Adrad Group

Special Purpose Financial Report
Consolidation excluding Harrop

Annual Report - 30 June 2020

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Adrad Group

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Adrad Group for the year ended 30 June 2019 and 30 June 2020, I declare that, 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; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Michael Climpson
Partner – Audit & Assurance

Melbourne, 29 April 2022

Adrad Group
Contents
30 June 2020

Adrad Group
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Revenue			
Sales revenues		91,492,181	95,281,736
Cost of sales		(60,132,570)	(60,985,426)
Gross profit		31,359,611	34,296,310
Other income	3	3,158,452	2,314,959
Expenses			
Finance costs		(1,895,896)	(1,820,081)
Distribution expense		(1,767,601)	(2,051,980)
Administration expense		(9,967,083)	(7,868,068)
Selling expense		(17,566,792)	(15,494,690)
Profit before income tax expense		3,320,691	9,376,450
Income tax expense		(841,126)	(478,462)
Profit after income tax expense for the year		2,479,565	8,897,988
Other comprehensive income			
Gain/(loss) on revaluation of foreign subsidiaries		35,694	(2,492,656)
Other comprehensive income for the year, net of tax		35,694	(2,492,656)
Total comprehensive income for the year		2,515,259	6,405,332

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Adrad Group
Statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	4	3,655,189	2,933,451
Trade and other receivables	5	12,945,581	15,033,792
Inventories	6	27,191,262	26,732,659
Total current assets		43,792,032	44,699,902
Non-current assets			
Trade and other receivables	5	18,956,498	7,101,033
Investments in associates		-	10,729,482
Property, plant and equipment	8	11,085,529	10,841,803
Right-of-use assets	7	8,854,703	-
Intangible assets	9	36,974,869	36,971,569
Deferred tax asset	10	2,978,970	2,198,282
Total non-current assets		78,850,569	67,842,169
Total assets		122,642,601	112,542,071
Liabilities			
Current liabilities			
Trade and other payables	11	9,594,383	12,195,517
Lease liabilities	12	2,365,628	-
Provisions	13	3,948,192	3,981,673
Interest bearing liabilities	14	27,729,634	6,600,379
Total current liabilities		43,637,837	22,777,569
Non-current liabilities			
Trade and other payables	11	18,240,887	14,833,030
Lease liabilities	12	6,756,798	-
Provisions	13	2,722,944	2,124,760
Interest bearing liabilities	14	-	24,719,415
Total non-current liabilities		27,720,629	41,677,205
Total liabilities		71,358,466	64,454,774
Net assets		51,284,135	48,087,297
Equity			
Contributed equity	15	(1)	(1)
Foreign currency translation reserve		(2,103,435)	(2,139,129)
Retained profits		53,387,571	50,226,427
Total equity		51,284,135	48,087,297

The above statement of financial position should be read in conjunction with the accompanying notes

Adrad Group
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	**Issued capital $**	**Foreign Currency Translation Reserve $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2018	(1)	353,527	40,928,439	41,281,965
Profit after income tax expense for the year	-	-	8,897,988	8,897,988
Other comprehensive income for the year, net of tax	-	(2,492,656)	-	(2,492,656)
Total comprehensive income for the year	-	(2,492,656)	8,897,988	6,405,332
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	400,000	400,000
Balance at 30 June 2019	(1)	(2,139,129)	50,226,427	48,087,297

Consolidated	**Issued capital $**	**Foreign Currency Translation Reserve $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2019	(1)	(2,139,129)	50,226,427	48,087,297
Profit after income tax expense for the year	-	-	2,479,565	2,479,565
Other comprehensive income for the year, net of tax	-	35,694	-	35,694
Total comprehensive income for the year	-	35,694	2,479,565	2,515,259
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	681,579	681,579
Balance at 30 June 2020	(1)	(2,103,435)	53,387,571	51,284,135

The above statement of changes in equity should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

General Information
These special purpose financial statements present the financial position and financial performance of Adrad Group in a manner consistent with a restructure of the group that occurred in October 2021. The consolidation consists of Gary Washington Family Trust (“the trust”), and the entities that it controlled during the year (“the group”, or "the consolidated group”), however exclude the Harrop operations (being Harrop Engineering, Harrop Engineering USA and Harrop Casting Management). The trustee of the trust is Adcore Holdings Pty Ltd (formerly Adrad Pty Ltd).

Financial Reporting Framework
The trust is not a reporting entity because in the opinion of the directors of the trustee company there are unlikely to exist users of the financial statements who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the group’s reporting requirements to financiers.

Basis of preparation
The financial statements have been prepared in accordance with the recognition and measurement requirements of all Accounting Standards (including Australian Accounting Interpretations), however the financial statements do not comply with the disclosure requirements of Accounting Standards.

The financial statements are presented in Australian dollars, which is also the group’s functional currency.

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation
A controlled entity is any entity controlled by the trust. Control exists where the trust has the capacity to dominate the decision□making in relation to the financial and operating policies of another entity so that the other entity operates with the trust to achieve the objectives of the trust. Details of the controlled entities are contained in Note 17.

All inter□entity balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered or left the consolidated group during the year its operating results have been included from the date control was obtained or until the date control ceased.

Revenue recognition
The consolidated group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principal whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principal are recognised as a refund liability.

Note 1. Significant accounting policies (continued)

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

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

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

Income tax
The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability 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 that at the time of the transaction did not affect either 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 recognised in profit or loss except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

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

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

As the trust distributes 100% of its taxable income, there are no tax balances recognised in respect of the trust, and all tax balances relate to the subsidiaries.

Adrad Holdings Pty Ltd and its wholly owned subsidiaries are consolidated for tax purposes under the Tax Consolidation System. Adrad Holdings Pty Ltd is responsible for recognising the current tax assets and liabilities of the consolidated group. The group notified the Australian Taxation Office on 5 December 2007 that it had formed an income tax consolidated group to apply from the date of incorporation of the company. The tax consolidated group has entered into tax sharing and tax funding agreements whereby each company in the group contributes to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated group.

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

Note 1. Significant accounting policies (continued)

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

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

Inventories
Inventory is valued at the lower of net realisable value or cost, which includes direct materials (including inwards freight), direct labour and an appropriate proportion of variable and fixed overheads but excludes freight outwards, administration and sales overheads. Standard costs are regularly reviewed to ensure they fairly represent the actual cost of the stock existing at that point in time. Due regard is taken of slow moving stock given the dynamics of the automotive aftermarket and a provision for obsolescence has been created to enable inventory to be valued as described.

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

Associates
Associates are entities over which the consolidated group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

Plant and equipment
Land and buildings
Fixtures and fittings
Motor vehicles
Office equipment
Leasehold improvements
All of the above are measured on the cost basis.

Depreciation
All assets are depreciated on a straight line basis over their useful lives to the group

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Note 1. Significant accounting policies (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Impairment testing is conducted annually to ascertain whether the carrying value of intangibles exceeds the recoverable amount.

Investments

Non□current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Goods and Services Tax ('GST')

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated group for the annual reporting period ended 30 June 2020. The consolidated group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the directors of the company to make judgements, estimates and assumptions that affect the application of accounting policies and the report amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. All significant judgements, estimates and assumptions made during the year have been considered for significance. No significant critical judgement or accounting estimates have been made during the period, with the exception of the following:

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Provision for impairment of inventories
Inventory is valued at the lower of net realisable value and cost. There is a significant amount of judgement involved in determining a fair provision for obsolescence with respect to slow moving stock.

Goodwill
Assumptions are made in relation to forecast cash flows of cash generating units when the directors test goodwill for impairment.
In undertaking the impairment assessment the future profitability of the relevant cash generating units is assessed.
As a result of the goodwill impairment testing the Directors' believe that the carrying value of intangible assets exceeds the recoverable amount.
A change in these estimates may result in a material adjustment to the financial statements.

Provision for warranty
A provision is taken up for expected future warranty claims, usually based on past claims. This involves significant judgement, particularly with respect to newly acquired entities or changes in the trading conditions of existing entities.

Note 3. Other income

	Consolidated	
	2020	2019
	$	$
Profit/(loss) from disposal of property, plant and equipment	(2,303)	10,144
Rental income	20,655	27,072
Grant income (Inclusive of Job keeper income)	790,500	-
Management fees	54,213	259,137
Foreign exchanges gains/(losses)	26,991	(135,993)
Other income	2,268,396	2,154,599
Other income	3,158,452	2,314,959

Note 4. Cash and cash equivalents

	Consolidated	
	2020	2019
	$	$
Cash on hand	12,499	22,237
Cash at bank	3,668,754	2,911,214
Bank overdraft	(26,064)	-
	3,655,189	2,933,451

Note 5. Trade and other receivables

	Consolidated 2020 $	Consolidated 2019 $
Current		
Trade debtors	11,635,428	12,831,915
Less: Allowance for expected credit losses	(91,200)	(208,784)
	11,544,228	12,623,131
Other receivables	769,432	1,416,492
Prepayments	631,921	994,169
	1,401,353	2,410,661
	12,945,581	15,033,792
Non-current		
Amounts receivable from related entities	18,956,498	7,101,033

Note 6. Inventories

	Consolidated 2020 $	Consolidated 2019 $
Current		
Raw materials - at cost	10,213,839	10,863,111
Work in progress - at cost	2,561,919	2,423,846
Finished goods - at cost	12,010,809	12,031,333
Stock in transit - at cost	3,363,580	2,828,421
Less: Provision for impairment	(958,885)	(1,414,052)
	27,191,262	26,732,659

Note 7. Right-of-use assets

	Consolidated 2020 $	Consolidated 2019 $
Non-current assets		
Land and buildings - right-of-use	12,121,787	-
Less: Accumulated depreciation	(3,267,084)	-
	8,854,703	-

Note 8. Property, plant and equipment

	Consolidated 2020 $	Consolidated 2019 $
Non-current		
Land and buildings - at cost	3,140,479	3,005,746
Less: Accumulated depreciation	(887,998)	(787,254)
	2,252,481	2,218,492
Leasehold improvements - at cost	1,026,671	1,012,432
Less: Accumulated depreciation	(657,237)	(575,843)
	369,434	436,589
Plant and equipment - at cost	27,587,016	26,112,879
Less: Accumulated depreciation	(20,238,230)	(19,273,724)
	7,348,786	6,839,155
Fixtures and fittings - at cost	1,494,035	1,134,269
Less: Accumulated depreciation	(1,361,694)	(1,073,765)
	132,341	60,504
Motor vehicles - at cost	1,071,423	1,105,355
Less: Accumulated depreciation	(673,217)	(615,627)
	398,206	489,728
Office equipment - at cost	3,998,699	4,184,771
Less: Accumulated depreciation	(3,414,418)	(3,387,436)
	584,281	797,335
	11,085,529	10,841,803

Note 9. Intangible assets

	Consolidated 2020 $	Consolidated 2019 $
Non-current assets		
Goodwill	36,974,869	36,971,569

Details of subsidiaries are outlined in Note 18.

Note 10. Deferred tax asset

	Consolidated 2020 $	Consolidated 2019 $
Non-current assets		
Deferred tax asset	2,978,970	2,198,282

Note 11. Trade and other payables

	Consolidated 2020 $	Consolidated 2019 $
Current		
Trade creditors	6,211,177	8,130,366
Other creditors and accruals	3,383,206	4,065,151
	9,594,383	12,195,517
Non-current		
Unsecured liabilities:		
Amounts payable to;		
- related parties	18,240,887	14,833,030

Payables to related entities are unsecured, interest bearing, with no fixed terms for repayment. The group has received confirmation from the related entities ensuring the unsecured liabilities are not due or will be called in the next 12 months.

Note 12. Lease liabilities

	Consolidated 2020 $	Consolidated 2019 $
Current liabilities		
Lease liability	2,365,628	-
Non-current liabilities		
Lease liability	6,756,798	-

Note 13. Provisions

	Consolidated 2020 $	Consolidated 2019 $
Current		
Employee benefits	3,613,860	3,737,908
Warranty	311,983	190,272
Other provisions	22,349	53,493
	3,948,192	3,981,673
Non-current		
Employee benefits	2,722,944	2,124,760

Note 14. Interest bearing liabilities

	Consolidated 2020 $	Consolidated 2019 $
Current liabilities		
Trade refinance	3,254,942	2,719,022
Hire purchase liability	809,692	1,420,318
Bank loans	23,665,000	2,461,039
	27,729,634	6,600,379
Non-current liabilities		
Bank loans	-	24,719,415

Hire purchase liabilities are secured over the underlying asset subject to finance.

Bank loans are secured by a first registered mortgage over the assets and undertakings of the entities within the group.

There is a registered mortgage debenture over the whole of the group assets including goodwill and called but unpaid capital in respect of bank loans and other finance facilities undertaken by the group and related entities. These bank loans and other finance facilities, net of cash, total approximately $34 million as at 30 June 2020 (2019: $34 million).

The bank loan agreement is subject to covenant clauses, whereby the group is required to meet certain key financial ratios. During the year, management were compliant with all covenant clauses.

The bank had not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors and management expects that the facility will continue.

Note 15. Contributed equity

	Consolidated 2020 $	Consolidated 2019 $
Ordinary shares - fully paid	(1)	(1)

Note 16. Controlled Entities

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

Controlled entities that form part of the consolidated group are;	**Country of incorporation**	**Ownership interest 2020 %**	**Ownership interest 2019 %**
Adrad Investments Pty Ltd	Australia	100.00%	100.00%
Adrad Holdings Pty Ltd	Australia	100.00%	100.00%
Natra Group Limited	Australia	100.00%	100.00%
Natra Pty Ltd	Australia	100.00%	100.00%
Air Radiators Pty Ltd	Australia	100.00%	100.00%
Natrad OF Pty Ltd	Australia	100.00%	100.00%
National Radiators Ltd	New Zealand	100.00%	100.00%
Air Radiators Industrial Pty Ltd	Australia	100.00%	100.00%
Air Radiators (Thailand) Limited	Thailand	100.00%	100.00%
Breakaway Radiators Pty Ltd	Australia	100.00%	100.00%
Air Radiators (WA) Pty Ltd	Australia	100.00%	100.00%

Note 16. Controlled Entities (continued)

Controlled entities that form part of the consolidated group are;	Country of incorporation	Ownership interest 2020 %	2019 %
Adrad Management Services Pty Ltd	Australia	100.00%	100.00%
Adrad IT Services Pty Ltd	Australia	100.00%	100.00%
Wingfan Pty Ltd	Australia	100.00%	100.00%
Air Radiators International Limited	Thailand	49.00%	49.00%

Note 17. Company Details

The registered office and principal place of business of Adcore Holdings Pty Ltd (formerly Adrad Pty Ltd) is:
26 Howards Road
Beverley SA 5009

Adrad Group
Directors' declaration
30 June 2020

The directors of the company have determined that Adrad group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the trustee company declare that:

- The financial statements comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, and accompanying notes, present fairly the consolidated group's financial position as at 30 June 2020 and its performance for the year ended on that date in accordance with the accounting policies outlined in Note 1 to the financial statements; and

- In the directors' opinion, there are reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of Adcore Holdings Pty Ltd (formerly Adrad Pty Ltd) as trustee of The Gary Washington Family Trust, and is signed for and on behalf of the Board by:

G.R. Washington K. Warr

29 April 2022

Grant Thornton

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor’s Report

To the Members of Adrad Group

Report on the audit of the financial report

Opinion

We have audited the financial report of Adrad Group (the Group), which comprises the statement of financial position as at 30 June 2019 and 30 June 2020, the statement of profit or loss and other comprehensive income and statement of changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors’ declaration.

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

a giving a true and fair view of the Group’s financial position as at 30 June 2019 and 30 June 2020 and of its performance for the years ended on that date in accordance with the accounting policies described in Note 1; and

b complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (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.

Emphasis of matter – basis of accounting

We draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Directors’ financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2020, but does not include the financial report and our auditor’s report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the Members. The Directors' responsibility also includes 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 related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Michael Climpson
Partner – Audit & Assurance

Melbourne, 29 April 2022