annual General Meeting in accordance with the Company's constitution.

The Annual General Meeting also provides shareholders with the opportunity to express their views on matters concerning the Company and to vote on other items of business for resolution by shareholders. ARB's policy is to facilitate and encourage effective shareholder participation at general meetings through clear and succinct notices of meeting and explanatory notes, taking time to explain the Company's future direction and strategy and through direct interaction during question times at each meeting.

ARB requires that the audit partner of the firm of auditors attends the Annual General Meeting and be available to answers shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

All substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

The Company's investor relations programme creates effective two-way communication with shareholders through:

- the Annual Report which is distributed to all shareholders
- disclosures made to the ASX
- letters to shareholders after half year and full year results' announcements
- notices and explanatory memoranda in relation to resolutions to be put to a vote
- AGMs at which shareholders are given an opportunity to participate
- analyst briefings and presentations as appropriate
- the Company's web site:  
<http://www.arb.com.au/about/investor-relations/>

The Company provides security holders with the option of receiving communications from, and sending communications to, the Company and its share registry electronically.

## CORPORATE GOVERNANCE STATEMENT (continued)

## 7. Risk Management

The Board has established an Audit and Risk Committee to oversee the management of business risks and internal control. The requirement for membership of the Audit and Risk Committee is that the member must be a non-executive Director and able to make a contribution to this decision making process. This committee is composed of four independent non-executive Directors of ARB and is chaired by one of these independent non-executive Directors. The Chief Financial Officer attends the Committee meetings.

The Company's senior management team also identifies, assesses, monitors and manages business risks and internal control procedures by considering such matters as part of its regular fortnightly meetings.

Minutes of every senior management team meeting are circulated to the Board which has the ultimate responsibility of ensuring that the risk mitigation actions recommended at these meetings are implemented.

Risk management is a standing agenda item at all Board meetings. A Risk Register is maintained and periodically reviewed by the Audit and Risk Committee and the Board.

The Board reviews the risk management framework of the Company annually and is satisfied through its evaluation in the current reporting year, that the framework remains sound and that the Company is operating with due regard to the risk appetite set by the Board.

The Company does not have an internal audit function. Instead, as noted above, the fortnightly reports of the senior management team meetings are circulated to all Board members for them to evaluate and continually improve the effectiveness of the risk management framework and internal control processes.

ARB has identified certain risks that could materially impact the Company's performance and prospects and has implemented measures to manage those risks, as summarised below:

- **Economic risk:** ARB is exposed to general risks posed by the Australian and international economies, which may cause general or local downturns in consumer confidence and demand and in the automotive industry in particular. Strategies employed to manage these risks include the use of multiple facilities for manufacturing, distribution and sales.
- **Foreign exchange risk:** ARB is exposed to foreign exchange rate influences in its dealings with a number of countries. This risk is managed through hedging arrangements as required and by operating in different currency environments.
- **Key personnel:** Finding and retaining the right employees is important to ARB's ongoing success. ARB has appropriate succession planning strategies and career development plans in place to manage this risk.
- **Business continuity risk:** ARB faces business continuity risks which may include: a natural disaster affecting one or more sites, global pandemics, major outage of services (eg electricity), a raw material shortage and prolonged failure of a supplier to supply a critical component. This risk is managed through businesses spread across multiple sites to mitigate site specific risks, site specific Emergency Response Plans and appropriate policies of insurance.
- **Tax Risk:** The Company has effective policies and processes in place to manage tax risk including direct, indirect and excise taxes.
- **Regulatory:** Regulatory burdens and changes to regulatory requirements may adversely impact ARB's competitiveness. ARB addresses this risk through its globally diversified facilities and being at the forefront of relevant industry technology to meet changing regulatory requirements more effectively.
- **Environmental / Sustainability:** ARB is not significantly impacted by, but complies with, all environmental regulations or laws as reported in its Environmental, Social and Governance Report located at <http://www.arb.com.au/about/investor-relations/>.

The Company does not face any material exposure to risks that would compromise its ability to continue operating in a socially and environmentally sustainable way.

## 8. Fair and Responsible Remuneration

ARB has established a Remuneration and Nomination Committee. This Committee is composed of four independent non-executive members of the Board. The Chairman of the Committee is appointed by the Board and is one of the independent non-executive Directors.

The primary function of the Remuneration and Nomination Committee is to review senior executive remuneration structures, review senior management succession plans and monitor Directors' remuneration levels.

The committee may engage appropriately qualified consultants to provide it with advice and recommendations.

The committee's Charter is disclosed in the Investor Relations section of the Company's web site (<http://www.arb.com.au/about/investor-relations/>).

Non-executive Directors are remunerated by way of fees and other than statutory superannuation, they do not receive any retirement benefits.

Additional information with respect to remuneration, including separate disclosure of policies and practices regarding the remuneration of non-executive Directors and the remuneration of the Executive Director and other senior management, is provided in the Remuneration Report in the Company's Annual Report.

# THE YEAR

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## **ARB WILL CONTINUE TO DRIVE EXCELLENCE WITH PASSION**

We will pursue growth as the industry leader in design innovation and engineering of 4WD accessories in 2022/2023. Using advanced technologies to bring new and improved products to market, to roll-out new ARB Flagship stores across Australia and to continue to build on the growth experienced over the past year in export and OE markets.

# AHEAD

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4X4 ACCESSORIES