# Here for you
# Here for good

ARA

**Annual Report 2022**

Essential services for your facility and infrastructure

## Acknowledgement of Country

The ARA Group acknowledges the connection of people, land and communities within the areas that we work. We pay our respects to Elders past, present and emerging.

We seek to maintain meaningful partnerships by undertaking the appropriate engagement practices within our business and for our communities. We know the importance of respecting, understanding and sharing the oldest living cultures in the world.

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ARA Group Limited
ABN 47 074 886 561


Photograph
Right: ARA Tunnels & Infrastructure

# Here for you
# Here for good

ARA

Annual Report 2022

# Section 01
# ARA 2022



**Photograph**
ARA Manufacture manufacturing of Renlita Doors, Regency Park SA

Letter from the

# Co-founder and Chief Executive Officer

At the end of each financial year, I reflect on the year completed and attempt to convey the essence of the year to the reader of our Annual Report. It is not only the financial results that we report, but we try to describe various highlights of the year just completed and how we have grown and matured as an organisation. In this letter, I want to communicate the direction ARA is heading in the future. Consistent with this objective, we created a tag line that we believe reflects where we see ARA today, the strength of ARA, the resilience of ARA and the focus for ARA going forward:

**Here for you. Here for good.**

The "you" in **Here for you**, represents our constituencies – our customers, our employees, our shareholders, the charitable organisations, and various foundations ARA supports in the communities where we work. **Here for good** is the direction of the ARA Group in the future. It is the sincere desire of myself as one of the founders of the ARA Group, along with the Board of Directors and the Senior Management Team, to see ARA continue as a privately owned and employee-owned company into the future.

The "you" of the ARA workforce encompasses our 2,800 highly skilled employees who deliver ARA products and essential services every day. Their strong efforts and focus on our customers are the reasons for ARA's success. It is the ARA work force to whom I express my profound gratitude.

The ARA Senior Management Team are consummate professionals. They provide the leadership for the respective ARA divisions. They send the message of the ARA culture throughout the organisation. They are the leaders of ARA. One major ARA competitive advantage is the continuity and longevity of the Senior Management Team. It is a pleasure to work with our Team every single day and each Team member has my utmost thanks for a job well done.

The Board of Directors is a dedicated group who provide me with advice and guidance throughout the year. I am very grateful for the ARA Board of Directors. The Board of Directors, the Senior Management Team and myself lead this organisation and together, we continue to make great strides forward.

The combination of the ARA work force, the Senior Management Team and the ARA Board of Directors combined with a dedication to workplace health and safety, make it possible for ARA to be **Here for good**.

For twenty-one years now, we have worked to grow the company both organically and through strategic acquisitions. We have used cash flow from operations, a continued infusion of equity from our employees and shareholders and borrowings from our banks, to fund our organic growth and our acquisitions. At all times, we have made certain that we kept our balance sheet strong and limited our borrowed funds to the extent that our earnings and cash flow could support those borrowings. And, we have worked hard to pay a good return to our shareholders with fully franked dividends. It is our belief, that if we achieved these objectives, the value of the ARA shares would increase. And, that is, in fact, what has happened.

ARA has demonstrated remarkable resilience since the start of our journey twenty-one years ago. Not only has the company survived the coronavirus pandemic during the past two and a half years, but ARA survived the global financial crisis in the years 2008 – 2010. Although it is not a prediction of the future, we do seem to have a successful mix of technical services, soft services and manufacturing know how and capacity that works well together for our total offerings in Australia and New Zealand.

ARA has had a consistent acquisition strategy since our inception in 2001. Predominantly, we focus on small and medium sized businesses, that are consistent with the services we provide, or the type of products we manufacture. Throughout our history we have maintained this approach. The only exception to this strategy was five years ago when we added a new service, that being commercial cleaning. During this past financial year, ARA spent $55 million on 10 major acquisitions in Australia and New Zealand. Each of these acquisitions added related services or a new geography or additional products to our current offerings.




**The following is a summary of the businesses, services and products acquired this past financial year:**

- Fire protection service in Adelaide
- Fire door manufacturing in Melbourne
- Fire protection and electronic security in Sydney
- Electrical data cabling in Sydney
- Vehicle fire suppression installation and service in Western Australia and Queensland
- Electronic security integrator in the South Island of New Zealand
- Architectural hardware distribution and contracting and service in New Zealand
- Life safety service in the shipping industry in Australia
- Locksmith service in Melbourne, Brisbane and Sydney
- High security door and hardware manufacturing in Canberra

As the ARA business has matured during the past ten years, there has been an increasing focus on paying dividends to our shareholders. $102 million of fully franked dividends have been declared in the past ten years. During financial year 2022, ARA declared $18.6 million, or $.42 per share, as compared to $17.6 million, or $.425 per share, in 2021. As of 30 June 2022, there remain $38 million of unused franking credits. The company will continue its focus on continuing to pay fully franked dividends in the future.

Financial year 2022 was a record year of sales and earnings for ARA. After last year's modest decline in revenue due to the reduced infrastructure projects in our work last year, we have really bounced back to a record revenue amount of $721 million, an increase of $145 million, or 25%. Approximately half of the increase in revenue is a result of organic growth, and the other half of the increase is a result of acquisition growth.

2022 was the seventh consecutive year of record operating earnings. EBITDA increased from $46.3 million in 2021 to $50.5 million in 2022, an increase of $4.2 million, or 9%. Each ARA Division contributed significantly to the increase in the Group's earnings.

The operating cash flow for the Group in 2022 was very strong. 103% of EBITDA was converted into operating cash flow (156% in 2021). Free cash flow in 2022 was $33.8 million as compared to free cash flow in 2021 of $52.4 million.

Earnings per share increased from $.57 per share to $.59 per share. Although net income increased by $2.6 million in 2022 from 2021, the increase in earnings per share was limited by additional shares issued to effect various acquisitions during the year.

The amount of confirmed forward orders, or backlog, has increased to $366 million at 30 June 2022 from $305 million, an increase of 20%. This amount of backlog is a new record for ARA. The increased level of backlog indicates ARA has momentum going into the new financial year. There are headwinds in the economy that may offset the amount of new work in hand. Additional employees required to complete our work are very difficult to find. There is significant competition for employees throughout Australia and New Zealand. Higher interest rates may slow the economy. Any effect on ARA's operating results due to the macroeconomic environment is very hard to predict.

By ensuring that we maintain our focus on the **"You"** – our customers, our employees, our shareholders, our communities – ARA will be in a strong position to move forward and be **Here for good**.

Edward Federman

**Edward Federman**

Executive Chair and Chief Executive Officer
**ARA Group Limited**

21 years of
# Sales and Profitability

| | Annual Revenue |
|---|---|
| 2002 | $ 28 082 552 |
| 2003 | $ 62 993 640 |
| 2004 | $ 72 221 956 |
| 2005 | $ 86 187 419 |
| 2006 | $ 96 946 955 |
| 2007 | $ 154 037 926 |
| 2008 | $ 184 024 816 |
| 2009 | $ 201 231 951 |
| 2010 | $ 197 395 799 |
| 2011 | $ 248 552 009 |
| 2012 | $ 270 167 354 |
| 2013 | $ 279 972 944 |
| 2014 | $ 301 054 233 |
| 2015 | $ 321 678 529 |
| 2016 | $ 352 322 332 |
| 2017 | $ 372 332 384 |
| 2018 | $ 479 211 231 |
| 2019 | $ 555 298 215 |
| 2020 | $ 621 298 088 |
| 2021 | $ 576 290 514 |
| **2022** | **$ 721 422 469** |

| | Annual EBITDA |
|---|---|
| 2002 | $ 2 692 817 |
| 2003 | $ 1 424 211 |
| 2004 | $ 4 042 872 |
| 2005 | $ 6 911 968 |
| 2006 | $ 7 447 844 |
| 2007 | $ 8 277 627 |
| 2008 | $ 9 901 948 |
| 2009 | $ 10 588 948 |
| 2010 | $ 6 553 299 |
| 2011 | $ 9 243 426 |
| 2012 | $ 12 049 342 |
| 2013 | $ 8 809 653 |
| 2014 | $ 13 020 857 |
| 2015 | $ 10 028 501 |
| 2016 | $ 16 658 919 |
| 2017 | $ 22 906 838 |
| 2018 | $ 27 039 897 |
| 2019 | $ 32 509 376 |
| 2020 | $ 36 500 298 |
| 2021 | $ 46 331 955 |
| **2022** | **$ 50 492 544** |


Revenue increased $145 million, to $721 million, from $576 million in 2021. This represents a 25% increase. Approximately half of the increase is a result of organic growth whilst the other half of the increase is due to the inclusion of acquisitions in the current year. The increase of revenue in 2022 reflects additional infrastructure projects in the company's work this year, after a reduced amount in 2021. The impact of COVID was less in the last nine months of this financial year after a difficult first quarter when there were lockdowns in Sydney, Melbourne and Auckland.

During the past 21 years of ARA Group operations, revenue has grown at a compounded rate of 17.6%.

The Products Division, the Electrical Division, the Fire and Security Division and the Mechanical Division all experienced significant increases in revenue during 2022 as compared to 2021. The Property Division's revenue was consistent with the prior year.

The backlog of the Group grew to $366 million at 30 June 2022 from $305 million at 30 June 2021. This indicates there is still significant work ahead for the Group.

EBITDA in 2022 was ARA's seventh successive year of record profits. EBITDA increased from $46.3 million to $50.5 million, an increase of $4.2 million, or 9%. EBITDA was 7% of revenue, representing a slight decrease from 8% in 2021. Meaningful contributions to EBITDA were made from all divisions.

During the past 21 years of ARA Group operations, EBITDA has grown at a compounded rate of 15.8%.

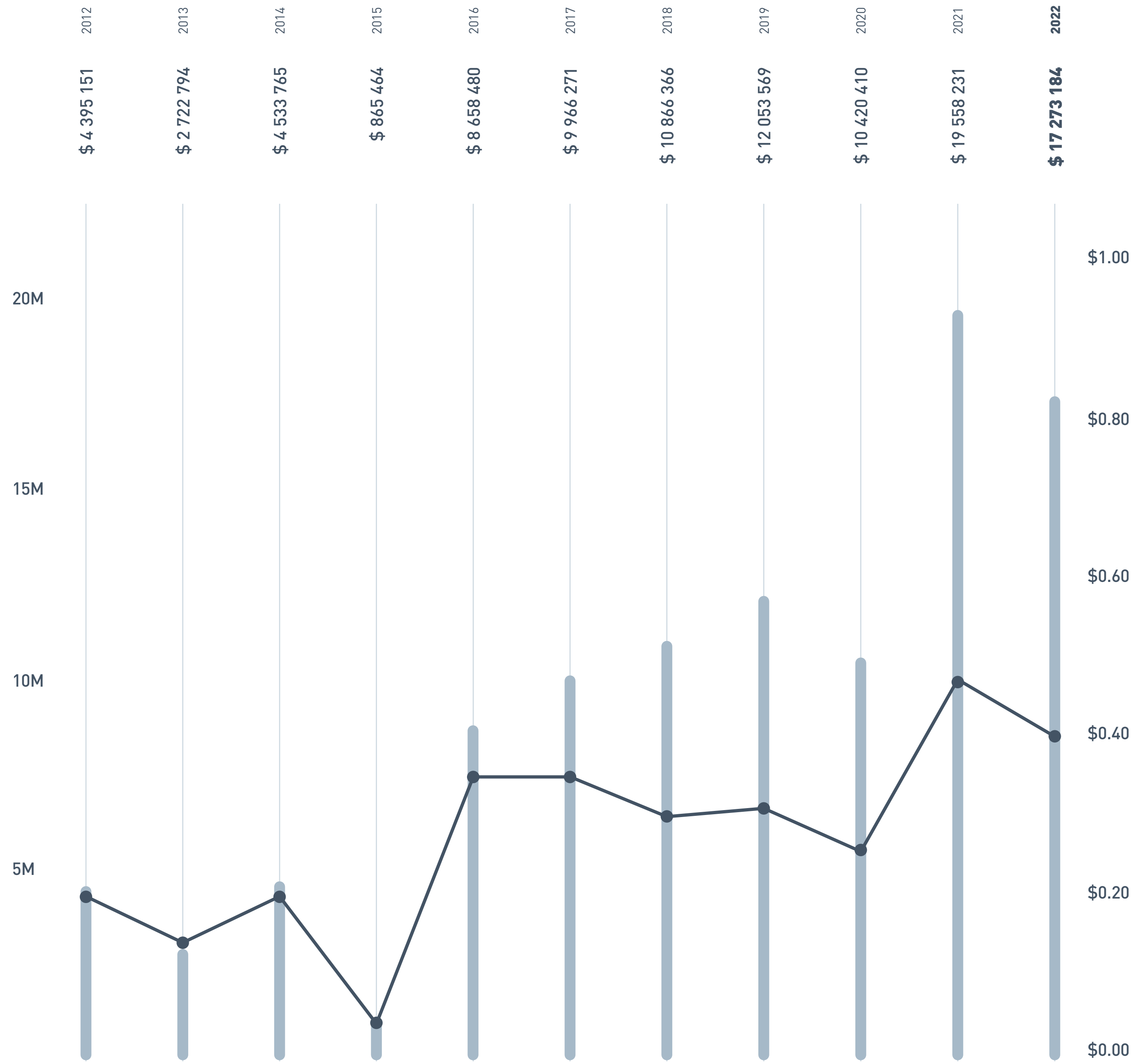
**Note:** EBITDA is presented before the impact of the accounting standard (AASB 16) Leases.

**Photograph**
ARA Tunnels & Infrastructure working on the Westconnex M5 East Tunnel

### An employee owned company

# Recent returns to our shareholders

**Dividends Paid - $101.3 million in the last 11 years**




Dividends paid

Dividends paid per share

It has always been the objective of the founders of ARA to grow the business, both organically and via acquisition, keep the borrowings at an affordable level and provide an above average return on investment to the shareholders via fully franked dividends. The graph demonstrates the consistent payment of dividends in the last eleven years, all of which are fully franked. There remains $38 million of unused franking credits. In the early years of ARA most of the net income was put back into the business to accelerate growth. As the business matured, earnings increased and more shares were issued, the Board of Directors began to declare meaningful dividends. And, in a year when earnings did not justify significant dividends, the dividends were not paid. As the company has had seven years in a row of record earnings, the amount of dividends paid has increased. The increase in dividends paid is also consistent with additional shares issued to employees and used for acquisitions.

The dividends paid in the last three years has averaged $.38 per share. Until there was some certainty in 2020 that the company did well through the start of the pandemic, dividends were held back somewhat in 2020. As ARA performed well, the amount of dividends increased in 2021 and 2022.

It is the intention of the Board of Directors to continue to pay meaningful dividends so long as the earnings of ARA support the payment of those dividends. At the current price ARA shares have traded recently, $6.50 per share, the dividend yield on dividends paid in 2022 was 6.1%. The average dividend yield for the ASX All Ordinaries in financial year 2022 was 3.66%[1]. On the basis of dividends paid in the last three quarters, the dividend yield on ARA shares is 7.5%. The goal of ARA is to continue to pay dividends at the current rate, although there is no guarantee this can be accomplished.

**Photograph**
ARA Security infrastructure protection upgrade through install of CCTV throughout NSW

1. Source: https://www.ato.gov.au/Rates/Company-tax---imputation--average-franking-credit---rebate-yields/

> **"So be sure when you step, step with care and great tact. and remember that life's a great balancing act. And will you succeed? Yes! You will, indeed! (98 and ¾ percent guaranteed) Kid, you'll move mountains."**

**Dr. Seuss - Oh, The Places You'll Go!**

**Photograph**
ARA Electrical access upgrade project
West Dapto NSW

# ARA's success and the ARA culture

## Thoughts by Edward Federman

**By many measures, it can be safely said that the ARA Group is a success story.**

- Revenue has grown at a compounded growth rate of 17.6% for the past 21 years.
- EBITDA has grown at a compounded growth rate of 15.8% for the past 21 years.
- Earnings per share has grown at a compounded growth rate of 5.3% for the past 21 years.
- ARA is an employee-owned business with approximately 300 employees owning shares in the company.
- ARA supports a wide range of charities and foundations and needs in the communities where we work.
- The ARA Endowment Fund now has approximately $2.5 million of principal that generates earnings for the three foundations it supports.
- ARA has provided a good return on investment to its shareholders:
  - The share price has grown at a compounded growth rate of 9.8% for the past 21 years.
  - ARA has paid more than $100 million in fully franked dividends during the past 11 years.
  - The current dividend rate is a 7.5% dividend yield on the current share price.

**These measurements of success do support the theme of this year's Annual Report: Here for you. Here for good. There are many unseen and subtle attributes of ARA that support the success today: Here for you. and the hope for the future: Here for good.**

### Anonymity

From the very beginning, and even as the ARA Group grew consistently and profitably, we attempted to remain thankful and humble for our good fortune and "under the radar." In more recent years, even as we grew more and serviced many significant customers around Australia and New Zealand, we preferred to let our installation work, our products and our service provided do our talking for us. I still enjoy meeting people and explaining who ARA is, what we do and how we perform. Many of the people I meet and readers of our annual report, express surprise at our operating and financial strength and breadth.

As a point of fact, despite our revenue of $721 million and our workforce of 2,800 people, one will not find ARA on any list of Australia's largest private companies. We are proud of who we are, humbled by our success, remain dependable for our customers and work hard toward being an employer of choice for our employees. We look to each other and inside ourselves, our customers and our shareholders for our feelings of accomplishment.

### Responsibility

There are many aspects of the ARA culture that have developed over the years that motivate us. Principally, we rely on our management and our employees to do their job, be accountable and take responsibility. This philosophy generates feelings of ownership in each individual's work. It is our belief that it is human nature that people want to have responsibility and a feeling of "ownership" in their work. ARA's results to date indicate this approach is working.

### Accountability

Everyone is accountable in the ARA businesses. We work together to set goals and targets. If an ARA business or profit centre is struggling to achieve the operational and financial goals we set together, then we work together to determine the work needed to be done to get the business on track. In short, although each of us is accountable, we communicate and collaborate to ensure success.

### Transparency

From the very early days of the ARA Group, we have tried to be transparent to our customers, our suppliers and each other. Some of our service systems that our businesses use have customer portals in which they can see that the respective ARA business has completed its inspection of the customers' equipment and we have completed their repairs as requested. Our decision to publish an Annual Report twelve years ago and each year thereafter is also indicative of our desire to be transparent to our constituencies.

### Community

I have a strong belief that a business organisation is an important member of the communities where we work. We have an obligation to give back to those communities. This concept of corporate social responsibility has filtered throughout the organisation. Our employees and our Board of Directors also recognise this responsibility. ARA has often matched our employees' contributions to charities particularly when there have been natural disasters and our fellow Australians need help. ARA also matches all the employees' contributions to the ARA Endowment Fund. The ARA Endowment Fund currently has a principal balance of approximately $2.5 million. The earnings from the Fund are given to registered Australian charities. It is my dream that one day there will be $10 million in the Fund. If we can achieve this level then ARA will have left a lasting legacy whereby hundreds of thousands of dollars will be available into perpetuity for our designated charities. We often have employees come to management and make requests for charitable contribution to causes that are important to them. ARA will continue to try to be the best corporate citizen that we can be. In the pages ahead, you will see the scope of ARA's involvement in the community.

### Ownership

From the very beginning of the ARA Group, it was always my goal for ARA to be an employee-owned company. It was my belief that it was likely communication and collaboration would be enhanced if many employees owned the company. In essence, it would be easier to get more and more of us to be "rowing in the same direction." Today, there are approximately 300 employees who own shares in ARA. Employee share ownership began in 2007 when shares were made available to senior managers. From that point, we started to use shares as consideration when we acquired businesses. This form of consideration was used to ensure that ARA could continue to acquire companies without becoming too highly leveraged. From time to time, during the past 15 years, we gave employees opportunities to purchase shares and many employees took advantage of this opportunity. Beginning in 2019 an initiative began to recognise and reward those employees who did exceptional work in the financial year just ended. In addition to recognition in the Annual Report, these employees were given an allotment of ARA shares. This allows for the expansion of employee share ownership. It is my dream one day all ARA employees will own shares.

## Our People

# The Unsung Heroes of the ARA Group

They work hard and rise to the challenge. They lead through example, uplift their teammates and provide extraordinary customer service. They embody the resourceful spirit of ARA and they are indispensable to our success.

These are some of the unsung heroes of our Group. We are proud to share in their achievements.

**Name:** Aaron Turner
**Job Title:** Builder
**Division:** ARA Building Services
**Location:** Kingsgrove NSW

"Aaron is a polite, reliable, hardworking employee and is always as helpful as possible. All of our staff and customers love to deal with him. His work ethic on-site at Sydney Olympic Park has been outstanding."

**Anthony Murr, Managing Director**
**ARA Building Services**

**Name:** Achala Perera
**Job Title:** Purchasing Manager
**Division:** ARA Property Services
**Location:** Hawthorn VIC

"Achala is an exceptional employee who has a remarkable can-do attitude. He is always helpful to others, and he reliably finds the best outcomes for both clients and ARA. His efforts over the past 3 years have been significant, especially during the pandemic."

**Paul McCann, Managing Director**
**ARA Property Services**

**Name:** Adam Elvy
**Job Title:** Project Manager
**Division:** ARA Fire & Security
**Location:** Kingsgrove NSW

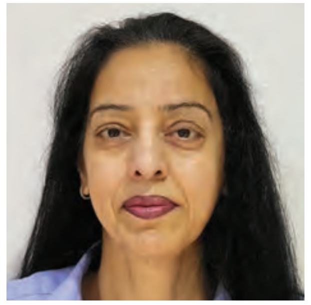
"With 42 years of industry experience, it is Adam's wealth of knowledge and skill in the fire protection industry that we can thank for helping in building Austratronic's reputation for an outstanding, high-quality service. Adam is an integral member of the team - a true asset to our company. "

**Adam Hajek, Managing Director**
**Austratronics | ARA Fire & Security**

**Name:** Adrian Arulanandham
**Job Title:** Finance Manager
**Division:** ARA Fire & Security
**Location:** Kingsgrove NSW

"Adrian is a quiet achiever who is highly regarded by the operations team for assisting them with the financial information and support they require. Adrian is an exceptional leader and a valuable member of the finance team."

**Tony Franov, Managing Director**
**ARA Fire & Security**



**Name:** Alka Seth
**Job Title:** Customer Service Team Leader
**Division:** ARA Manufacture
**Location:** Auckland NZ

"Alka is highly regarded for her knowledge on the Metalbilt service systems. She is the first person our service providers & customers contact for emergency doors and repairs."

**Mark Pamula, Managing Director**
**ARA Manufacture**

**Name:** Azita Doudman
**Job Title:** Senior In-House Counsel
**Division:** ARA Corporate Services
**Location:** Crows Nest NSW

"Azita is a dedicated and hardworking member of our legal and risk team. Azita's attitude and friendly approach, is well respected throughout the organisation."

**Allison McCann, Chief Financial Officer**
**ARA Group**

**Name:** Belinda Baudinette
**Job Title:** Service Operations Manager
**Division:** ARA Fire & Security
**Location:** Balcatta WA

"Belinda is an integral part of the WA operations team. Her ability to lead, communicate and problem solve is second to none and she has been a key part of our continued growth in WA."

**Tony Franov, Managing Director**
**ARA Fire & Security**



**Name:** Bill Reid
**Job Title:** Senior Project Engineer
**Division:** ARA Electrical
**Location:** Ingleburn NSW

"One of our longest serving employees with 33 years working with the ARA/ BASS Electrical Business, Bill's experience and knowledge in the Design and Engineering space is exceptional. He is highly respected by our clients."

**Adam Shepherd, Director - General Manager**
**Southern & Central Region | ARA Electrical**

**Name:** Caroline O'Loughlan
**Job Title:** Service Co-ordinator
**Division:** ARA Fire & Security
**Location:** Bella Vista NSW

"Caroline is a key member of the service team here at Servcore. Her ongoing commitment to customer satisfaction, diligence to detail, clear and concise communication are the reasons she is held in high regard, by clients, management, technicians, and the rest of the service team."

**Tony Franov, Managing Director**
**ARA Fire & Security**

**Name:** Cesar Penaloza
**Job Title:** Project Officer
**Division:** ARA Manufacture
**Location:** Derrimut VIC

"The enthusiasm, energy and work ethic from Cesar is matched by his high level engineering and design knowledge and performance. Cesar has consistently ensured that shop drawing targets are met, even on tight timelines."

**Mark Pamula, Managing Director**
**ARA Manufacture**

**Name:** Chris Butcher
**Job Title:** Leading Hand
**Division:** ARA Fire & Security
**Location:** Forrestdale WA

"As leading hand Chris currently leads and mentors a team of 7 technicians across WA. Chris's knowledge on mobile fire suppression is second to none and his ability to support our technicians and clients is helping ARA Fire | FSS with our continuous growth."

**Tony Franov, Managing Director**
**ARA Fire & Security**

**Name:** Cindy McGregor
**Job Title:** Contract Supervisor
**Division:** ARA Indigenous Services
**Location:** Chinchilla QLD

"Cindy has displayed a real can do attitude, leading by example, promoted from a shift cleaning position on the Shell contract, to contract supervisor. Cindy has exceeded expectations on every level. Excelling in her new role, client feedback on Cindy's performance has been outstanding."

**Michael O'Loughlin, Managing Director**
**ARA Indigenous Services**

**Name:** Daniel Moore
**Job Title:** Design Draftsman
**Division:** ARA Manufacture
**Location:** Adelaide SA

"Regardless of the task at hand, Daniel places every consideration and the necessary attention to detail whilst producing engineering drawings and any other task requested of him, completing it very efficiently with 100% accuracy."

**Mark Pamula, Managing Director**
**ARA Manufacture**

**Name:** Ervie Herani
**Job Title:** Project Co-ordinator
**Division:** ARA Fire & Security
**Location:** Bella Vista NSW

"Ervie is a highly committed member of the team. She strives to ensure that each and every one of our customers receive the best attention, on time delivery and customer service second to none."

**Tony Franov, Managing Director**
**ARA Fire & Security**

**Name:** Evan Chan
**Job Title:** Design Manager
**Division:** ARA Manufacture
**Location:** Tuggerah NSW

"As Design Manager, Evan has consistently used his intelligence from an engineering, design, costing perspective to enable Leda to remain a market leader for our bollards, gates and bike parking. Evan always goes over and above for the betterment of the organisation."

**Mark Pamula, Managing Director**
**ARA Manufacture**

**Name:** Jae Man Han
**Job Title:** Senior Fabrication Engineer
**Division:** ARA Manufacture
**Location:** Auckland NZ

"Jae Man, (Jimmy) has worked in our Bus Shelter business for the last 8 years. Jimmy is a very experienced and highly skilled welder of steel and aluminium, producing components to the very highest quality."

**Mark Pamula, Managing Director**
**ARA Manufacture**

**Name:** Jason Chang
**Job Title:** Security Technician
**Division:** ARA Fire & Security
**Location:** Auckland NZ

"Jason's dedication and commitment to our team is second to none, every area of the business he's been involved in he has excelled. When an opportunity opened for him to lead our fantastic security project team he stepped into the role like a natural."

**Tony Franov, Managing Director**
**ARA Fire & Security**

**Name:** Jason Murray
**Job Title:** Operations Manager
**Division:** ARA Mechanical
**Location:** Orange NSW

"Jason has been a key member of the ARA Mechanical team in Orange for the last 4 years and has been an integral part of the recent success of the revitalised Orange business."

**Phil Harding, Managing Director**
**ARA Mechanical**

**Name:** Jessica Craig
**Job Title:** Service Administration Supervisor
**Division:** ARA Mechanical
**Location:** Kingsgrove NSW

"Jessica is extremely hard working and has a can-do attitude that sees her seeking out solutions to problems quickly and efficiently. Jessica is liked and respected by clients and work colleagues."

**Phil Harding, Managing Director**
**ARA Mechanical**

**Name:** Joshua Toomey
**Job Title:** Indigenous Engagement Officer
**Division:** ARA Indigenous Services
**Location:** Kingsgrove NSW

"Joshua has done an amazing job leading the Wiimali Program and mentoring ARA Group's Indigenous staff. Joshua's efforts have lead to the highest number of Indigenous staff, in ARA Group history."

**Michael O'Loughlin, Managing Director**
**ARA Indigenous Services**

**Name:** Kainu McDonald
**Job Title:** Area Service Manager
**Division:** ARA Mechanical
**Location:** Kingsgrove NSW

"Kai's dedication to his work is second to none. He constantly seeks out new challenges, especially when a task has proven difficult and prides himself on getting results. That said, Kai is always the first to tell you he's only as good as the team around him."

**Phil Harding, Managing Director**
**ARA Mechanical**

**Name:** Kathleen Delios
**Job Title:** Compliance and Administration Manager
**Division:** ARA Fire & Security
**Location:** Kingsgrove NSW

"Starting as a casual administrator and now in a National Compliance role, Kathleen will always go that extra step to ensure that all our new starters and existing are looked after and welcomed into the business, An excellent asset to have in any team."

**Tony Franov, Managing Director**
**ARA Fire & Security**

**Name:** Kenneth Vitor
**Job Title:** Lifeboat Service Engineer
**Division:** ARA Fire & Security
**Location:** Henderson WA

"Kenneth approaches his work consistently with a can do attitude bringing his wealth of experience of dealing with commercial shipping and lifeboat operating systems. He is frequently thanked for his diligence and work ethic from customers."

**Tony Franov, Managing Director**
**ARA Fire & Security**

**Name:** Lindsey Yaman
**Job Title:** Supply Chain Supervisor
**Division:** ARA Products
**Location:** Belrose NSW

"Lindsey does so much for the business behind the scenes. She is hard working and conscientious and will always go the extra mile in making sure that all aspects of her role are completed with the utmost care and diligence."

**Stuart Harmer, Managing Director**
**ARA Products**

**Name:** Lisa Corbett
**Job Title:** Administration Co-ordinator
**Division:** ARA Electrical
**Location:** Singleton NSW

"As administration coordinator Lisa controls all the day to day administration tasks that keep the Singleton branch moving. She does her job well and is always looking to do more to help her team."

**Darrell Milne, General Manager**
**Singleton | ARA Electrical**

**Name:** Maddison Fowler
**Job Title:** Administration Assistant
**Division:** ARA Electrical
**Location:** Unanderra NSW

"A highly valued member of ARA Electrical, Maddison brings a positive attitude, excellent service and takes on any task to support the business. She is exceptionally talented, hard working and dedicated to her role."

**David Hides, Chief Financial Officer**
**ARA Electrical**

**Name:** Mandy Plyman
**Job Title:** Administration Manager
**Division:** ARA Fire & Security
**Location:** Loganholme QLD

"Mandy has worked within the administration and account management team for six years, and is a pivotal part of the ARA Fire QLD business. Mandy receives great feedback from our clients, and her dedication to her role is appreciated."

**Tony Franov, Managing Director**
**ARA Fire & Security**

**Name:** Mark Hickey
**Job Title:** Technical Manager
**Division:** ARA Building Services
**Location:** SA

"Mark has recently stepped up to take on the role of Technical Manager, and always goes above and beyond to help with whatever we need and look after our client's needs."

**Anthony Murr, Managing Director**
**ARA Building Services**

**Name:** Murray Curtis
**Job Title:** Senior Foreman
**Division:** ARA Electrical
**Location:** Ingleburn NSW

"An integral member of the Central Division, Murray has been with our business for 17 years and has demonstrated continuous dedication and commitment in getting the job done. Murray is a great mentor to our upcoming Electrical Apprentices."

**Adam Shepherd, Director - General Manager**
**Southern & Central Region | ARA Electrical**

**Name:** Paul Corrigan
**Job Title:** Warehouse Manager
**Division:** ARA Fire & Security
**Location:** Kings Park NSW

"Paul is reliable and hardworking with an infectious can-do attitude. Paul is always willing to go the extra mile to support our clients and his teammates."

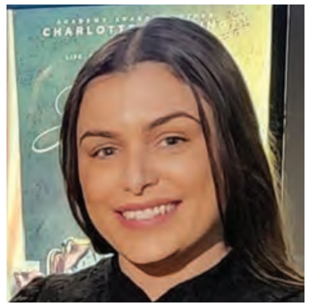
**Barrie Smith, General Manager**
**ARA Tunnels & Infrastructure**

**Name:** Phil Nelson
**Job Title:** Operations Manager
**Division:** ARA Manufacture
**Location:** Christchurch NZ

"Phil's commitment to his clients and the Metalbilt team members exceeds expectations. One of our most experienced people, he is called on to do multiple tasks from installations, quoting, manufacturing and enquiries."

**Mark Pamula, Managing Director**
**ARA Manufacture**





**Name:** Rachael Foster
**Job Title:** Operations Reporting Co-ordinator
**Division:** ARA Property Services
**Location:** Hawthorn VIC

"Rachael always approaches all of her tasks with a smile and a can-do attitude. She is happy to go the extra mile in providing support to the Operations Team delivering high-level client reports and administration"

**Paul McCann, Managing Director**
**ARA Property Services**

**Name:** Renato Magsino
**Job Title:** IT Infrastructure Engineer
**Division:** IT Support
**Location:** Kings Park NSW

"Renato is consistently reliable and ready to push the bar, bringing his best to work every day highlights his contagious positive attitude. He is always willing to improve and think outside the box."

**Allison McCann, Chief Financial Officer**
**ARA Group**

**Name:** Rodney Cutler
**Job Title:** Sprinkler Service Manager
**Division:** ARA Fire & Security
**Location:** Kings Park NSW

"Rod manages a top performing fire sprinkler service team, and delivers continual outstanding results for the business and our customers. His dedication is unwavering and is recognized by all that work with Rod."

**Tony Franov, Managing Director**
**ARA Fire & Security**

**Name:** Sarath Ky
**Job Title:** Electrical Fitter
**Division:** ARA Electrical
**Location:** Minto NSW

"We regard Sarath's skills as a standard to which others should uphold in quality, safety and time management. He shows great teamwork and is always ready to assist his colleagues in ensuring standards and customer satisfaction are adhered to."

**Mile Belevski, General Manager - JBM Power**
**ARA Electrical**

**Name:** Sherry Xiong
**Job Title:** Accountant
**Division:** ARA Property Services
**Location:** Hawthorn VIC

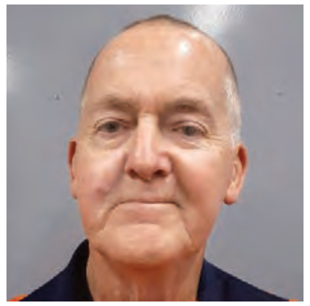
"Sherry demonstrates dedication and ownership of her responsibilities delivering payroll duties with high level accuracy in multiple complex systems for ARA Indigenous, ARA Property and Complex Solutions. She is hard working, efficient and reliable at all times."

**Paul McCann, Managing Director**
**ARA Property Services**

**Name:** Sreedev Radhakrishnan
**Job Title:** Senior Project Engineer
**Division:** ARA Fire & Security
**Location:** Kings Park NSW

"Sreedev is a quiet and consistent achiever, whose dedication and commitment to ensuring the best outcome for our team, whilst never seeking personal accolades, is unwavering. He is highly respected by both our customers and his team."

**Barrie Smith, General Manager**
**ARA Tunnels & Infrastructure**



**Name:** Steve Toohey
**Job Title:** Electrical Foreman
**Division:** ARA Electrical
**Location:** Unanderra NSW

"Steve Toohey manages our Service division in Wollongong. Steve is hardworking, reliable and is always willing to go that next level in providing a service to our clients, no matter what time of the day it is."

**Adam Shepherd, Director - General Manager**
**Southern & Central Region | ARA Electrical**

**Name:** Tracy Earle
**Job Title:** Senior Customer Relationship Manager
**Division:** ARA Indigenous Services
**Location:** Canberra ACT

"Tracy demonstrates exceptional pride in her role with ARA, never seeking recognition but with a quality of service second to none. This shines through to the staff and our clients."

**Michael O'Loughlin, Managing Director**
**ARA Indigenous Services**

**Name:** Tristan Kenyon
**Job Title:** Film Producer/Director
**Division:** ARA Creative Team
**Location:** Crows Nest NSW

"Responsible for the management of ARA's photography and video department and the Creative Team's many technical/digital needs, Tristan's high attention to detail continuously lifts the standard of the ARA Group's branding and marketing projects."

**Paul Dieckmann, Creative Director**
**ARA Group**

**Name:** Troy Christensen
**Job Title:** Cabinet Maker
**Division:** ARA Building Services
**Location:** Airport West VIC

"A loyal employee from the start, Troy is always dependable and extremely reliable. His willingness to learn new things has made him a very versatile employee. He is well liked and is always willing to provide his best."

**Anthony Murr, Managing Director**
**ARA Building Services**

Thank you to

## The Unsung Heroes of the ARA Group


# Section 02 ARA In the Community



**Photograph**
The Sydney Writers' Festival in 2022, Carriageworks Sydney NSW



**Photograph**
Top: The Sydney Writer's Festival in 2022
Bottom left: The ARA Historical Novel Prize Winner in 2021 - Adult category
Bottom right: The ARA Historical Novel Prize Winner in 2021 - Children and Young Adult category



### Philanthropy

# ARA in the Community

ARA continues to believe that it has a responsibility to assist the communities where we operate. During the past 21 years of ARA Group operations, we have contributed significantly relative to the profits of the Group. During financial year 2022, ARA Group contributed approximately $1.5 million to the causes detailed below. Additionally, the ARA Endowment Fund contributed a total of $96,000 in 2022 to the three foundations the Endowment Fund supports.

Although there is an emphasis on contributions to the arts and literature there are several other categories of contributions. Once ARA becomes committed to an organisation, we remain consistently committed as we attempt to build a meaningful partnership.

---

**Disaster Relief**

For the past two years, ARA has donated $100,000 per year to Givit, a national charity who helps Australians in need. The floods in the past two years created a desperate need among many Australians. Givit has little administrative overhead, so over 90% of our donations get to the people in need.

**Literature**

In 2020, ARA established the ARA Historical Novel Prize in partnership with the Historical Novel Society Australasia. This literary prize recognises historical fiction. ARA provides $100,000 of prize monies which makes this literary prize the richest genre prize in Australia and New Zealand. The ARA Historical Novel Prize has both an Adult category and a Children and Young Adult (CYA) category. The ARA Historical Novel Prize awards $50,000 to the Adult category winner, with an additional $5,000 awarded to each of the remaining two shortlisted authors. In the CYA category, the winner receives $30,000, while the two remaining shortlisted authors receive $5,000 each. ARA also supports the Historical Novel Society's biennial conference.

ARA is the Principal Partner of the Sydney Writers' Festival. ARA has supported the Sydney Writers' Festival for the past six years and is committed to continue as the Principal Partner. The Sydney Writers' Festival brings hundreds of authors together with more than 80,000 attendees at the Festival each year.

ARA has been the Principal Partner of the Melbourne Writers Festival for the past two years. The Melbourne Writers Festival has more than 150 events with hundreds of authors. The Festival brings together tens of thousands people who have a love of literature.

**ARA Endowment Fund**

The ARA Endowment Fund was established in 2009. It is the dream of ARA to build the balance in the ARA Endowment Fund to $10 million in the future. When we achieve that dream, there will be hundreds of thousands of dollars in earnings from the ARA Endowment Fund to support charities in Australia. It will also mean the ARA Group has left an enduring and lasting legacy to the Australian community.

Each year, 100% of the annual earnings of the ARA Endowment Fund is donated to registered Australian charities. The principal balance of the ARA Endowment Fund is currently $2.5 million. In 2022, this principal balance generated $96,000 which was donated to the three Foundations currently being supported by the ARA Endowment Fund: The GO Foundation, The Indigenous Literary Foundation and The David Lynch Foundation.

**Arts and Higher Education**

ARA is the Principal Partner for Property Services for the National Institute of Dramatic Art (NIDA). We have made a multi-year commitment to NIDA. As a part of the ARA Principal Partner sponsorship, three $10,000 scholarships are given each year to three Indigenous students studying at NIDA.

**Arts and Literature for Children**

The Sydney Writers' Festival's (SWF) Russ the Bus initiative brings books to children in disadvantaged areas of New South Wales. In addition to being the Principal Partner of the SWF, ARA has been a significant contributor to Russ the Bus. Literacy in children is so important. Our hope is that the children receiving books and meeting the authors of many of those books develop a lifelong love of reading.

The Monkey Baa Theatre is a preeminent children's theatre company. Located in Sydney within the ARA Darling Quarter theatre. The Monkey Baa Theatre brings school age children to the theatre and they become immersed in the development of a theatre production. The Monkey Baa Theatre also tours around Australia. ARA has been the Principal Partner of the Monkey Baa Theatre for the past three years.

The Story Factory is a not-for-profit creative writing centre for young people in under-resourced communities across Sydney and New South Wales. The goal of the Story Factory is to build writing skills, confidence and creativity. Founded more than ten years ago by Dr Catherine Keenan, the Story Factory has taken more than 30,000 student enrolments. Today, the Story Factory works with as many as 1,000 students a week. The impact on the students participating in the Story Factory program is considerable in terms of increased confidence, improved literacy and enjoyment of writing. ARA is a Key Partner.

**Conservation**

ARA's longest partner in the community is the Taronga Zoo. ARA began supporting the Zoo thirteen years ago. Our annual contribution has grown consistently during the period of our support. We have just committed to being a Crown Sponsor, the second highest category of support, for the next three years.

During the bush fires of 2019-2020 ARA donated an additional $50,000 to help save the koalas affected by the fires.

*Please see over the page for more information on our long standing partnership with Taronga Zoo.*

### ARA's Partnership with
# Taronga Zoo

## A message from Taronga Zoo's Executive Director, Simon Duffy

"Taronga Conservation Society Australia is grateful to ARA Group for their ongoing support. ARA Group's support allows Taronga to conduct vital conservation work in Australia and abroad, including the Plains-wanderer breed-to-release program. We've seen great successes in this program, which wouldn't be possible without the support of our incredibly important partners like the ARA Group. We thank ARA Group for their continued support of Taronga, which now extends to more than a decade, and allows us to achieve our vision to secure a shared future for wildlife and people. It is through partnerships like this that we can all make a better future for the planet."

ARA Group is proud to support Taronga Conservation Society Australia (Taronga). Taronga is a not for profit conservation organisation with over 100 years of history. Taronga believes that everyone has a responsibility to protect the world's precious wildlife, not just in our lifetime, but for many generations to come. ARA Group is proud to have partnered with Taronga for more than thirteen years. ARA Group's ongoing support allows Taronga to continue their vital conservation work and wildlife support, especially in times of crisis.

Over the last few years, Taronga has received and treated an unprecedented number of animals impacted by bushfires, drought, heatwaves and severe storms. Throughout the 2019-20 bushfires, Taronga led emergency interventions to save koalas, wallabies, platypus and critically endangered fish and amphibians from the path of fires and drying river systems. Taronga's immediate responses ranged from providing expert medical care at their two Wildlife Hospitals in Sydney and Dubbo and emergency wildlife triage centres in Victoria, to providing emergency shelter for wildlife, advising government agencies and creating awareness through speaking at the United Nations summit on the role of conservation zoos in the long-term recovery of native species. The 2019-20 bushfires saw more than 5.3 million hectares burn in NSW alone and a loss of over 1 billion native Australian animals. Taronga's long-term approach involves rebuilding populations (breed-to-release) and restoring and protecting habitat. ARA donated $50,000 in excess of our annual contribution to support Taronga's efforts to save impacted animals.

ARA Group is especially proud to support Taronga's Plains-wanderer breed-to-release program. Once found on the semi-arid plains extending from Victoria to central Queensland, the Plains-wanderer has suffered significant (90%) decline in population over the past 20 years. Threats of over-grazing and fragmentation of their natural habitat are exacerbated by extreme periods of drought and flood. These forces combined have heightened devastating impacts on the birds when there is less habitat available. This tiny, elusive, genetically unique bird is the highest priority bird species globally for conservation on the EDG (Evolutionary Distinct Globally Endangered) list of animals the planet can least afford to lose due to its incredibly distinct and unique genetics.

With an estimated wild population of less than 1,000 birds, the National Recovery Plan is crucial. Taronga's role in the National Recovery Plan is to create a healthy, behaviourally sound, zoo-based breeding population of Plains-wanderer capable of producing at least 30 birds per year fit for release in rehabilitating habitats. Taronga is now working towards ensuring maximum viability of birds post-release and in turn, maximum survival of individual, and the species. Success relies on establishing a greater understanding of Plains-wanderer behaviour for effective management of the zoo-based population and development of release strategies to secure a stable wild population.

In March 2022, representatives from Taronga, Department of Planning and Environment Saving Our Species team and James Griffin MP, released ten Plains-wanderers back into their wild habitat of the Hay Plains in Southern NSW. This first NSW release marked a huge milestone in the Plains-wanderer National Recovery Plan. The ten birds were hatched across Taronga's two zoos and a partner zoo. Taronga's teams across both sites have successfully hatched over 45 chicks in this time – an incredible feat considering the niche environmental requirements the birds require.

**Photograph**
Top: Plains-wanderer
Bottom: Release of 10 Plains-wanderers
Hay Plains NSW

Photos by Harrison Vincent.

Photograph
Cargo ship in dock ready for inspection & service of critical safety equipment

# Section 03
# ARA Initiatives

**Photograph**
Top: Shipping inspection and service of lifeboat
Bottom: Service of vehicle suppression system in mining vehicle

### Addition of Specialty Service Businesses

# The Transformation of ARA Fire

ARA Fire, now a part of the newly formed Fire and Security Division, is principally a service business. ARA Fire is a national business with branches around Australia. ARA Fire's service customers are major commercial and industrial property owners and operators. ARA Fire is very transparent in the work performed as its service system has a web-based portal for our customers to see that we have done our inspection and testing as required and we have responded to work orders given to us.

Despite the great customers we have and the transparency we provide, this service part of the fire protection industry is very competitive. As a result of this challenging competitive environment, we have focused on acquiring and growing specialty fire protection and life safety system service businesses.

**To this end, we have made the following acquisitions both in 2021 and 2022:**

**Shipping and Defence Life Safety System Service**

| WILTRADING STACE | Port Curtis Sea Safety Services | OceanLink |
|---|---|---|
| National | Gladstone, QLD | National |

These businesses provide inspections and testing, certification and repairs of life safety systems including fire protection equipment, lifeboats and davits, breathing apparatus and other critical engineering systems to the offshore, marine and defence sectors. There is also a strong emphasis on the similar servicing of commercial container vessels.

**Vehicle Suppression Systems**

| FIRE Suppression Services | SFS Sheridan Fire Solutions |
|---|---|
| Western Australia | Queensland |

The ARA Fire vehicle suppression business installs and services fire protection systems on any type of vehicle. The majority of the systems are installed and serviced on mobile equipment, particularly on vehicles used in mines and heavy construction equipment. These systems detects and suppresses potentially devastating fires on the vehicles where they are installed.

**The acquisitions of these businesses have spread the geographical reach of ARA Fire to additional locations in various ports around Australia:**

• Henderson, WA • Karratha, WA • Darwin, NT • Cairns, QLD • Gladstone, QLD • Rockhampton, QLD

This geographical spread is giving ARA Fire the opportunity to expand its traditional service business to regional Australia.

This focus on the specialty fire protection and life safety system businesses coupled with an aversion to compete in the new commercial construction industry and a continued strong performance and focus on the traditional fire protection service business has improved the overall performance of the ARA Group.

Throughout the past four years ARA Fire has also had significant infrastructure installation contracts for sprinkler systems and other fire protection systems. The performance of these works has been excellent as the teams executing these infrastructure works have been highly experienced and have operated as a separate business unit apart from the service businesses. In light of the continued infrastructure works planned for the future around Australia, ARA Fire will continue to compete in this highly specialised business. The successful completion of these contracts leads to service opportunities in the future.


### The Expansion of

# ARA Locksmiths and ARA Hardware

During the past financial year, ARA made a strategic decision to expand its locksmith service capabilities and its distribution of architectural hardware. These services intersect with each other in various ways as well as with existing ARA businesses, specifically ARA Manufacture and ARA Security. The growth in the investment of locksmith service businesses and architectural hardware distribution is a great example of how we focus on a business sector and the corresponding service in making decisions on acquisition investments.

This journey began in financial year 2016 when ARA acquired an Adelaide, South Australia combined architectural hardware distribution business and locksmith service business. For the past several years the benefit of this business being a part of ARA became apparent. The hardware distribution business worked in tandem with the ARA Manufacture business and the locksmith service business supported the ARA Security business.

In financial year 2018, ARA Security acquired the HUD Security business. HUD Security was a manufacturer and installer of secure storage products for banking and finance, retail and pharmaceutical storage organisations. The installation and subsequent service of the HUD products utilised locksmiths extensively. Also, ARA Security often sub-contracted work to locksmiths as part of the electronic security service contracts.

As the ARA Group is a growth company, we look for synergistic opportunities in acquisition investments that will grow the Group but more importantly, have strategic relevance. The experience from the two examples highlighted above, clearly indicated that investments in locksmith service businesses would facilitate self-delivery of many ARA Security contracts rather than rely solely upon the use of sub-contractors. During this financial year, ARA Security secured several large locksmith service contracts throughout Australia. At this point, it was clear that ARA Security needed to be a national locksmith service business. This is a great example of winning the work and then making the investment. In addition to hiring locksmiths to help deliver the contracts won, ARA Security purchased locksmith service businesses in Brisbane, Sydney and Melbourne. ARA Security is now a national locksmith service business in Australia.

Since the acquisition of the architectural hardware business in 2016, the business has grown in tandem with the growth of the ARA Manufacture business. Sales and profits have grown significantly. Due to this favourable experience, ARA Group purchased one of the largest architectural hardware distributors in New Zealand, Supersmac, during the 2022 financial year. Shortly thereafter, a regional architectural hardware distributor in Wellington, New Zealand, Henry & Kemp, was purchased. These businesses also provide locksmith services and door installation services. All of the products and services from these recent acquisitions fit nicely with the existing ARA New Zealand businesses being Manufacture and Security.

The integration of the recent New Zealand acquisitions has been seamless. The acquired businesses have performed exceptionally well and the collaboration with the ARA Security business in New Zealand has resulted in increased contract opportunities and increased self-delivery.

The growth and development of ARA Hardware and ARA Locksmiths during the past six years has been methodical, well considered and strategically sound.

**Photograph**
Above: ARA Locksmiths servicing of facilities hardware
Right: ARA Hardware store, Adelaide SA

## The Continued Growth of

# ARA Manufacture

The ARA 2021 Annual Report discussed the strategic decision made during our 21 year journey to consistently invest in manufacturing businesses in Australia and New Zealand. ARA continued to invest in manufacturing businesses in financial year 2022. Two additional manufacturing businesses were acquired during financial year 2022. In conjunction with the acquisitions in 2022, the Products Division and all manufacturing increased organically during this past financial year. There appears to be a strong interest throughout Australia and New Zealand to buy locally manufactured products. ARA Manufacture is particularly well suited to supply their products locally as the majority of the products manufactured fulfill bespoke requirements and are not easily mass-produced.

Australian Commercial Doors (ACD), one of the largest commercial and industrial fire door and specialty door manufacturers in Melbourne was acquired early in the financial year. It is a business more than thirty years old and it is a manufacturer of high quality commercial doors. In addition to a full range of timber fire doors, ACD manufactures metal clad doors, acoustic doors, flush panel doors, specialty hospital doors and fire rated windows.

ACD complements the manufacture of commercial timber fire doors and the extensive range of metal doors in Adelaide, South Australia and in Auckland, New Zealand.

**ARA Manufacture currently manufactures a very extensive range of products in Australia and New Zealand:**

- Aluminium grilles and shutters
- Steel roller shutters
- Aluminium and steel counterweight balanced doors
- Side trackable doors for retail
- Frameless glass doors
- Wide range of steel panel hinged doors
- Bi-fold overhead door
- Stainless steel dual entry systems for bio-containment requirements
- Steel doors for locomotives
- Steel door frames
- Extensive range of physical security systems including doors, windows, counters, pass-throughs with various ballistic resistance characteristics
- Aluminium shelters for bikes and buses and trains
- Bollards
- Gates
- Commercial bicycle racks
- Secure storage products
- Prison systems

To further complement the existing product ranges noted above, ARA acquired BM Doors in May 2022. BM Doors designs and manufactures an extensive range of high security door systems, both fire rated and non-fire rated and high security door hardware. BM Doors has a wide range of patents and intellectual property to support their designs and the manufactured products.

Taken in its entirety, ARA Manufacture is a major manufacturer of specialty building products, security products and fire rated products for the Australian and New Zealand markets. Supported by its engineering staff and product designers, ARA Manufacture provides continuous innovation for its customers. The continuous investment in manufacturing supports the theme of being Here for You. Here for Good.

**Photograph**
Above: Manufacturing of Renlita Doors, Regency Park SA
Right: Manufacturing of various doors in Canberra ACT and Bayswater VIC


# Section 04
# ARA Divisions



**Photograph**
ARA Security installing CCTV cameras on a clients security network

2022

# Revenue

# $721 Million

Comprised of

**56%** Service

**15%** Construction

**21%** Product

**8%** Infrastructure

By Division

## ARA FIRE & SECURITY

### $256 Million

**Integration of and solutions for electronic security and fire protection**

**Security Solutions**
- Access Control
- CCTV
- ATM Security and Guarding
- Electronic Security Solutions
- Safes, Vaults and Teller Units
- Locksmith Services

**Fire Protection**
- Inspection and Testing
- Sprinkler Systems
- Detection and EWIS Systems
- Passive and Fire Doors
- Portable Systems
- Special Hazards
- Oxygen Reduction
- Fire Suppression Systems
- Shipping and Defence Life Safety System Service

## ARA MECHANICAL

### $69 Million

**Energy management for commercial buildings**

- HVAC Design
- Mechanical Ventilation
- Air Conditioning
- Chiller Plants
- Building Automation
- Energy Management
- Metering

## ARA PROPERTY SERVICES

### $127 Million

**Commercial cleaning and building services**

**Cleaning Services**
- Commercial Cleaning
- Healthcare Cleaning
- Food Processing Cleaning
- Grounds Maintenance
- Waste Management and Recycling

**Building Services**
- Remedial Building Repairs
- Insurance Building Repairs
- 24/7 Emergency Service
- Exterior and Interior Design
- Fit Outs of Interior Spaces
- Refurbishments
- Multi Trade Services
- Thermal Imaging
- Maintenance

## ARA ELECTRICAL

### $134 Million

**Electrical, high voltage, data and engineering**

- High Voltage Services
- Low Voltage Services
- Engineering Solutions
- Installation Services
- Switchboards
- Mobile Switch Rooms
- Data Centres
- Structured Cabling

## ARA PRODUCTS

### $135 Million

**Manufacturing and distribution**

**Manufacturing of**
- Commercial Doors
- Industrial Doors
- High Security Doors
- Physical Security Systems
- Ballistic Glass
- Bollards, Gates and Commercial Bicycle Racks
- Joinery and Lockers

**Distribution of**
- Access Control
- CCTV
- Photo ID Systems
- Identity Security
- Architectural Hardware

## ARA INDIGENOUS SERVICES

Revenue is included in the ARA Property Services total.

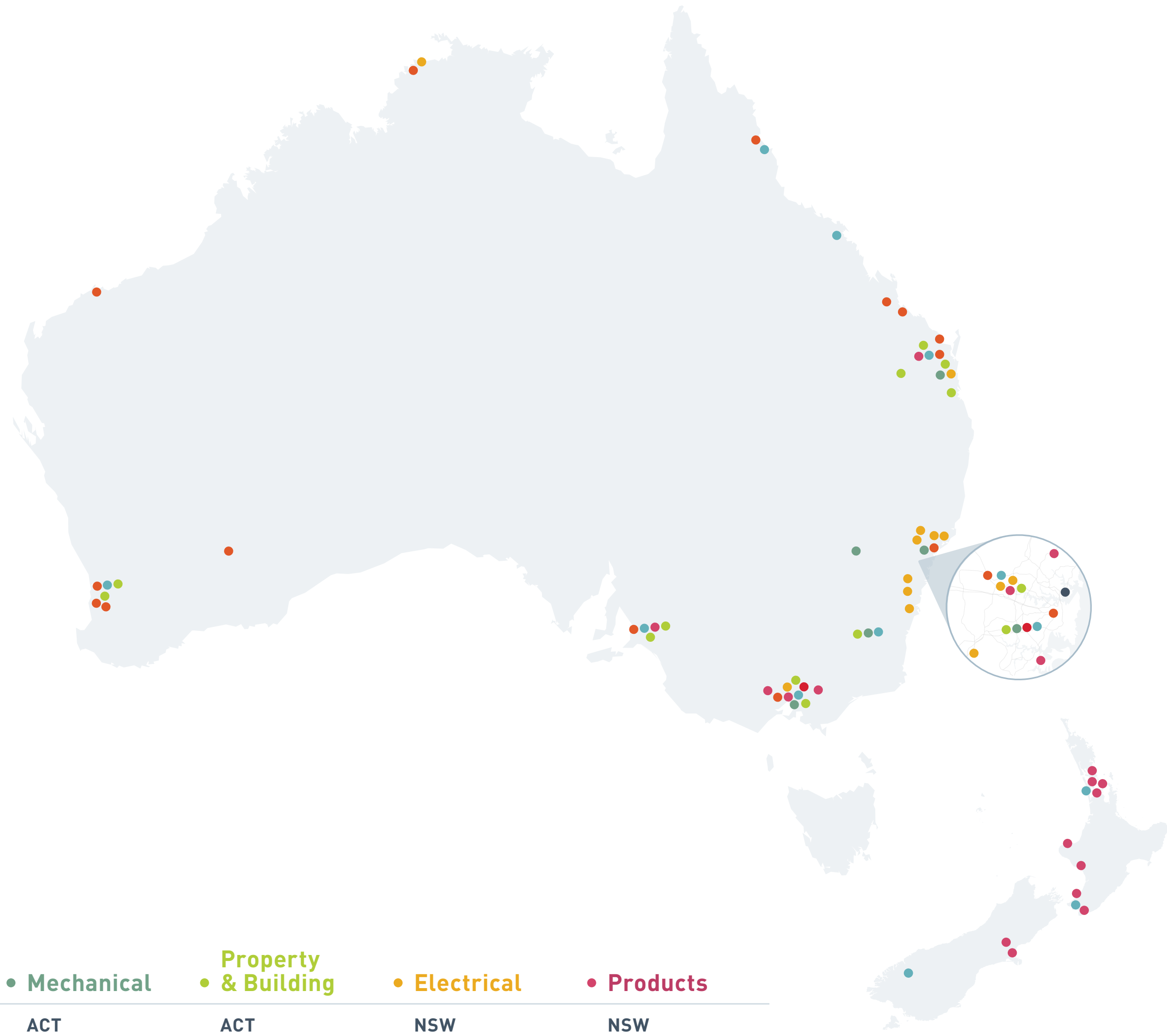
**Commercial cleaning services**

Operates as a commercial cleaning business and is a conduit for all ARA capabilities.

**Photograph**
ARA Manufacture manufacturing of doors in Bayswater VIC

## Australia and New Zealand

# ARA Locations



### Fire & Security

**ACT**
Fyshwick
**NSW**
Bella Vista
Kingsgrove
Kings Park
Stanmore
Tuggerah
**NT**
Darwin
**NZ**
Avondale
Lower Hutt
Queenstown
**QLD**
Bungalow
Gladstone
Loganholme
Mackay
Portsmith
Rockhampton
Svensson Heights
**SA**
Regency Park
**VIC**
Derrimut
South Melbourne
**WA**
Balcatta
Forrestdale
Henderson
Kalgoorlie
Karratha

### Mechanical

**ACT**
Fyshwick
**NSW**
Kingsgrove
Orange
West Gosford
**QLD**
Tingalpa
**VIC**
Cheltenham

### Property & Building

**ACT**
Fyshwick
**NSW**
Kingsgrove
North Parramatta
**QLD**
Chinchilla
Maroochydore
Milton
Slacks Creek
**SA**
Eastwood
Regency Park
**VIC**
Dandenong
Hawthorn
**WA**
Balcatta
Burswood

### Electrical

**NSW**
Baulkham Hills
Heatherbrae
Ingleburn
Minto
Mt Thorley
Nowra
Seven Hills
Singleton
Tomago
Unanderra
**NT**
Woolner
**QLD**
Tingalpa
**VIC**
Tullamarine

### Products

**NSW**
Belrose
Caringbah
Rydalmere
**NZ**
Auckland
Christchurch
Lower Hutt
Manawatu-Wanganui
New Plymouth
Wellington
**QLD**
Loganholme
**SA**
Regency Park
**VIC**
Bayswater
Derrimut
Port Melbourne

### Corporate Services

**NSW**
Crows Nest

### Indigenous Services

**NSW**
Kingsgrove
**VIC**
Hawthorn



## Senior Management

# ARA Leadership Team

A competitive advantage and a key to the success of ARA is the longevity and continuity of the ARA Leadership Team. There are ten team members of the Senior Management Team. Three team members have worked together at ARA for the entire 21 years (Edward Federman, Co-Founder and CEO, Tony Franov, Managing Director Fire and Security and Mark Pamula, Managing Director Manufacture). Five team members have been together at ARA for a range of 12 to 18 years. The final two team members have been a part of ARA since the acquisition of the cleaning business five years ago. Importantly, Paul McCann has been with his cleaning business that he sold to ARA for almost 30 years.

We believe it is unusual to see this level of continuity in senior management roles in today's commercial world. The ARA philosophy is to decentralise the responsibility to the Senior Management Team for the business they manage as if it is their own business. The effect of this allocation of responsibility and the reward associated with the successful management of each business unit, results in the continuity that is observed at ARA.

Each member of the Senior Management Team is a shareholder of ARA. This is critical to the success of the ARA Group as the entire team has the same ultimate goal, to work toward the best operating result for the Group and maximise the return for the shareholders, of which we are all one.

**Edward Federman**
Co-founder, Chief Executive Officer
**ARA Group**
Executive Chair, Director ARA Group
21 years with ARA

**Allison McCann**
Chief Financial Officer
**ARA Group**
Director ARA Group
12 years with ARA

**Tony Franov**
Managing Director
**ARA Fire & Security**
Director ARA Group
21 years with ARA

**Mark Pamula**
Managing Director
**ARA Manufacture**
21 years with ARA

**Tony Murr**
Managing Director
**ARA Building Services**
18 years with ARA

**Phil Harding**
Managing Director
**ARA Mechanical**
16 years with ARA

**Stuart Harmer**
Managing Director
**ARA Products**
13 years with ARA

**Jason Moore**
Managing Director
**ARA Electrical**
12 years with ARA

**Paul McCann**
Managing Director
**ARA Property Services**
5 years with ARA - 28 years with CMC

**Michael O'Loughlin**
Managing Director
**ARA Indigenous Services**
5 years with ARA


# Section 05 Audited Financial Statements



**Photograph**
Thermal imaging used for the inspection of a clients distribution board

# Directors' report

Your directors submit their report on ARA Group Limited (the "Company") and its controlled entities (collectively the "Group") for the year ended 30 June 2022.

The results reported in this report are before the impact of AASB 16 *Leases*. A reconciliation from the amounts reported in this report to the statutory accounts is set out in the table below.

## Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period.

**Edward Federman (Executive Director and Executive Chair)**

Edward Federman is a Co-Founder, Executive Chair and Chief Executive Officer of ARA Group Limited. Edward holds an MBA and has over thirty-six years of experience in the building services industry. Edward also serves on the Group's Compensation Committee.

**Leo Browne (Non-Executive Director)**

Leo Browne is a Co-Founder and Non-Executive Director of ARA Group Limited. Leo has over fifty years of experience in the building services industry.

**James Marshall (Non-Executive Director)**

James Marshall joined the Board as a Non-Executive Director in 2014. James is a corporate lawyer and Head of Restructuring at Ashurst law firm. James' legal and commercial experience brings a breadth of expertise to the Board.

**Brett Chambers (Non-Executive Director)**

Brett Chambers joined the Board as an Executive Director in 2010. Brett has over thirty seven years of experience in the electrical industry and has worked for ARA since 2001. Brett retired as the Managing Director of the Electrical Division in 2021, and now serves as a Non-Executive Director of ARA Group Limited.

**Norbert Schweizer OAM (Non-Executive Director)**

Norbert Schweizer joined the Board as a Non-Executive Director in 2006. Norbert is a corporate lawyer and founder of Schweizer Kobras legal practice. Norbert has extensive experience in corporate law.

**Allison McCann (Executive Director and Company Secretary)**

Allison McCann joined the Board as an Executive Director in 2017 and was appointed Company Secretary in 2012. Allison is the Group's Chief Financial Officer and has worked for the Group since 2010. Allison is a Chartered Accountant and has over seventeen years of finance and commercial experience.

**Tony Franov (Executive Director)**

Tony Franov joined the Board as an Executive Director in 2018. Tony has over twenty-five years of experience in the security industry and has worked for ARA since 2001. Tony is the Managing Director of the ARA Security and Fire Division.

## Other officers

**David Sefton (Company Secretary)**

David Sefton was appointed Company Secretary in 2015. David is the Group's General Counsel and has worked for the Group since 2015. David is a corporate lawyer with over thirty-two years of experience.





# Directors' report (continued)

## Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

| Directors | Number of Board meetings held | Number of Board meetings attended | Number of compensation committee meetings held | Number of compensation committee meetings attended |
|---|---|---|---|---|
| Edward Federman | 6 | 6 | 2 | 2 |
| Leo Browne | 6 | 6 | 2 | 2 |
| Allison McCann | 6 | 6 | 2 | 2 |
| James Marshall | 6 | 6 | - | - |
| Brett Chambers | 6 | 6 | - | - |
| Norbert Schweizer OAM | 6 | 5 | - | - |
| Tony Franov | 6 | 6 | - | - |

## Results of operations

Net profit for the year of the economic entity for the financial year after providing for income tax prepared on a consistent basis with the prior year (i.e. excluding the impact of AASB 16) amounted to $26,530,388 (2021: net profit for the year $25,604,366). The net profit for the year increased 4% from the previous year.

The increase in total comprehensive income was principally due to a strong performance across the whole Group.

## Review of operations

Total sales of the Group's products and services were $721,422,469 in 2022 compared with $576,290,514 in 2021, an increase of $145,131,955, or 25%. The increase in revenue is mainly due to an increase in infrastructure work and from acquisitions made during the year. The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to $50,492,544 in 2022 compared with $46,331,955 in 2021, an increase of $4,160,589, or 9%. The Group's EBITDA before profit sharing expense was $60,166,559 in 2022 (8% of revenue) and $54,541,652 in 2021 (9% of revenue), an increase of $5,624,907, or 10%.

The cash flow during during the financial year was very strong. 103% of the EBITDA was converted into operating cash flow in the financial year (2021:156%). Free cash flow in 2022 was $33.8 million as compared to free cash flow in 2021 of $52.4 million.

# Directors' report (continued)

## Review of operations (continued)

**Earnings before interest, tax, depreciation, amortisation (EBITDA) and profit sharing expense summary**

| | 2022 (Prior to adjusting for AASB 16) | 2021 (Prior to adjusting for AASB 16) | Impact of adoption of AASB 16 in 2022 | Impact of adoption of AASB 16 in 2021 | 2022 Statutory result | 2021 Statutory result |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| EBITDA before profit sharing expense | 60,166,559 | 54,541,652 | 14,908,185 | 12,505,467 | 75,074,744 | 67,047,119 |
| Profit sharing expense | (9,674,015) | (8,209,697) | - | - | (9,674,015) | (8,209,697) |
| **EBITDA** | **50,492,544** | **46,331,955** | **14,908,185** | **12,505,467** | **65,400,729** | **58,837,422** |
| Depreciation and amortisation expense | (8,980,225) | (6,481,573) | (12,978,877) | (12,724,200) | (21,959,102) | (19,205,773) |
| **EBIT (Earnings before interest and tax)** | **41,512,319** | **39,850,382** | **1,929,308** | **(218,733)** | **43,441,627** | **39,631,649** |
| Borrowing costs | (3,454,689) | (3,023,034) | (1,594,681) | (1,833,371) | (5,049,370) | (4,856,405) |
| **Profit before income tax** | **38,057,630** | **36,827,348** | **334,627** | **(2,052,104)** | **38,392,257** | **34,775,244** |
| Income tax expense | (11,527,242) | (11,222,982) | (100,387) | 615,631 | (11,627,629) | (10,607,351) |
| **Profit after income tax** | **26,530,388** | **25,604,366** | **234,240** | **(1,436,473)** | **26,764,628** | **24,167,893** |

The Group made a number of large acquisitions during the financial year. The acquisitions include a commercial fire door manufacturer based in Victoria, an architectural hardware distribution business based in New Zealand, a fire vehicle suppression service business and a fire service business specialising in life safety systems in the offshore, marine and defence sector. There were also a number of smaller acquisitions made during the year in both Australia and New Zealand.

During the financial year, the forward order book grew significantly. At 30 June 2022 the confirmed forward orders totalled approximately $366 million (30 June 2021: $305 million). The backlog remains strong across all divisions.

The Group's net senior bank debt (senior bank debt less cash) increased by $35.1 million from $49.6 million at 30 June 2021 to $84.7 million at 30 June 2022. The increase in net senior bank debt, is due to acquisitions made during the year.

The overall EBITDA operating margin was 7% of sales (30 June 2021: 8% of sales).

## Principal activities

The principal activities of the economic entity during the financial year were the provision of essential building services (installation and service), fire protection and life safety systems services, electrical engineering and high voltage services, electronic security services, air conditioning, building fit out and building repairs, building automation, cleaning services, security product distribution, door hardware distribution and the manufacturing of specialised building products such as steel doors, ballistic doors and partitions, steel security doors and steel and timber fire doors, aluminium security shutters and grilles, door locking systems and electrical switch boards and switch rooms. The acquisitions in 2022 increased the activities of the companies in the economic entity during the year.





# Directors' report (continued)

## Significant changes in the state of affairs

The consolidated financial statements have been prepared based upon conditions existing at 30 June 2022 and considering events up to the date of this report.

During the year, the Group issued 2,273,929 new shares, increasing the number of shares issued from 42,381,208 at 30 June 2021 to 44,655,137 at 30 June 2022. This increased contributed equity by $13,990,242 from $100,555,584 at 30 June 2021 to $114,545,826 at 30 June 2022. The issue of new shares relate to:

- 693,333 new shares issued as purchase consideration for businesses acquired, and
- 1,580,596 newly issued shares to new and existing shareholders.

On 23 December 2021, the Group entered into an Amended Facility Agreement with its banks (Westpac Banking Corporation, Commonwealth Bank of Australia and Bank of Queensland). The total Facility is $196 million, an increase of $50 million from 30 June 2021. The Facility is principally a revolving cash advance facility to assist the Group to fund organic growth and strategic acquisitions. The Facility runs to 31 July 2023.

The Group made three large acquisitions and several smaller acquisitions during the year.

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

## Significant events after the reporting period

Effective 1 July 2022, the Group acquired the business assets of one entity and the shares of another for a total consideration of $8,713,688. In addition to the purchased consideration, contingent earnouts are also payable if the businesses acquired achieved certain earnings targets in financial year 2023.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

## Future developments

The Group will continue to focus on margin improvements in all of its businesses. The Directors continue to seek management to focus on margin improvements, although it is recognised that the competitive environment and the state of some sectors of the local economy makes it difficult for significant margin increases.

The Group's acquisition strategy will remain consistent in its approach to examine opportunities that complement its current services and products. One element of the Group's acquisition strategy is to acquire companies that increase the overall operating margin of the Group. It is expected the Group will continue to focus on organic growth and improved operating margins in 2023, although appropriate acquisition opportunities will be thoroughly investigated. It remains the goal of the Directors to pay fully franked dividends during the financial year 2023.

If the Group identifies appropriate acquisitions in 2023 it will likely use a combination of new equity, cash flow from operations, and borrowings to finance the execution of any acquisitions, as it did in 2022. In any event, the Directors will ensure that the Group does not become highly leveraged. The goal of the Group is that its net bank debt will not exceed 35% of its total capital structure.

At 30 June 2022, net debt was $84.7 million, or 34% of its capital structure ($49.6 million at 30 June 2021 and 26% of its capital structure). The increase in net debt was principally due to funding for business acquisitions during the year. At 30 June 2022, the leverage ratio (total net senior bank debt (excluding bank guarantees) plus deferred consideration for acquisitions, divided by the trailing twelve months EBITDA, adjusted for acquisitions made during the year) was 1.61 (30 June 2021: 1.00). Net interest expense increased by $431,228, due to an increase in debt during the year to fund acquisitions. The Group's interest cover ratio (EBIT divided by interest expense) was 12 times in 30 June 2022 (13 times at 30 June 2021).

# Directors' report (continued)

### Environmental regulations

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. The Group has embarked upon a plan to reduce its carbon footprint in the environment. The Group has implemented an Environmental Management Policy and continues to work towards ISO accreditation in all of its businesses.

### Dividends

The Group paid $0.395 per share in 2022 (2021: $0.475) of which $0.10 per share relates to dividends declared at 30 June 2021. Fully franked dividends amounting to $18,616,956, or $0.42 per share, were declared by ARA Group Limited during the financial year (2021: $17,642,114, or $0.425 per share). Of the total amount declared in 2022, $5,581,893, or $0.125 per share, was paid on 1 July 2022. The dividend payment was provided for at 30 June 2022.

In addition to dividends paid by ARA Group Limited, ARA Indigenous Services Pty Ltd paid total dividends of $1,548,907 in 2022 to its shareholders. $789,943 was paid to shareholders outside the Group.

### Share options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

### Indemnification and insurance of directors and officers

Insurance premiums of $51,360 (2021: $36,000) were paid during the financial year for Directors and Officers Liability Insurance.

### Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young (Australia), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young (Australia) during or since the financial year.

### Proceedings on behalf of the Group

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

### Auditor independence declaration

The auditor's independence declaration is included on page 44 of the financial report.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the *Corporations Act 2001.*

Edward Federman

Edward Federman
Executive Director
Sydney
10 August 2022

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Building a better working world

## Auditor's independence declaration to the directors of ARA Group Limited

As lead auditor for the audit of the financial report of ARA Group Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ARA Group Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Chris Lawton
Partner
10 August 2022

# Consolidated statement of profit or loss and other comprehensive income

## For the year ended 30 June 2022

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| Revenue from contracts with customers | 5.1 | 721,422,469 | 576,290,514 |
| Other income | 6.1 | 105,012 | 24,711 |
| Changes in inventories of finished goods and work in progress | | (10,467,401) | 2,296,871 |
| Raw materials and consumables used | | (221,259,960) | (166,692,173) |
| Employee benefits expense | | (251,944,070) | (200,171,983) |
| Management and subcontract fees | | (124,310,064) | (112,552,918) |
| Profit sharing expense | | (9,674,015) | (8,209,697) |
| Depreciation of property, plant and equipment | 6.3 | (4,985,003) | (4,100,634) |
| Depreciation of right-of-use assets | 6.4 | (12,978,877) | (12,724,200) |
| Amortisation expense | 6.5 | (3,995,222) | (2,380,939) |
| Other expenses from ordinary activities | 6.7 | (38,039,540) | (32,000,441) |
| Acquisition expenses | | (431,288) | (146,621) |
| Finance costs | 6.2 | (3,455,103) | (3,023,875) |
| Finance costs - interest on payments for right-of-use assets | | (1,594,681) | (1,833,371) |
| **Profit before income tax expenses** | | **38,392,257** | **34,775,244** |
| Income tax expense | 7 | (11,627,629) | (10,607,351) |
| **Net profit for the year** | | **26,764,628** | **24,167,893** |
| Net profit for the year is attributable to: | | | |
| Owners of the Parent | | 25,784,142 | 23,572,333 |
| Non-controlling interests | | 980,486 | 595,560 |
| | | **26,764,628** | **24,167,893** |
| **Other comprehensive income** | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange differences on translation of foreign operations | 20.2 | (324,097) | (29,992) |
| Net unrealised gain on cash flow hedges, net of tax | 20.2 | 69,929 | 291,618 |
| **Net other unrealised comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods** | | **(254,168)** | **261,626** |
| **Other comprehensive (loss)/income for the year** | | **(254,168)** | **261,626** |
| **Total comprehensive income for the year** | | **26,510,460** | **24,429,519** |
| Total comprehensive income for the year is attributable to: | | | |
| Owners of the Parent | | 25,529,974 | 23,833,959 |
| Non-controlling interests | | 980,486 | 595,560 |
| | | **26,510,460** | **24,429,519** |

*The accompanying notes form part of these financial statements.*



ARA Group Limited and Controlled Entities

# Consolidated statement of financial position

## As at 30 June 2022

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 47,213,443 | 29,226,587 |
| Trade and other receivables | 10 | 113,541,928 | 89,654,578 |
| Inventories | 11 | 28,825,067 | 18,357,666 |
| Prepayments | | 3,236,012 | 4,554,788 |
| **Total current assets** | | 192,816,450 | 141,793,619 |
| **Non-current assets** | | | |
| Other receivables | 10 | 169,850 | 212,936 |
| Property, plant and equipment | 13 | 17,492,190 | 14,673,888 |
| Right-of-use assets | 14 | 43,077,559 | 39,556,671 |
| Goodwill and intangible assets | 15 | 255,605,400 | 196,508,053 |
| Deferred tax assets | 7 | 12,409,354 | 10,927,738 |
| **Total non-current assets** | | 328,754,353 | 261,879,286 |
| **Total assets** | | **521,570,803** | **403,672,905** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade payables | 16 | 72,260,255 | 55,208,534 |
| Other payables | 16 | 53,743,879 | 45,135,756 |
| Contract liabilities | 17 | 12,382,765 | 7,400,887 |
| Lease liabilities related to right-of-use assets | 14 | 12,408,936 | 11,179,758 |
| Interest-bearing loans and borrowings | 18 | 3,375,000 | - |
| Employee benefits liabilities | 19 | 25,465,107 | 20,862,984 |
| Income tax payable | | 5,367,533 | 6,142,365 |
| **Total current liabilities** | | 185,003,475 | 145,930,284 |
| **Non-current liabilities** | | | |
| Other payables | 16 | 5,416,800 | 1,550,000 |
| Lease liabilities related to right-of-use assets | 14 | 32,162,217 | 30,363,146 |
| Interest-bearing loans and borrowings | 18 | 128,550,000 | 78,825,000 |
| Employee benefits liabilities | 19 | 3,399,589 | 3,231,483 |
| Deferred tax liabilities | 7 | 6,087,515 | 3,915,588 |
| **Total non-current liabilities** | | 175,616,121 | 117,885,217 |
| **Total liabilities** | | **360,619,596** | **263,815,501** |
| **Net assets** | | **160,951,207** | **139,857,404** |
| **Equity** | | | |
| Contributed equity | 20.1 | 114,545,826 | 100,555,584 |
| Other reserves | 20.2 | (3,298,826) | (3,044,658) |
| Retained earnings | | 48,889,429 | 41,722,243 |
| **Equity attributable to equity holders of the Parent** | | **160,136,429** | **139,233,169** |
| Non-controlling interests | | 814,778 | 624,235 |
| **Total equity** | | **160,951,207** | **139,857,404** |

*The accompanying notes form part of these financial statements.*

# Consolidated statement of changes in equity

## For the year ended 30 June 2022

| | Contributed equity (Note 20.1) | Retained earnings (Note 8) | Other reserves (Note 20.2) | Non-controlling interests | Total equity |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **At 1 July 2020** | **93,313,832** | **35,792,024** | **(3,306,284)** | **748,734** | **126,548,306** |
| Profit for the year | - | 23,572,333 | - | 595,560 | 24,167,893 |
| Other comprehensive income | - | - | 261,626 | - | 261,626 |
| Total comprehensive income for the year | - | 23,572,333 | 261,626 | 595,560 | 24,429,519 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Shares issued during the year | 7,241,752 | - | - | - | 7,241,752 |
| Dividends paid or provided for | - | (17,642,114) | - | (720,059) | (18,362,173) |
| **At 30 June 2021** | **100,555,584** | **41,722,243** | **(3,044,658)** | **624,235** | **139,857,404** |
| **At 1 July 2021** | **100,555,584** | **41,722,243** | **(3,044,658)** | **624,235** | **139,857,404** |
| Profit for the year | - | 25,784,142 | - | 980,486 | 26,764,628 |
| Other comprehensive loss | - | - | (254,168) | - | (254,168) |
| Total comprehensive loss for the year | - | 25,784,142 | (254,168) | 980,486 | 26,510,460 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Shares issued during the year | 13,990,242 | - | - | - | 13,990,242 |
| Dividends paid or provided for | - | (18,616,956) | - | (789,943) | (19,406,899) |
| **At 30 June 2022** | **114,545,826** | **48,889,429** | **(3,298,826)** | **814,778** | **160,951,207** |

*The accompanying notes form part of these financial statements.*



# Consolidated statement of cash flows

## For the year ended 30 June 2022

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| **Operating activities** | | | |
| Receipts from customers | | 780,327,972 | 652,658,314 |
| Payments to suppliers and employees | | (713,198,088) | (568,088,811) |
| Interest received | | 414 | 841 |
| Borrowing costs paid | | (5,049,784) | (4,857,246) |
| Income tax paid | | (14,403,758) | (10,321,081) |
| **Net cash flows from operating activities** | | **47,676,756** | **69,392,017** |
| **Investing activities** | | | |
| Purchase of plant and equipment | | (5,310,769) | (4,528,097) |
| Proceeds from sale of plant and equipment | | 320,564 | 980,682 |
| Payment for investments and businesses acquired | 3 | (55,441,666) | (31,036,814) |
| **Net cash flows used in investing activities** | | **(60,431,871)** | **(34,584,229)** |
| **Financing activities** | | | |
| Proceeds from borrowings | | 66,000,000 | 43,300,000 |
| Repayment of borrowings | | (12,900,000) | (47,100,000) |
| Payment of lease liabilities | | (13,778,480) | (10,545,741) |
| Proceeds from issued capital | 20 | 9,483,578 | 1,121,752 |
| Dividends paid - owners of the parent entity | 8 | (17,273,184) | (19,558,231) |
| Dividends paid to non-controlling interest | | (789,943) | (720,059) |
| **Net cash flows from/(used in) financing activities** | | **30,741,971** | **(33,502,279)** |
| Net increase in cash and cash equivalents | | 17,986,856 | 1,305,509 |
| Cash and cash equivalents at 1 July | | 29,226,587 | 27,921,078 |
| **Cash and cash equivalents at 30 June** | 9 | **47,213,443** | **29,226,587** |

*The accompanying notes form part of these financial statements.*

# Notes to the consolidated financial statements

## For the year ended 30 June 2022

### 1. Corporate information

The consolidated financial statements of ARA Group Limited and its controlled entities (the "Group") for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 10 August 2022.

ARA Group Limited (the "Company" or "Parent Entity") is a for-profit company limited by shares, incorporated and domiciled in Australia.

The registered office and principal place of business of the Parent Entity is 34 Denison Street, Camperdown, NSW, 2050.

The nature of the operations and principal activities of the Group are described in the directors' report. Information on the Group's structure is provided in Note 12. Information on the Group's related party relationships is provided in Note 21.

### 2. Significant accounting policies

### 2.1 Basis of preparation

These general purpose financial statements have been prepared in compliance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standards - Simplified Disclosures*. The Group is a for-profit, private sector entity which is not publicly accountable for the purposes of preparing these consolidated financial statements.

The financial statements, for the year ended 30 June 2022 are the first financial statements the Group has prepared in accordance with the *Australian Accounting Standards - Simplified Disclosures*. The adoption of the *Australian Accounting Standards - Simplified Disclosures* has no significant impact on the financial statements because the Group's previous consolidated financial statements were prepared in full compliance with the recognition and measurement requirements of Australian Accounting Standards.

The financial statements have been prepared on a historical cost basis except for derivative financial instruments and contingent considerations which have been measured at fair value.

The financial statements are presented in Australian dollars ($).

### 2.2 Changes in accounting policies and disclosures

#### New and amended standards and interpretations

The Group applied for the first time AASB 1060 *General Purpose Financial Statements - Simplified Disclosure for For-Profit and Not-for-Profit Tier 2 Entities.*

#### Standards issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting year ended 30 June 2022. The Group intends to adopt these new or amended standards or interpretations, if applicable, when they become effective.

### 2.3 Basis of consolidation

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as ARA Group Limited, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.





# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.3 Basis of consolidation (continued)

Non-controlling interests are allocated their share of net profit after tax in the consolidated statement of profit or loss and other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the Parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Parent Entity's share of components previously recognised in other comprehensive income ("OCI") to profit or loss, or retained earnings, as appropriate.

### 2.4 Summary of significant accounting policies

#### a) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

#### b) Taxes

***Income tax***

The charge for income tax expense for the year is based on the profit for the year adjusted for any non-assessable or non-deductible items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)

#### b) Taxes (continued)

***Deferred tax***

Deferred tax is accounted for using the statement of tax balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is charged in the consolidated statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

ARA Group Limited and its wholly-owned subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the Parent Entity. The current tax liability of each group entity is then subsequently assumed by the Parent Entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2004. The consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to profit before tax of the tax consolidated group.

#### c) Inventories

Raw material and stores, work in progress and finished goods are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out or weighted average cost basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

#### d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

***Plant and equipment***

The carrying amount of property, plant and equipment is reviewed for indicators of impairment annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal.



ARA Group Limited and Controlled Entities



# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)


#### d) Property, plant and equipment (continued)

***Depreciation***

The depreciable amount of all fixed assets are depreciated on a straight line basis over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

| ***Class of fixed asset*** | ***Depreciation rate*** |
|---|---|
| Leasehold improvements | 10% - 20% |
| Plant and equipment | 7.5% - 40% |
| Office furniture and equipment | 7.5% - 20% |
| Computer equipment and software | 33% - 40% |
| Motor vehicles | 22.5% |

***Derecognition and disposal***

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### e) Leases

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

***(i) Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|---|---|
| Property leases | 10% to 50% |
| Plant and equipment | 7.5% to 40% |
| Motor vehicles | 10% to 30% |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.4(f) Impairment of non-financial assets.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)

### e) Leases (continued)

***(ii) Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

***(iii) Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### f) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s, or cash-generating unit's (CGU's), fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.



ARA Group Limited and Controlled Entities


# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)


### f) Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

### g) Foreign currency transactions and balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

Both the functional and presentation currency of the Group is Australian dollars ($) except for New Zealand entities where the functional currency is New Zealand dollars.

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)

#### i) Employee entitlements

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at an amount that is considered to approximate the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

#### j) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from equity.

#### k) Dividend to equity holders of the Parent Entity

The Group recognises a liability to make cash distributions to equity holders of the Parent Entity when the distribution is authorised and the distribution is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity.

#### l) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and disclosed separately in the consolidated statement of profit or loss and other comprehensive income.

The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with AASB 9 *Financial Instruments* in the consolidated statement of profit or loss and other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.



ARA Group Limited and Controlled Entities

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

#### l) Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### m) Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Additional disclosures are provided in Note 4. The financial statements and all other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

#### n) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)

### n) Intangible assets (continued)

A summary of the policies applied to the Group's intangible assets is, as follows:

| | Goodwill | Development costs | Customer contracts | Intellectual property | Brand name |
|---|---|---|---|---|---|
| **Useful lives** | Indefinite | Finite | Finite | Finite | Indefinite |
| **Amortisation method used** | No amortisation | Amortised on a straight line basis over 7 years | Amortised on a straight line basis over 5 - 7 years | Amortised on a straight line basis over 10 years | No amortisation |

***Research and development costs***

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to reliably measure the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

### o) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than three months and net of bank overdrafts.

### p) Revenue from contracts with customers

The Group is in the business of providing essential building services (installation and service) such as fire protection services, electrical, electrical engineering and high voltage services, electronic security services and products, air conditioning, building fit out, building repairs, building automation, cleaning services and the manufacturing of specialised building products such as steel doors, ballistic doors and partitions, steel security doors and steel fire doors, aluminium security shutters and grilles. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

***Sale of goods***

Revenue from sale of goods relates primarily to the Group's Products Division and includes the sale of commercial, industrial and high security doors, architectural hardware, security access products including access control and CCTV. Revenue from the sale of goods is recognised at a point in time when the performance obligation is satisfied which is generally on the delivery of goods to the customer.

The transaction price is typically fixed for each performance obligation, with no variable revenue associated with this revenue stream.

Payment terms are typically due within 30 to 60 days from delivery.





# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)

### p) Revenue from contracts with customers (continued)

***Sale of goods (continued)***

Warranty is provided on all of the Group's manufactured products for 12 to 24 months. Warranty for products which the Group has a distribution agreement for is typically 12 to 24 months.

Returns and refunds are accepted under our standard terms and conditions.

***Rendering of services***

Revenue from services is derived from building services (installation and service) including services for fire protection, electrical engineering and high voltage, electronic security, air conditioning, building repairs and cleaning services. With the exception of cleaning services, service revenue is recognised over time based on percentage of completion. The percentage of completion of each project is assessed using the proportion of costs incurred to date compared to the total forecast cost. Where losses are anticipated, they are provided for in full.

In rendering services, variations to the original contract may occur. Variations may result in an increase, decrease or omission of any part of the scope. Previously, variations were only included in the contract value when it was probable the variation would be approved, and the amount of revenue could be reliably measured. Under AASB 15 *Revenue from contracts with customers* variations can be included as variable consideration if the rights and obligations relating to the variation are enforceable. The variable consideration should be estimated by using either the 'expected value' method (the sum of probability-weighted amounts in a range of possible consideration amounts) or the 'most likely amount' method (the single most likely amount in a range of possible consideration amounts). The Group has adopted the 'most likely amount' method.

For cleaning services, contracts are usually entered with customers for a fixed period of time and defined scope with specified costs (i.e. monthly or yearly rates). Revenue is recognised as the service is provided/delivered to the customer in accordance with the contract terms. In most cases, revenue is recognised on a straight-line basis. From time to time, customers may request additional services. These services are agreed with the customer prior to the commencement of work, including the time period, scope and costs. Revenue is recognised in proportion to the stage of completion for the additional services agreed.

Services are invoiced according to the terms of the engagement, and are generally due within 30 to 60 days from invoicing.

***Construction revenue***

Construction revenue relates to larger sized contracts for commercial, industrial and residential customers. Contract works can be for design, design and construct, installation and retrofit works for fire protection, electrical engineering, high voltage electrical works, electronic security, heat, ventilation and air conditioning "HVAC", building fit out and building repairs works.

The performance obligation is satisfied over-time and is accounted for in accordance with "Rendering of Services" above.

Works are invoiced according to the terms of the engagement, and are generally due within 30 to 60 days from invoicing.

Defect liability periods are typically 12 months from practical completion.

***Infrastructure revenue***

Infrastructure revenue relates to fire protection, electrical engineering, electronic security, and HVAC projects for a number of contracts.

The performance obligation is satisfied over-time and is accounted for in accordance with "Rendering of Services" above.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)

### p) Revenue from contracts with customers (continued)

***Infrastructure revenue (continued)***

Works are invoiced according to the terms of the engagement, and are generally due within 30 to 60 days from invoicing.

Defect liability periods are typically 12 months from practical completion.

**Contract balances**

***Contract liabilities***

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

### q) Other income

***Interest income***

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

***Dividend income***

Dividend income is recognised when the right to receive a dividend has been established.

### r) 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 taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

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

### s) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***(i) Financial assets***

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.






# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)


### s) Financial instruments - initial recognition and subsequent measurement (continued)

***(i) Financial assets (continued)***

***Initial recognition and measurement (continued)***

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus transaction costs.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

***Financial assets at amortised cost (debt instruments)***

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and other receivables.

***Financial assets at fair value through profit or loss***

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

**Derecognition**

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)

### s) Financial instruments - initial recognition and subsequent measurement (continued)

***(i) Financial assets (continued)***

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***(ii) Financial liabilities***

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

***Loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings.






# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)

### s) Financial instruments - initial recognition and subsequent measurement (continued)


***(ii) Financial liabilities (continued)***

***Subsequent measurement (continued)***

***Trade and other payables***

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

### t) Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

### 2.4 Summary of significant accounting policies (continued)

### u) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

***Judgement***
The Group considers that the entity in which it owns less than 50% of the voting rights meets the requirements under the accounting standards to be consolidated as part of the Group. Although ARA Group Limited hold 49% of the share capital of the entity with the remaining 51% being held by one other party, ARA Group Limited has the casting vote in Board decisions in the event of a deadlock.

***Key estimates - Impairment of goodwill and other intangible assets with indefinite useful life***
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. The current pandemic has increased the level of uncertainty over future economic conditions which impacts these estimates. However to date there has been limited impact on the group as a whole due to the diversity of its operations.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. No impairment loss was recognised in the current year or the prior year in respect of goodwill.

***Key estimates - Costs to complete on construction contracts***
The stage of completion of each project is assessed using the proportion of costs incurred to date compared to the total estimated cost. Construction profits are recognised on this percentage of completion. Where losses are anticipated they are provided for in full.

***Determining the lease term of contracts with renewal options – Group as lessee***

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

***Leases - Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).





Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 3. Business combinations

### Acquisitions in 2022

Effective 1 August 2021, the Group acquired the assets of Australian Commercial Doors ("ACD") for $11,312,818. Included in the cash consideration is a deferred component of $500,000 which will be paid in the next financial year. ACD is a manufacturer of commercial fire doors and windows based in Victoria.

Effective 1 October 2021, the Group acquired the shares of Fire Suppression Services Pty Ltd ("FSS") for $5,095,616. Included in the deferred cash consideration is $371,000 which will be paid in the next financial year. FSS is a vehicle fire suppression systems services business which designs, installs and services, vehicle suppression systems.

Effective 1 February 2022, the Group acquired the shares of Oceanlink Marine Services Pty Ltd ("Oceanlink") for $4,016,846. Included in the purchase consideration is $365,750 of deferred consideration which will be paid over the next two financial years. Oceanlink provides marine technical and safety services to maritime vessels.

Effective 1 February 2022, the Group acquired the partnership interests of ARA Hardware LP (formerly Sopers Macindoe and Banks LP) and the shares of ARA Group Hardware Limited (formerly Sopers Macindoe Limited) ("ARA Hardware"). Included in the purchase consideration is a deferred component of $1,875,469 payable over the next two financial years. ARA Hardware is one of the largest distributors of architectural door hardware in New Zealand and also offers project management, master keying and installation services for commercial, custodial, industrial and high-end residential properties.

A number of other acquisitions were completed during the year including a designer and manufacturer of high security doors and doors systems, and speciality locks, a number of small locksmith businesses and an electrical data cabling company. Total consideration of all other smaller acquisitions was $27,336,217, including the issuance of shares to the value of $3,986,664. Included in the other acquisitions are five acquisitions with deferred contingent consideration components of $4,895,830.

The assets acquired were measured at fair value.

All acquisitions have been provisionally accounted for at 30 June 2022.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 3. Business combinations (continued)

### Acquisitions in 2022 (continued)

### Assets acquired and liabilities assumed

The below table discloses the fair values of the identifiable assets and liabilities of acquisitions in 2022 as at the date of acquisition:

**Fair value recognised on acquisition**

| | ACD | ARA Hardware | FSS | Oceanlink | Others | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Assets** | | | | | | |
| Receivables | - | 1,893,439 | 1,049,743 | 107,157 | 3,369,246 | 6,419,585 |
| Inventories | 250,000 | 1,742,835 | 606,394 | 13,370 | 1,709,110 | 4,321,709 |
| Other assets | - | 89,982 | 25,660 | 17,529 | 48,574 | 181,745 |
| Property, plant and equipment (Note 13) | 383,882 | 994,398 | 308,570 | 77,150 | 941,445 | 2,705,445 |
| Deferred tax asset | 135,887 | - | 41,325 | - | 214,956 | 392,168 |
| **Total assets** | **769,769** | **4,720,654** | **2,031,692** | **215,206** | **6,283,331** | **14,020,652** |
| **Liabilities** | | | | | | |
| Payables and other liabilities | - | 1,030,027 | 1,590,158 | 16,919 | 2,119,322 | 4,756,426 |
| Employee provisions | 452,959 | 222,857 | 137,751 | - | 756,381 | 1,569,948 |
| Contract revenue received in advance | - | - | - | 10,913 | - | 10,913 |
| Deferred tax liability | 289,187 | 533,853 | 393,613 | 32,746 | 963,844 | 2,213,243 |
| Income tax payable | - | - | - | - | 512,310 | 512,310 |
| **Total liabilities** | **742,146** | **1,786,737** | **2,121,522** | **60,578** | **4,351,857** | **9,062,840** |
| **Total identifiable net assets/(liabilities) at fair value** | **27,623** | **2,933,917** | **(89,830)** | **154,628** | **1,931,474** | **4,957,812** |
| Goodwill and intangible assets (Note 15) | 11,285,195 | 9,256,631 | 5,185,446 | 3,862,218 | 32,548,819 | 62,138,309 |
| **Purchase consideration transferred** | **11,312,818** | **12,190,548** | **5,095,616** | **4,016,846** | **34,480,293** | **67,096,121** |

The goodwill comprises the value of expected synergies arising from the acquisition and a customer list, which cannot be separately recognised due to the contractual terms imposed on acquisition.



ARA Group Limited and Controlled Entities



# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 3. Business combinations (continued)

### Acquisitions in 2022 (continued)



| | ACD | ARA Hardware | FSS | Oceanlink | Others | Total |
|---|---|---|---|---|---|---|
| **Purchase consideration** | | | | | | |
| Cash | 10,312,818 | 10,315,079 | 4,367,616 | 4,279,524 | 27,336,217 | 56,611,254 |
| Cash (deferred consideration) | 1,000,000 | 1,875,469 | 728,000 | 365,750 | 5,727,360 | 9,696,579 |
| Shares issued | - | - | - | 520,000 | 3,986,664 | 4,506,664 |
| Less: Cash acquired | - | - | - | (1,148,428) | (2,569,948) | (3,718,376) |
| **Total consideration** | **11,312,818** | **12,190,548** | **5,095,616** | **4,016,846** | **34,480,293** | **67,096,121** |

| | ACD | ARA Hardware | FSS | Oceanlink | Others | Total |
|---|---|---|---|---|---|---|
| **Net cash outflow on acquisition** | | | | | | |
| Cash consideration | 10,312,818 | 10,315,079 | 4,367,616 | 4,279,524 | 27,336,217 | 56,611,254 |
| Deferred consideration paid during the year for prior acquisitions | - | - | - | - | 850,000 | 850,000 |
| Deferred consideration paid during the year for current year acquisitions | 500,000 | - | 357,000 | - | 410,500 | 1,267,500 |
| Costs on acquisition | 24,192 | 110,975 | 15,768 | 32,315 | 248,038 | 431,288 |
| Less cash acquired | - | - | - | (1,148,428) | (2,569,948) | (3,718,376) |
| **Total cash consideration** | **10,837,010** | **10,426,054** | **4,740,384** | **3,163,411** | **26,274,807** | **55,441,666** |

### Acquisitions in 2021

Effective 1 February 2021, the Group acquired the shares of Servcore Pty Limited and Servcore NZ Limited (collectively "Servcore") for $8,368,019, including cash consideration of $7,968,019 and the issuance of shares to the value of $400,000. Included in the cash consideration is a deferred component of $800,000, which will be paid over the next two financial years. Servcore is a business specialising in electrical and communications infrastructure.

Effective 1 April 2021, the Group acquired the shares of JBM Power Pty Limited for $14,378,753, including cash consideration of $8,878,753 (net of cash acquired) and the issuance of shares to the value of $5,500,000. Included in the cash consideration is a deferred component of $1,400,000, which will be paid over the next two financial years. JBM Power Pty Limited is a leading switchboard and switch room manufacturer.

A number of other acquisitions were completed during the year including a specialist shelter manufacturer based in New Zealand and a life safety systems service business specialising in marine and offshore locations. Total consideration for these two entities and a number of smaller acquisitions was $14,123,054, including cash consideration of $13,903,054 (net of cash acquired) and the issuance of shares to the value of $220,000. Included in the cash consideration is a deferred component of $400,000, which will be paid over the next two financial years.

The assets acquired were measured at fair value.

No contingent liabilities were identified at the acquisition date for any business combinations acquired.

All acquisitions were provisionally accounted for at 30 June 2021. These were finalised during the 30 June 2022 financial year.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 3. Business combinations (continued)

### Acquisitions in 2021 (continued)

### Assets acquired and liabilities assumed

The below table discloses the fair values of the identifiable assets and liabilities of acquisitions in 2021 as at the date of acquisition:

**Fair value recognised on acquisition**

| | Final | Provisional |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Receivables | 5,960,196 | 5,960,196 |
| Inventories | 1,725,159 | 1,725,159 |
| Other assets | 88,772 | 88,772 |
| Property, plant and equipment | 1,440,809 | 1,440,809 |
| Intangible assets | 5,820,819 | 5,820,819 |
| Deferred tax asset | 84,482 | 127,308 |
| | **15,120,237** | **15,163,063** |
| **Liabilities** | | |
| Payables and other liabilities | 4,738,806 | 4,580,510 |
| Employee provisions | 1,362,833 | 1,362,833 |
| Contract revenue received in advance | 575,147 | 96,336 |
| Deferred tax liability | 1,405,845 | 1,405,845 |
| **Total liabilities** | **8,082,631** | **7,445,524** |
| **Total identifiable net assets at fair value** | **7,037,606** | **7,717,539** |
| Goodwill and intangible assets | 29,832,220 | 29,152,287 |
| **Purchase consideration transferred** | **36,869,826** | **36,869,826** |
| **Purchase consideration** | | |
| Shares issued | 6,120,000 | 6,120,000 |
| Cash | 32,254,327 | 32,254,327 |
| Less: Cash acquired | (4,104,501) | (4,104,501) |
| Cash (deferred consideration) | 2,600,000 | 2,600,000 |
| **Total consideration** | **36,869,826** | **36,869,826** |
| **Net cash outflow on acquisition** | | |
| Cash consideration | 28,149,826 | 28,149,826 |
| Deferred consideration paid during the year for prior acquisitions | 2,740,367 | 2,740,367 |
| Costs on acquisition | 146,621 | 146,621 |
| | **31,036,814** | **31,036,814** |







# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022



### 4. Discontinued operations

***Discontinued operations in 2021***

In December 2020, the Group disposed of its Vault business unit. Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

| | 2021 |
|---|---|
| | $ |
| Loss before tax from a discontinued operations | (521,020) |
| Income tax benefit | 156,306 |
| **Loss for the year from discontinued operations** | **(364,714)** |

The net cash outflow of the business unit in 2021 approximated the loss during the year. The only asset or liability of the Vault business was property, plant and equipment of $754,507.

### 5. Revenue from contracts with customers

### 5.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Type of goods or service** | | |
| Sale of goods | 152,857,379 | 107,898,800 |
| Rendering of services | 405,775,161 | 348,420,464 |
| Construction revenue | 104,940,799 | 105,110,588 |
| Infrastructure revenue | 57,849,130 | 14,860,662 |
| **Total revenue from contracts with customers** | **721,422,469** | **576,290,514** |
| **Geographical markets** | | |
| Australia | 679,790,589 | 543,694,696 |
| New Zealand | 41,631,880 | 32,595,818 |
| **Total revenue from contracts with customers** | **721,422,469** | **576,290,514** |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | 152,857,379 | 107,898,800 |
| Services transferred over time | 568,565,090 | 468,391,714 |
| **Total revenue from contracts with customers** | **721,422,469** | **576,290,514** |

### 5.2 Performance obligations

Information about the Group's performance obligations are summarised below:

***Sale of goods***

Revenue from the sale of goods is recognised at a point in time when the performance obligation is satisfied which is generally on the delivery of the goods to the customer.

***Rendering of services, construction revenue and infrastructure revenue***

The performance obligation for rendering of services, construction revenue and infrastructure revenue is satisfied over time as the services are provided.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 6. Other income and expenses

### 6.1 Other income

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Gain on disposal of property, plant and equipment | 103,371 | - |
| Other income | 1,641 | 24,711 |
| | **105,012** | **24,711** |

### 6.2 Finance costs

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Borrowing costs: | | |
| External interest paid | **3,455,103** | **3,023,875** |

### 6.3 Depreciation of property, plant and equipment

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Leasehold improvements (Note 13) | 1,039,075 | 934,499 |
| Plant and machinery (Note 13) | 1,716,241 | 1,638,617 |
| Office furniture and equipment (Note 13) | 257,074 | 221,041 |
| Computer equipment and software (Note 13) | 683,699 | 777,586 |
| Motor vehicles (Note 13) | 1,288,914 | 528,891 |
| | **4,985,003** | **4,100,634** |

### 6.4 Depreciation of right-of-use assets

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Right-of-use assets (Note 14) | **12,978,877** | **12,724,200** |

### 6.5 Amortisation expense

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Amortisation of borrowing costs | 274,327 | 256,460 |
| Amortisation of customer contracts (Note 15) | 3,651,087 | 2,052,209 |
| Amortisation of intellectual property (Note 15) | 69,808 | 72,270 |
| | **3,995,222** | **2,380,939** |

### 6.6 Superannuation expense

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Included in employee benefits expense:** | | |
| Superannuation expense | **17,737,748** | **14,502,382** |



ARA Group Limited and Controlled Entities



# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022



### 6. Other income and expenses (continued)

### 6.7 Other expenses from ordinary activities

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Rent and outgoings | 12,572,251 | 9,450,006 |
| Leasing costs | 6,285,964 | 6,292,737 |
| Lease adjustment (AASB 16) | (14,908,185) | (12,505,467) |
| | 3,950,030 | 3,237,276 |
| Motor vehicle expenses | 6,748,060 | 5,737,052 |
| Consultants | 3,708,352 | 3,176,828 |
| Communication | 2,451,989 | 2,304,588 |
| Insurances | 4,170,055 | 3,010,221 |
| Repairs and maintenance | 1,025,663 | 842,315 |
| Computer expenses | 3,687,983 | 3,057,711 |
| Travel | 1,728,457 | 936,582 |
| Other staff expenses | 3,411,841 | 2,397,423 |
| Expected credit losses | 1,228,110 | 315,769 |
| Advertising, marketing and sponsorship expenses | 1,603,791 | 1,421,411 |
| Legal fees | 641,743 | 353,528 |
| Bank guarantees and surety fees | 135,366 | 520,638 |
| Other expenses | 3,548,100 | 4,689,099 |
| | 34,089,510 | 28,763,165 |
| | **38,039,540** | **32,000,441** |

### 7. Income tax

The major components of income tax expense for the years ended 30 June 2022 and 30 June 2021 are:

| **Consolidated statement of profit or loss** | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| ***Current income tax:*** | | |
| Current income tax expense | 12,692,327 | 14,144,528 |
| Adjustments in respect of current income tax of previous year | 108,892 | 6,793 |
| ***Deferred tax:*** | | |
| Relating to origination and reversal of temporary differences | (1,173,590) | (3,543,970) |
| **Income tax expense reported in the consolidated statement of profit or loss** | **11,627,629** | **10,607,351** |

| **Consolidated statement of other comprehensive income** | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Deferred tax on net unrealised loss on cash flow hedges (Note 20.2) | **(29,970)** | **(124,979)** |

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 7. Income tax (continued)

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Accounting profit before income tax** | **38,392,257** | **34,775,244** |
| At Australia's statutory income tax rate of 30% (2021: 30%) | 11,517,677 | 10,432,573 |
| Difference in tax rates | 32,462 | 13,588 |
| Non-allowable items | 351,046 | 371,887 |
| Tax offsets | (325,270) | (299,767) |
| Prior year adjustments | 91,099 | 59,940 |
| Other | (39,385) | 29,130 |
| **Income tax expense attributable to profit from ordinary activities** | **11,627,629** | **10,607,351** |

**Deferred tax**

Deferred tax relates to the following:

| | Consolidated statement of financial position | | Consolidated statement of profit or loss | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ | $ | $ | $ |
| Expected credit losses | 473,523 | 284,774 | (188,749) | (7,391) |
| Other provisions and accruals | 2,308,054 | 2,031,826 | (276,227) | (1,266,786) |
| Employee leave provisions | 8,272,356 | 6,949,853 | (930,335) | (406,257) |
| Fixed assets | (1,656,531) | (971,757) | 684,773 | 798,840 |
| Work in progress | 1,252,679 | 1,258,574 | 5,894 | (1,020,728) |
| Retentions | (759,252) | (385,341) | 373,912 | (416,970) |
| Intangible asset | (3,468,602) | (2,771,409) | (1,558,875) | (578,562) |
| Leases | (100,388) | 615,630 | 716,017 | (712,914) |
| Tax losses | - | - | - | 66,798 |
| **Deferred tax expense/(benefit)** | | | **(1,173,590)** | **(3,543,970)** |
| **Net deferred tax assets** | **6,321,839** | **7,012,150** | | |
| Reflected in the consolidated statement of financial position as follows: | | | | |
| Deferred tax assets | 12,409,354 | 10,927,738 | | |
| Deferred tax liabilities | (6,087,515) | (3,915,588) | | |
| **Deferred tax assets, net** | **6,321,839** | **7,012,150** | | |

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Reconciliation of deferred tax assets, net** | | |
| **As of 1 July** | **7,012,150** | **4,746,717** |
| Tax income during the period recognised in profit or loss | 1,173,590 | 3,543,970 |
| Deferred taxes recognised on prior year business combinations | (42,826) | - |
| Deferred taxes acquired in current year business combinations | (1,821,075) | (1,278,537) |
| **As at 30 June** | **6,321,839** | **7,012,150** |

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.





# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 8. Dividends

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Per share | | Per share | |
| Dividends declared (all franked to 30%) | $ | $ | $ | $ |
| Quarter 1 | | | | |
| — Fully paid, Ordinary class (44,154,112 shares) (2021: 41,067,208 shares) | 0.055 | 2,428,476 | 0.10 | 4,106,721 |
| Quarter 2 | | | | |
| — Fully paid, Ordinary class (44,154,112 shares) (2021: 41,291,208 shares) | 0.120 | 5,298,494 | 0.10 | 4,129,121 |
| Quarter 3 | | | | |
| — Fully paid, Ordinary class (44,234,112 shares) (2021: 41,291,208 shares) | 0.120 | 5,308,093 | 0.05 | 2,064,560 |
| — Fully paid, Ordinary class (44,234,112 shares) (2021: 41,381,208 shares) | | | 0.075 | 3,103,591 |
| Quarter 4 | | | | |
| — Declared and not paid, Ordinary Class (44,655,137 shares) (2021: 41,381,208 shares) | 0.125 | 5,581,893 | 0.10 | 4,238,121 |
| **Total** | **0.42** | **18,616,956** | **0.425** | **17,642,114** |

| | 2022 | 2021 |
|---|---|---|
| Dividends payable brought forward | 4,238,121 | 6,154,238 |
| Dividends declared during the year | 18,616,956 | 17,642,114 |
| Dividends paid during the year | (17,273,184) | (19,558,231) |
| Dividends payable carried forward (Note 16) | **5,581,893** | **4,238,121** |

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Total dividends fully paid by ARA Indigenous | 1,548,907 | 1,411,880 |
| Dividends fully paid by ARA Indigenous to shareholders outside the Group | 789,943 | 720,059 |

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Franking credit balance** | | |
| The amount of franking credits available for the subsequent financial year are: | | |
| Franking account balance as at the start of the financial year at 30% (2021: 30%) | 31,026,960 | 30,310,713 |
| Franking credits from payment of income taxes payable as at the end of the financial year | 14,747,084 | 9,703,436 |
| Franking debits from payment of dividends | (8,066,611) | (8,987,189) |
| | **37,707,433** | **31,026,960** |

### 9. Cash and cash equivalents

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Cash at bank and on hand | **47,213,443** | **29,226,587** |

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 9. Cash and cash equivalents (continued)

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **a) Cash flow reconciliation** | | |
| Reconciliation of net profit after tax to net cash flows from operations: | | |
| Profit for the year | 26,764,628 | 24,167,893 |
| *Adjustments for:* | | |
| Acquisition costs | 431,288 | 146,621 |
| Depreciation and amortisation | 8,980,225 | 6,481,573 |
| Depreciation of right-of-use assets | 12,978,877 | 12,724,200 |
| Increase in provision for doubtful assets | 600,080 | 5,161 |
| Profit (net) on sale of assets | (103,371) | - |
| *Changes in assets and liabilities:* | | |
| (Increase)/decrease in trade and other receivables and other financial assets | (17,843,956) | 15,807,469 |
| Increase in inventories | (6,145,692) | (499,202) |
| Decrease/(increase) in prepayments | 1,045,390 | (2,042,995) |
| Increase in deferred tax assets - net | (1,173,590) | (3,543,970) |
| Increase in trade and other payables | 16,307,149 | 7,304,395 |
| Increase in contract liabilities | 4,492,154 | 2,832,513 |
| (Decrease)/increase in income tax payable | (1,602,539) | 3,830,240 |
| Increase in employee benefits | 3,200,281 | 1,916,494 |
| (Decrease)/increase in other reserves | (254,168) | 261,625 |
| **Net cash flows from operating activities** | **47,676,756** | **69,392,017** |

**Credit stand-by arrangement and loan facilities**

The Group has a syndicated bank facility with Westpac Banking Corporation, Bank of Queensland and Commonwealth Bank of Australia. An updated variation and accession deed dated 23 December 2021 was signed during the year and the total facility available to the Group increased to $196,000,000 (2021: $146,000,000). Of these facilities, $138,197,911 was utilised at 30 June 2022 (2021: $88,537,291). All bank covenants were satisfied during the year.

The Group has a $30,000,000 term loan and is required to repay principal of $4,000,000 (2021: $4,000,000) each financial year under its bank facility agreement, if the term loan is fully drawn. At 30 June 2022, the available headroom on the term loan facility was $625,000 (2021: $4,625,000). The Group expects to pay $3,375,000 of the principal during financial year 2023. At 30 June 2022, the term loan had amortised by $11,750,000, reducing the total facility available to the Group to $184,250,000.

In addition, the Group has a separate credit card facility with Westpac Banking Corporation of $3,480,620 (2021: $3,400,000). $1,198,042 was utilised at 30 June 2022 (2021: $1,280,699).



ARA Group Limited and Controlled Entities

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 10. Trade and other receivables

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Current** | | |
| Trade receivables | 108,867,356 | 86,552,535 |
| Provision for expected credit losses | (1,641,084) | (1,022,162) |
| | **107,226,272** | **85,530,373** |
| Retentions | 4,074,980 | 2,045,795 |
| Other receivables | 2,240,676 | 2,078,410 |
| | **113,541,928** | **89,654,578** |
| **Non-current** | | |
| Other receivables | **169,850** | **212,936** |

### 11. Inventories

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Raw materials and stores | 8,203,804 | 5,725,307 |
| Work in progress | 7,048,803 | 3,368,672 |
| Finished goods | 14,783,075 | 9,794,494 |
| Provision for obsolescence | (1,210,615) | (530,807) |
| | **28,825,067** | **18,357,666** |

### 12. Controlled entities

**Subsidiaries**

| | | % Equity interest | |
|---|---|---|---|
| **Name** | **Principal Activities** | **2022** | **2021** |
| Allen & Newton Pty Ltd | Property | 100 | 100 |
| Allen & Newton Queensland Pty Ltd | Property | 100 | 100 |
| ARA Building Services Pty Limited | Property | 100 | 100 |
| ARA Building Services (Qld) Pty Ltd | Property | 100 | 100 |
| ARA Building Services (NSW) Pty Ltd | Property | 100 | 100 |
| ARA Corporate Services Pty Limited | Corporate | 100 | 100 |
| ARA Electrical Engineering Services Pty Limited | Electrical | 100 | 100 |
| ARA Electrical High Voltage Services Pty Ltd | Electrical | 100 | 100 |
| ARA Electrical Major Projects Division Pty Ltd | Electrical | 100 | 100 |
| ARA Fire Protection Services Pty Limited | Fire | 100 | 100 |
| ARA Indigenous Services Pty Ltd | Property | 49 | 49 |
| ARA Manufacture Pty Ltd | Product | 100 | 100 |
| ARA Mechanical Services Pty Limited | Mechanical | 100 | 100 |
| ARA Property Services Pty Ltd the trustee for CMC Unit Trust | Property | 100 | 100 |
| ARA Security Services Pty Limited | Security | 100 | 100 |
| Asset Fire Security & Mechanical Services Pty Ltd | Fire | 100 | 100 |
| Australasian Vaulting Industries Pty Ltd | Security | 100 | 100 |
| Austratronics Pty Ltd (a) | Fire | 100 | - |

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 12. Controlled entities (continued)

**Subsidiaries (continued)**

| Name | Principal Activities | % Equity interest 2022 | 2021 |
|---|---|---|---|
| CMC Cleaning Services Pty Ltd | Property | 100 | 100 |
| CMC ECRM Pty Ltd | Property | 100 | 100 |
| CMC Maintenance Pty Ltd | Property | 100 | 100 |
| CMC Property Services (Aust) Pty. Ltd. | Property | 100 | 100 |
| CMC Rapid Response Pty Ltd | Property | 100 | 100 |
| Complex Solutions (Aust) Pty Ltd | Property | 100 | 100 |
| Crimewatch Video Pty. Ltd. | Security | 100 | 100 |
| Construction Electrical Services Pty Ltd | Electrical | 100 | 100 |
| Dynamic Facilities Maintenance Group Pty Limited | Property | 100 | 100 |
| Environmental Automation Pty Limited | Mechanical | 100 | 100 |
| Excell Control Pty Limited | Electrical | 100 | 100 |
| Fire Suppression Services Pty Ltd (b) | Fire | 100 | - |
| HUD Electronic Security Pty Ltd | Security | 100 | 100 |
| HUD Security Pty Ltd | Security | 100 | 100 |
| Hunter Power Pty Limited | Electrical | 100 | 100 |
| ID Supplies Pty Ltd | Product | 100 | 100 |
| Interactive Cabling Pty Ltd (c) | Electrical | 100 | - |
| International Security Control Solutions Pty Ltd | Product | 100 | 100 |
| JBM Power Pty Ltd | Electrical | 100 | 100 |
| Leda Export Pty Ltd | Product | 100 | 100 |
| Leda Group (Australia) Pty Ltd | Product | 100 | 100 |
| Leda International Pty. Limited | Product | 100 | 100 |
| Leda Security Exports Pty Ltd | Product | 100 | 100 |
| Leda Security Products Pty Ltd | Product | 100 | 100 |
| Leda Trading Pty Limited | Product | 100 | 100 |
| Leda Security Products (Ningbo) Co Ltd | Product | 100 | 100 |
| Ningbo Fenghua Leda Security Manufacturing Co., Ltd | Product | 100 | 100 |
| Monarch Group Pty Limited | Product | 100 | 100 |
| Multidoors Pty Ltd (d) | Product | 100 | - |
| Multidoors Manufacturing Pty Ltd (d) | Product | 100 | - |
| National Construction Solutions Pty Ltd | Product | 100 | 100 |
| Oceanlink Marine Services Pty Ltd (e) | Fire | 100 | - |
| Parking Guidance Australia Pty Limited | Product | 100 | 100 |
| Sherry Services & Maintenance Pty Ltd | Electrical | 100 | 100 |
| Servcore Pty Limited | Security | 100 | 100 |
| TALV Pty Limited | Property | 100 | 100 |
| Thermoscan Inspection Services Pty Ltd | Property | 100 | 100 |
| Transelect Pty Ltd | Electrical | 100 | 100 |
| Web ID Pty Ltd | Mechanical | 100 | 100 |
| Wiltrading Stace Pty Ltd | Fire | 100 | 100 |
| ARA Group NZ Limited | Security | 100 | 100 |
| Servcore NZ Limited | Product | 100 | 100 |
| ARA Group Hardware Limited (formerly Sopers Macindoe Limited) (f) | Product | 100 | - |
| ARA Hardware LP (formerly Sopers Macindoe and Banks LP) (f) | Product | 100 | - |

(a) Austratronics Pty Ltd was acquired 3 September 2021.

(b) Fire Suppression Services Pty Ltd was acquired 1 October 2021.

(c) Interactive Cabling Pty Ltd was acquired 2 August 2021.



ARA Group Limited and Controlled Entities

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 12. Controlled entities (continued)

**Subsidiaries (continued)**

(d) Multidoors Pty Ltd and Multidoors Manufacturing Pty Ltd were acquired 2 May 2022.

(e) Oceanlink Marine Services Pty Ltd was acquired 1 February 2022.

(f) Sopers Macindoe Limited and Sopers Macindoe and Banks LP were acquired 1 February 2022. Subsequently, the entities names were changed to ARA Group Hardware Limited and ARA Hardware LP.

All wholly owned controlled entities incorporated in Australia are subject to a Deed of Cross Guarantee with the exception of ARA Building Services (Qld) Pty Ltd and ARA Building Services (NSW) Pty Ltd.

All wholly owned controlled entities are incorporated in Australia with the exception of ARA Group NZ Limited, Servcore NZ Limited, ARA Group Hardware Limited and ARA Hardware Limited Partnership, which are incorporated in New Zealand and Ningbo Fenghua Leda Security Manufacturing Co., Ltd and Leda Security Products (Ningbo) Co Ltd which are incorporated in China.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 13. Property, plant and equipment

| | Leasehold improvements | Plant and machinery | Office furniture and equipment | Computer equipment and software | Motor Vehicles | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | |
| At 1 July 2021 | 9,574,324 | 21,179,210 | 2,811,151 | 7,660,392 | 4,337,028 | 45,562,105 |
| Additions | 591,199 | 2,357,340 | 196,901 | 656,977 | 1,508,352 | 5,310,769 |
| Acquisition of a subsidiary (Note 3) | 272,225 | 954,371 | 58,127 | 265,645 | 1,155,077 | 2,705,445 |
| Disposals | (212,637) | (92,421) | (26,211) | (115,012) | (155,877) | (602,158) |
| **At 30 June 2022** | **10,225,111** | **24,398,500** | **3,039,968** | **8,468,002** | **6,844,580** | **52,976,161** |
| **Accumulated depreciation** | | | | | | |
| At 1 July 2021 | 5,513,299 | 14,395,909 | 2,065,171 | 6,733,598 | 2,180,240 | 30,888,217 |
| Depreciation charge for the year | 1,039,075 | 1,716,241 | 257,074 | 683,699 | 1,288,914 | 4,985,003 |
| Disposals | (185,968) | (55,596) | (23,919) | (113,966) | (9,800) | (389,249) |
| **At 30 June 2022** | **6,366,406** | **16,056,554** | **2,298,326** | **7,303,331** | **3,459,354** | **35,483,971** |
| **Net book value** | | | | | | |
| At 30 June 2021 | 4,061,025 | 6,783,301 | 745,980 | 926,794 | 2,156,788 | 14,673,888 |
| **At 30 June 2022** | **3,858,705** | **8,341,946** | **741,642** | **1,164,671** | **3,385,226** | **17,492,190** |



ARA Group Limited and Controlled Entities

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 14. Leases

**Group as a lessee**

The Group has lease contracts for various items of property leases, plant, machinery, vehicles and other equipment used in its operations. Leases of property, plant & machinery generally have lease terms between 2 & 10 years, while motor vehicles & other equipment generally have lease terms between 3 & 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| | Property leases | Plant and equipment | Motor vehicles | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **As at 30 June 2021** | **29,605,689** | **361,187** | **9,589,795** | **39,556,671** |
| Additions | 9,401,602 | - | 6,941,332 | 16,342,934 |
| Disposals | (89,637) | (232,845) | (301,936) | (624,418) |
| Modifications | 679,482 | 34,553 | 67,214 | 781,249 |
| Depreciation expense | (8,018,962) | (71,988) | (4,887,927) | (12,978,877) |
| **As at 30 June 2022** | **31,578,174** | **90,907** | **11,408,478** | **43,077,559** |

Set out below are the carrying amounts of lease liabilities related to right-of-use assets:

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Current | 12,408,936 | 11,179,758 |
| Non-current | 32,162,217 | 30,363,146 |

Presented below is a maturity analysis of future lease payments:

| | 2022 |
|---|---|
| | $ |
| Within one year | 14,254,662 |
| After one year but not more than five years | 31,108,893 |
| More than five years | 5,633,426 |
| | **50,996,981** |

The amount of expense relating to short-term leases and leases of low-value assets recognised in profit or loss during the year ended 30 June 2022 was $1,184,695 (2021: $1,430,319).

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 15. Goodwill and intangible assets

| | Goodwill | Development costs | Brand name | Customer contracts | Intellectual property | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | |
| At 1 July 2021 | 181,927,413 | 347,363 | 5,018,903 | 14,868,636 | 674,598 | 202,836,913 |
| Finalisation of prior year acquisitions | (773,220) | - | 1,453,153 | - | - | 679,933 |
| Acquisition of a subsidiary (Note 3) | 54,628,057 | - | - | 7,510,252 | - | 62,138,309 |
| **At 30 June 2022** | **235,782,250** | **347,363** | **6,472,056** | **22,378,888** | **674,598** | **265,655,155** |
| **Accumulated amortisation** | | | | | | |
| At 1 July 2021 | - | 326,750 | - | 5,535,919 | 466,191 | 6,328,860 |
| Amortisation | - | - | - | 3,651,087 | 69,808 | 3,720,895 |
| **At 30 June 2022** | **-** | **326,750** | **-** | **9,187,006** | **535,999** | **10,049,755** |
| **Net book value** | | | | | | |
| At 30 June 2021 | 181,927,413 | 20,613 | 5,018,903 | 9,332,717 | 208,407 | 196,508,053 |
| **At 30 June 2022** | **235,782,250** | **20,613** | **6,472,056** | **13,191,882** | **138,599** | **255,605,400** |



ARA Group Limited and Controlled Entities

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 16. Trade and other payables

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Trade payables | **72,260,255** | **55,208,534** |
| **Other payables** | | |
| Trade creditors accruals | 9,562,601 | 6,392,281 |
| Other creditors and accruals | 32,837,136 | 32,955,354 |
| Deferred purchase consideration for acquisitions (a) | 5,762,249 | 1,550,000 |
| Dividends payable | 5,581,893 | 4,238,121 |
| | **53,743,879** | **45,135,756** |
| **Non-current** | | |
| **Other payables** | | |
| Deferred purchase consideration for acquisitions (a) | **5,416,800** | **1,550,000** |

(a) $8,429,049 worth of deferred purchase consideration for acquisitions is related to current year acquisitions, refer to Note 3 for further details. The remaining $2,750,000 is related to prior year acquisitions.

### 17. Contract liabilities

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Short-term advances for services | **12,382,765** | **7,400,887** |

### 18. Interest-bearing loans and borrowings

| | Interest rate | Maturity | 2022 | 2021 |
|---|---|---|---|---|
| | % | Financial years | $ | $ |
| **Current** | | | | |
| Bank bills and loans secured (Note 22.2) (a) (b) | 2.63 - 2.83 | 1 year | **3,375,000** | **-** |
| **Non-current** | | | | |
| Bank bills and loans secured (Note 22.2) (a) (b) | 2.49 - 2.83 | 1 - 2 years | **128,550,000** | **78,825,000** |

(a) Total secured liabilities

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Bank bills and loans | **131,925,000** | **78,825,000** |

The bank bills and loans are secured by a fixed charged over the Group's assets. Finance leases and hire purchases are included in lease liabilities.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 18. Interest-bearing loans and borrowings (continued)

(b) The carrying amounts of assets pledged as security, the current market value of which exceeds the value of the mortgages are:

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| First mortgage over all of the assets of the parent entity and all controlled entities - total assets pledged as security | 521,570,803 | 403,672,905 |

### 19. Employee benefits liabilities

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Annual leave | 17,697,839 | 14,713,108 |
| Long service leave | 7,767,268 | 6,149,876 |
| | 25,465,107 | 20,862,984 |
| **Non-current** | | |
| Long service leave | 3,399,589 | 3,231,483 |
| **Aggregate employee entitlement liability** | 28,864,696 | 24,094,467 |

### 20. Contributed equity and reserves

### 20.1 Contributed equity

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Fully paid shares** | | |
| Fully paid ordinary shares | 114,545,826 | 100,555,584 |

| | 2022 | |
|---|---|---|
| **Fully paid ordinary shares** | Number | $ |
| **At beginning of financial year** | 42,381,208 | 100,555,584 |
| **Issued during financial year** | 1,580,596 | 9,483,578 |
| **Issued during financial year** - acquisitions | 693,333 | 4,506,664 |
| **At reporting date** | 44,655,137 | 114,545,826 |

The Group issued 1,580,596 ordinary shares at $6.00 per share during the year to new and existing shareholders increasing equity by $9,483,578. The Group issued 693,333 ordinary shares at $6.50 per share as purchase consideration to the vendors of several acquisitions. This increased equity by $4,506,664.





# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 20. Contributed equity and reserves (continued)

### 20.2 Other reserves

**a) Movement**

| Year ended 30 June 2022 | Other reserve | Hedge reserve | Foreign currency translation reserve | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at the start of the financial year** | (2,839,864) | (69,929) | (134,865) | (3,044,658) |
| Net unrealised loss on cash flow hedges | - | 99,899 | - | 99,899 |
| Deferred tax on net unrealised loss on cash flow hedges | - | (29,970) | - | (29,970) |
| Currency translation differences | - | - | (324,097) | (324,097) |
| | (2,839,864) | - | (458,962) | (3,298,826) |

| Year ended 30 June 2021 | Other reserve | Hedge reserve | Foreign currency translation reserve | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at the start of the financial year** | (2,839,864) | (361,547) | (104,873) | (3,306,284) |
| Net unrealised loss on cash flow hedges | - | 416,597 | - | 416,597 |
| Deferred tax on net unrealised loss on cash flow hedges | - | (124,979) | - | (124,979) |
| Currency translation differences | - | - | (29,992) | (29,992) |
| | (2,839,864) | (69,929) | (134,865) | (3,044,658) |

On 26 August 2016, the Group entered into a 5 year interest rate swap which expired in July 2021. A mark to market valuation of $nil has been recognised in other reserves at 30 June 2022 (2021: $69,929).

**b) Nature and purpose of reserve**

***Other reserve***

The other reserves represents goodwill arising from subsequent acquisitions of previous non-controlling interests. The acquisitions are treated as transactions between owners and the resulting goodwill is recognised directly in other reserves.

***Hedge reserve***

This reserve records movements for the interest rate swap contracts qualifying for hedge accounting.

***Foreign currency translation reserve***

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and branches.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 21. Related party disclosure

#### Transaction with key management personnel

***Rental property paid to Directors***

The Group rented certain properties that are controlled by members of the Group's key management personnel. The total rental paid during the year amounted to $872,008 (2021: $835,445).

Amounts paid to related parties during the year for rent are subject to commercial lease and are at arms length.

***Compensation of key management personnel of the Group***
Total compensation paid to key management personnel during the year amounted to $9,093,774 (2021: $7,035,091).

***Directors fees***
Total directors fees paid during the year amounted to $218,265 (2021: $218,265).

***Bank Guarantees***
The Group issued two bank guarantees totalling $187,725 (2021: $187,725) on behalf of one of the Group's key management personnel. All fees in relation to the bank guarantee have been reimbursed to the Group.

As at 30 June 2022 and 2021, there were no outstanding balances owing or payable to related parties for services provided to related parties.

### 22. Commitments and contingencies

#### 22.1 Commitments

There are no commitments as at the reporting date not otherwise disclosed, which would have a material effect on the Group's consolidated financial statements as at 30 June 2022 (2021: $nil).

#### 22.2 Contingent liabilities

The Parent Entity and all its wholly owned controlled entities with the exception of ARA Building Services (Qld) Pty Ltd and ARA Building Services (NSW) Pty Ltd, are subject to a Cross Deed of Guarantee in respect of finance facilities provided to its ultimate parent entity and other entities controlled thereby. All assets of the Company are pledged as security in respect of this facility with a registered charge being in place. The total facility available to the Group from Westpac Banking Corporation, Bank of Queensland and Commonwealth Bank of Australia is $196,000,000 (2021: $146,000,000). Of these facilities, an amount of $11,000,000 (2021: $11,000,000) is available for indemnity guarantees, and as at 30 June 2022 $6,272,911 (2021: $9,712,291) of indemnity guarantees were outstanding.

In addition the Group has a separate credit card facility with Westpac Banking Corporation of $3,480,620 (2021: $3,400,000). $1,198,042 was utilised at 30 June 2022 (2021: $1,280,699).

The Group has a surety bond facility with Liberty Mutual Insurance Company of $50,000,000 (2021: $50,000,000). At 30 June 2022, the Group had $35,364,123 (2021: $31,991,871) of surety bonds outstanding with Liberty Mutual Insurance Company.





# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 23. Events after the reporting period

Effective 1 July 2022, the Group acquired the business assets of one entity and the shares of another for a total consideration of $8,713,688. In addition to the purchased consideration, contingent earnouts are also payable if the businesses acquired achieve certain earnings targets in financial year 2023.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

### 24. Closed group class order

#### 24.1 Entities subject to class order relief

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785,* the wholly owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports.

It is a condition of the Class Order that the Parent Entity and each of its subsidiaries enter into a deed of cross guarantee (Deed). Under the Deed the Parent Entity guarantees the payment of all debts of each of the named subsidiaries in full, in the event of a winding up. The subsidiaries in turn guarantee the payment of all debts of the Parent Entity in full in the event that it is wound up.

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 24. Closed group class order (continued)

### 24.1 Entities subject to class order relief (continued)

The subsidiaries that are party to the Deed are:

Allen & Newton Pty Ltd
Allen & Newton Queensland Pty Ltd
ARA Building Services Pty Limited
ARA Corporate Services Pty Limited
ARA Electrical Engineering Services Pty Limited
ARA Electrical High Voltage Services Pty Ltd
ARA Electrical Major Projects Division Pty Ltd
ARA Fire Protection Services Pty Limited
ARA Manufacture Pty Ltd
ARA Mechanical Services Pty Limited
ARA Property Services Pty Ltd the trustee for CMC Unit Trust
ARA Security Services Pty Limited
Asset Fire Security & Mechanical Services Pty Ltd
Australasian Vaulting Industries Pty Ltd
Austratronics Pty Ltd
CMC Cleaning Services Pty Ltd
CMC ECRM Pty Ltd
CMC Maintenance Pty Ltd
CMC Property Services (Aust) Pty. Ltd.
CMC Rapid Response Pty Ltd
Complex Solutions (Aust) Pty Ltd
Crimewatch Video Pty. Ltd.
Construction Electrical Services Pty Ltd
Dynamic Facilities Maintenance Group Pty Limited
Environmental Automation Pty Limited
Excell Control Pty Limited
Fire Suppression Services Pty Ltd
HUD Electronic Security Pty Ltd
HUD Security Pty Ltd
Hunter Power Pty Limited
ID Supplies Pty Ltd
Interactive Cabling Pty Ltd
International Security Control Solutions Pty Ltd
JBM Power Pty Ltd
Leda Export Pty Ltd
Leda Group (Australia) Pty Ltd
Leda International Pty. Limited
Leda Security Exports Pty Ltd
Leda Security Products Pty Ltd
Leda Trading Pty Limited
Monarch Group Pty Limited
Multidoors Pty Ltd
Multidoors Manufacturing Pty Ltd
National Construction Solutions Pty Ltd
Oceanlink Marine Services Pty Ltd
Parking Guidance Australia Pty Limited
Sherry Services & Maintenance Pty Ltd
TALV Pty Limited
Servcore Pty Limited
Thermoscan Inspection Services Pty Ltd
Transelect Pty Ltd





# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 24. Closed group class order (continued)

### 24.1 Entities subject to class order relief (continued)

Web ID Pty Ltd
Wiltrading Stace Pty Ltd

### 24.2 Consolidated statement of profit or loss and other comprehensive income

| | Closed group 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Profit before income tax expense | 30,547,887 | 31,172,694 |
| Income tax expense | (9,127,259) | (9,424,094) |
| **Net profit for the period** | **21,420,628** | **21,748,600** |
| Retained earnings at the beginning of the period | 37,365,391 | 33,258,905 |
| Dividends provided for or paid | (18,158,740) | (17,642,114) |
| **Retained earnings at the end of the period** | **40,627,279** | **37,365,391** |

### 24.3 Consolidated statement of financial position

The consolidated statement of financial position of the Closed Group is as follows:

| | Closed group 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Current assets** | | |
| Cash and cash equivalents | 40,341,801 | 24,784,150 |
| Trade and other receivables | 94,562,359 | 79,294,963 |
| Inventories | 21,179,360 | 15,781,377 |
| Other assets | 6,146,302 | 4,272,654 |
| **Total current assets** | **162,229,822** | **124,133,144** |
| **Non-current assets** | | |
| Other financial assets | 22,704,815 | 22,233,362 |
| Other debtors | 169,850 | 212,936 |
| Property, plant and equipment | 14,958,161 | 13,297,785 |
| Right-of-use assets | 33,877,187 | 35,081,676 |
| Deferred tax assets | 11,709,429 | 10,454,431 |
| Goodwill and intangible assets | 226,663,747 | 178,713,622 |
| **Total non-current assets** | **310,083,189** | **259,993,812** |
| **Total assets** | **472,313,011** | **384,126,956** |

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022

### 24. Closed group class order (continued)

### 24.3 Consolidated statement of financial position (continued)

| | Closed group 2022 $ | Closed group 2021 $ |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | 63,032,315 | 49,655,293 |
| Other payables | 48,079,429 | 41,893,043 |
| Contract liabilities | 11,991,421 | 8,067,110 |
| Lease liabilities related to right-of-use assets | 9,929,987 | 9,926,066 |
| Income tax payable | 3,949,085 | 5,804,303 |
| Employee benefits | 23,503,519 | 19,568,112 |
| Other financial liabilities | 3,375,000 | - |
| **Total current liabilities** | **163,860,756** | **134,913,927** |
| **Non-current liabilities** | | |
| Lease liabilities related to right-of-use assets | 25,219,574 | 26,972,123 |
| Other creditors | 4,485,500 | 1,550,000 |
| Employee benefits | 3,248,766 | 3,099,551 |
| Other financial liabilities | 128,550,000 | 78,825,000 |
| Deferred tax liabilities | 6,059,642 | 3,885,831 |
| **Total non-current liabilities** | **167,563,482** | **114,332,505** |
| **Total liabilities** | **331,424,238** | **249,246,432** |
| **Net assets** | **140,888,773** | **134,880,524** |
| **Equity** | | |
| Share capital | 103,101,451 | 100,426,289 |
| Retained earnings | 40,627,279 | 37,365,391 |
| Other reserves | (2,839,957) | (2,911,156) |
| **Total equity** | **140,888,773** | **134,880,524** |

ARA Group Limited and Controlled Entities



# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2022



### 25. Information relating to parent ARA Group Limited

| | 2022 $ | 2021 $ |
|---|---|---|
| Current assets | 77,716,861 | 65,300,387 |
| Non-current assets | 402,874,190 | 314,202,378 |
| **Total assets** | **480,591,051** | **379,502,765** |
| Current liabilities | 17,614,509 | 12,051,679 |
| Non-current liabilities | 452,096,382 | 347,554,396 |
| **Total liabilities** | **469,710,891** | **359,606,075** |
| **Net assets** | **10,880,160** | **19,896,690** |
| Contributed equity | 114,545,826 | 100,555,584 |
| Accumulated losses | (103,665,666) | (80,588,965) |
| Other reserves | - | (69,929) |
| | **10,880,160** | **19,896,690** |
| Loss for the year | (4,459,745) | (3,028,036) |

### 26. Auditor's remuneration

The auditor of ARA Group Limited and Controlled Entities is Ernst & Young (Australia).

| | 2022 $ | 2021 $ |
|---|---|---|
| *Amounts received or due and receivable by Ernst & Young (Australia) audit firm for:* | | |
| Ernst & Young audit | 621,200 | 412,800 |
| Ernst & Young other services | 164,038 | 282,404 |
| | **785,238** | **695,204** |

# Directors' declaration

In accordance with a resolution of the directors of ARA Group Limited and Controlled Entities, I state that:

In the opinion of the directors:

(a) the consolidated financial statements and notes of ARA Group Limited and Controlled Entities for the financial year ended 30 June 2022 are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and its performance for the year ended on that date; and

  (ii) complying with *Australian Accounting Standards - Simplified Disclosures* and the *Corporations Regulations 2001;*

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the board

Edward Federman

Edward Federman
Executive Director
Sydney
10 August 2022



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Building a better working world

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## Independent auditor’s report to the members ARA Group Limited

### Opinion

We have audited the financial report of ARA Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards – Simplified Disclosures 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the financial report and auditor’s report thereon

The directors are responsible for the other information. The other information obtained at the date of this auditor’s report is the directors’ report accompanying the financial report.

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

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

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

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## 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 – Simplified Disclosures 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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 judgment 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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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.

Ernst & Young

Ernst & Young

Chris Lawton
Partner
Sydney
10 August 2022

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