



ARB CORPORATION LTD

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20 August 2019

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

**APPENDIX 4E, ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

ARB Corporation Limited herewith lodges the Appendix 4E, Annual Report and Financial Statements for the financial year ended 30 June 2019.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'Damon Page', written in a cursive style.

Damon Page
Company Secretary

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2019

1. The reporting period is the year ended 30 June 2019.
The previous corresponding period is the year ended 30 June 2018.

2. Results for announcement to the market

Year ended	Jun 2019 \$'000	Jun 2018 \$'000	% Change
Sales Revenue	443,891	422,675	Up 5.0%
2.1 Revenues from ordinary activities	446,572	425,144	Up 5.0%
Profit from ordinary activities before tax attributable to members	77,692	74,372	Up 4.5%
2.2 Profit from ordinary activities after tax attributable to members	57,137	50,969	Up 12.1%
2.3 Net profit for the period attributable to members	57,137	50,969	Up 12.1%
Add back: Underprovision of taxes in prior years (i)	-	3,041	
Net profit for the period attributable to members excluding underprovision of taxes in prior years (i)	57,137	54,010	Up 5.8%

(i) Non-IFRS measures that have not been subject to audit or review.

2.4 Dividends in respect of current financial year	Jun 2019	Record date	Payment date	Jun 2018	% Change
Interim Dividend per Ordinary Share (fully franked)	18.5 cents	4 Apr 2019	18 Apr 2019	17.5 cents	Up 5.7%
Final Dividend per Ordinary Share (fully franked)	21.0 cents	4 Oct 2019	18 Oct 2019	19.5 cents	Up 7.7%

- 2.5 Refer to section 7 below.

- 2.6 The reported results in the prior year included a provision for additional taxes of \$3,041,000 in relation to the period from 1 July 2013 to 30 June 2017. Further explanation of the results is included in the attached Chairman's Statement.

3. Refer to the attached Annual Report for the Consolidated Statement of Comprehensive Income together with notes to the statement.
4. Refer to the attached Annual Report for the Consolidated Statement of Financial Position together with notes to the statement.
5. Refer to the attached Annual Report for the Consolidated Statement of Cash Flows together with notes to the statement.
6. Refer to the attached Annual Report for the Consolidated Statement of Changes in Equity.

7. Dividends paid during current financial year	Amount per Security	Franked Amount per Security	Total \$'000	Record date	Payment date
Interim dividend - year ended 30 June 2019	18.5 cents	18.5 cents	14,388	4 Apr 2019	18 Apr 2019
Final dividend - year ended 30 June 2018	19.5 cents	19.5 cents	14,573	5 Oct 2018	19 Oct 2018

8. The Dividend Reinvestment Plan and Bonus Share Plan will operate for the final dividend.

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2019

9. Net tangible assets per security	Jun 2019	Jun 2018	% Change
Net tangible assets per security	\$3.98	\$3.45	Up 15.4%

10. There were no changes to controlled entities during the year ended 30 June 2019.

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

12. All significant information is disclosed in this Appendix 4E and the attached Annual Report.

13. Accounting standards used by foreign entities are not applicable.

14. Refer to the attached Chairman's Statement and Annual Report for commentary on the results for the period.

15. The financial report has been independently audited.

16. The independent audit has been completed.

17. The financial report has been independently audited and is not subject to a modified opinion or emphasis of matter paragraph.

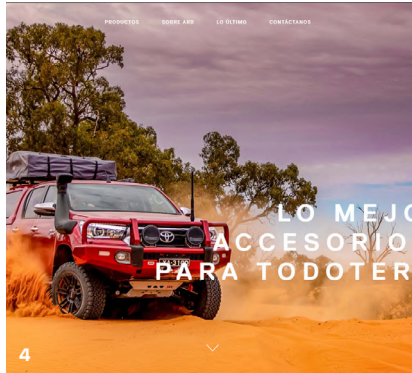
ANNUAL REPORT 2019



THE YEAR IN REVIEW



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1. Classic Fridge/Freezer Facelift

The tried and trusted ARB Fridge/Freezer was given an exciting new update and facelift when ARB introduced the Classic Fridge/Freezer Series II in April 2019. Sporting a new colour scheme inspired by the recently released ARB JACK, the fridge features a new transmitter module that allows remote display and control via an Android or Apple smartphone or ARB LINX device.

2. US Update Jeep JL

ARB remained at the forefront of engineering, design and development by introducing a new line of accessories for the highly anticipated Jeep JL Wrangler.

3. Suzuki Jimny

Prior to the MY19 Suzuki Jimny's release, ARB had the opportunity to manufacture prototype ARB products including the ARB Summit Bull Bar, ARB Rock Sliders, ARB Deluxe Rack and Old Man Emu suspension, for Suzuki Australia, ahead of the vehicle launch earlier in the year.

4. ARBLATINAMERICA.COM

The digital era continues to evolve and expand with exciting new options on ways to consume content. With a mobile friendly responsive design, clean layout and comprehensive vehicle customisation section fully translated to Spanish, this new Latin America website is a fantastic resource for all product information, news and events.

5. Buy a Bale Campaign

In September 2018 ARB supported the Buy a Bale campaign, with ARB employees leading a fund-raising drive and expedition to deliver close to \$40,000 worth of hay to farmers in rural communities suffering the consequences of drought, flood and fire.

6. ARB Air Locker® & Air Compressor Named Official Locker & Compressor of Ultra4

The ARB Air Locker and ARB Air Compressor, both already renowned and respected in the off road racing industry, are now the official locking differential and air compressor of the Ultra4 race series.

7. ARB Branded Stores Expansion

ARB continues to roll-out the Flagship store format across Australia with ARB Narellan one of our largest Flagship stores in NSW.

8. Design Award for SmartBar

SmartBar wins the coveted Product Design award and the 2019 Good Design Australia award. The award recognises the 'outstanding design and innovation' which went into the Vehicle Protection System for the Mercedes Sprinter VS30. It was specifically designed with ambulances in mind, and is used by emergency service fleets in several states.

9. Old Man Emu Logo Refresh

As a well-established and highly regarded 4x4 suspension brand, Old Man Emu has achieved great success globally. In an effort to strengthen the market's understanding that Old Man Emu is a division of ARB, the Old Man Emu logo underwent a facelift to strengthen the relationship between the ARB and Old Man Emu brands.

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CORPORATE INFORMATION

COMPANY ABN

31 006 708 756

DIRECTORS

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

Andrew H Brown

Adrian R Fitzpatrick B.Com., FCA

John R Forsyth B.E., M.B.A.

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

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

Andrew P Stott

COMPANY SECRETARY

John R Forsyth B.E., M.B.A. (resigned 1 July 2019)

Damon Page B.Bus., CA (appointed 1 July 2019)

PRINCIPAL REGISTERED OFFICE

42-44 Garden Street

Kilsyth Victoria 3137 Australia

Tel: +61 3 9761 6622

Fax: +61 3 9761 6807

AUDITORS

Pitcher Partners

Level 13

664 Collins Street

Docklands Victoria 3008

LOCATION OF REGISTER OF SECURITIES

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street

Abbotsford Victoria 3067

Tel: 1300 850 505 (within Australia)

Tel: +61 3 9415 4000 (from overseas)

Fax: +61 3 9473 2500

STOCK EXCHANGE

Australian Securities Exchange

Level 4, North Tower

Rialto, 525 Collins Street

Melbourne Victoria 3000

CHAIRMAN'S STATEMENT

RESULTS

The Directors of ARB Corporation Limited (“**ARB**” or the “**Company**”) report that the Company achieved a profit before tax of \$77.7 million for the year ended 30 June 2019. This represents a 4.5% increase compared with the year to 30 June 2018. Sales for the year were \$443.9 million, an increase of 5.0% over the previous corresponding year.

The Company achieved a net profit after tax of \$57.1 million for the year ended 30 June 2019, up 12.1% on the reported net profit after tax of \$51.0 million in the previous year. The previous year included an expense of \$3.0 million relating to an under-provision of taxes in prior years, the impact of which is highlighted in the table below for comparative purposes.

The full year results are summarised below:

Year ended	30 Jun 19 \$'000	30 Jun 18 \$'000	Change
Sales	443,891	422,675	5.0%
Other Revenue	2,681	2,469	
Total Revenue	446,572	425,144	5.0%
Profit before Tax	77,692	74,372	4.5%
Tax	(20,555)	(23,403)	
Profit after Tax	57,137	50,969	12.1%
Add back:			
Under-provision of taxes in prior years ¹	-	3,041	
Net profit excluding under-provision of taxes in prior years¹	57,137	54,010	5.8%
EPS - cents	71.9	64.3	
DPS - cents			
Interim	18.5	17.5	
Final	<u>21.0</u>	<u>19.5</u>	
Total	<u>39.5</u>	<u>37.0</u>	6.8%
Franking	100%	100%	

Note 1. As disclosed in the 2018 Financial Statements, the reported results for the financial year ended 30 June 2018 include a payment for additional taxes of \$3.0 million in relation to the period from 1 July 2013 to 30 June 2017. The Board believes the results adjusted for the impact of this expense more accurately reflect the operating performance of the Company in the current financial year.

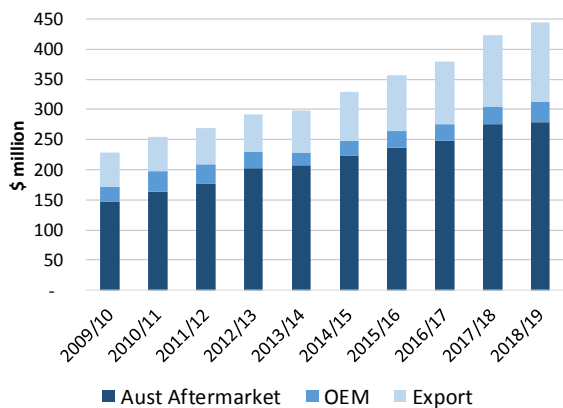
The Company intends to pay a final fully franked dividend of 21.0 cents per share on 18 October 2019. This brings total dividends for the year to 39.5 cents per share fully franked. The Record Date for the final dividend will be 4 October 2019. The ARB Dividend Reinvestment Plan and Bonus Share Plan will be in operation for the Final Dividend.

Information about the ARB Dividend Reinvestment Plan and Bonus Share Plan can be found on the Company's website at <https://www.arb.com.au/about/investor-relations/>. Investors wishing to make or change an election to participate in either of the plans can do so online via the Computershare Investor Centre website at www.computershare.com.au/easyupdate/arb or by phoning Computershare on 1300 850 505.

CHAIRMAN'S STATEMENT

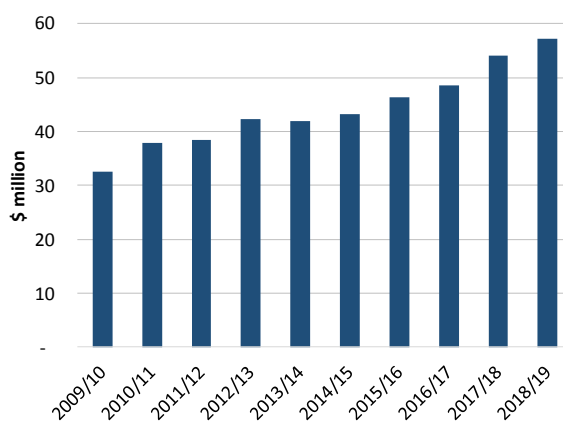
10 YEAR HISTORICAL PERFORMANCE

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



SALES REVENUE

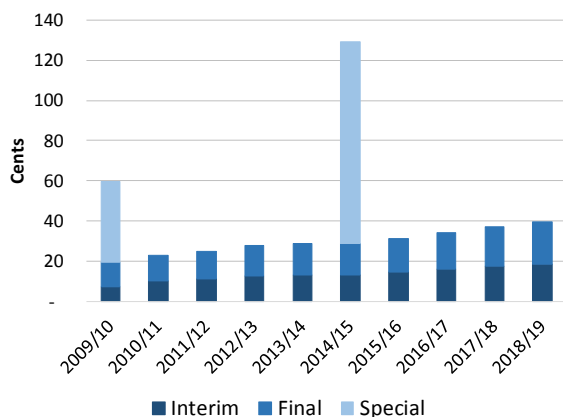
Annual sales revenue has grown at an average compound rate of 8.8% over the past 10 years.



NET PROFIT AFTER TAX

Net profit after tax has grown at an average compound rate of 9.7% over the past 10 years.

(The under-provision of tax recorded in 2018 has been allocated back to the relevant periods being 1 July 2013 to 30 June 2017. See Note 1 on prior page.)



DIVIDENDS PER SHARE

Dividends per share have grown steadily over the past 10 years with special dividends paid in 2009/10 and 2014/15. All dividends have been fully franked.

CHAIRMAN'S STATEMENT

HIGHLIGHTS OF THE 2018/19 YEAR

Sales and Distribution

Sales revenue increased by 5.0% in 2018/19 over the previous corresponding period. Sales growth was achieved in all categories of the business as can be seen from the table below.

Customer Category	Percentage of Sales		Sales Growth
	12 months to Jun 2019	12 months to Jun 2018	
Australian Aftermarket	62.9%	65.0%	1.6%
Exports	29.4%	28.1%	9.8%
Original Equipment	7.7%	6.9%	17.1%
	100.0%	100.0%	5.0%

ARB's sales to the Australian aftermarket grew by a modest 1.6%. The Australian Aftermarket now represents 62.9% of the Group's sales, down from 65.0% last year.

Growth in Australian Aftermarket sales were inhibited by flat new vehicle sales of medium to large SUVs and four-wheel drive utilities (ARB's target market) whilst total new vehicles sold in Australia declined by 8%.

In the Australian Aftermarket the Company distributes through the ARB store network, to ARB stockists, to new vehicle dealers and to various fleet operators. Contributions from GoActive Outdoors, Kingsley Enterprises and SmartBar are included in the Australian Aftermarket sales segment.

ARB branded retail stores are an integral part of the Company's distribution network in Australia. The number of ARB stores has increased by three since this time last year with new stores in Warragul, Victoria and in South Hedland and Bunbury, Western Australia. These stores were all fitted out in the new "ARB flagship" format which continues to be rolled out progressively across the network. This brings the total number of ARB stores to 66, of which 26 are Company owned.

Export sales grew by 9.8% and now represent 29.4% of the Group's sales. Export sales remain a key focus for ARB and growth was achieved in sales from the Company's distribution centres in Australia, the USA, the Czech Republic and Thailand. Sales were down slightly from the distribution centre in the United Arab Emirates. Reported growth in the Export channel was partially assisted by the weaker Australian dollar.

Sales to Original Equipment Manufacturers grew strongly by 17.1% for the year reflecting the commencement of new contracts along with a marginal shift of customers from the Aftermarket channel. A number of new contracts with Original Equipment customers are scheduled to commence in the second half of the new financial year.

Products and Production

ARB regards product development as a key element in maintaining the Company's long term competitive advantage. Research and development expenditure grew by 36.7% to \$13.0 million in 2018/19. During the year, more new vehicle releases have occurred both in Australia and overseas and new products for these vehicles are being released into the Company's factories on a weekly basis.

The Ford Ranger PXIII and the US version, Suzuki Jimny and Mitsubishi Triton MR were important new vehicle releases. New product development focused on accessories for these vehicles and on expanding the range to suit recent facelifts to the Nissan Patrol Y62, Jeep Grand Cherokee and the Toyota Hilux range.

ARB maintained a steady stream of new product releases throughout the year, most notably additional modules were added to the LINX vehicle accessory interface, the ARB Summit bull bar and SmartBar ranges were expanded and ARB released Intensity V2 lights and the ARB Classic Fridge Freezer II. The Bushranger branded winch and Night Hawk driving lights were also successfully launched and well received by the market.

CHAIRMAN'S STATEMENT

Work is continuing on a number of exciting long-term development projects that will provide growth opportunities for the Company in the future. For shareholders to get a better idea of ARB's new product releases, the Company's website at www.arb.com.au is a great source of information.

Both the Australian and Thai manufacturing plants are operating efficiently and at close to capacity.

The new 20,000 square metre free-trade zoned global warehouse in Thailand is nearing completion and is expected to be operational in the next two months. The new warehouse will provide increased warehousing and manufacturing capacity and increase the efficiency of the global distribution network by distributing from a more central location at lower cost.

Financial

Cash flows from operations increased by 11.6% to \$50.0 million despite a 15.3% increase in inventory levels of \$16.6 million to facilitate sales growth and more-timely customer deliveries.

The Company invested \$23.6 million in property, plant and equipment including robot welders, laser cutters, brake presses and CNC lathes in both Australia and Thailand. It is anticipated that new machinery will continue to drive manufacturing quality and efficiencies.

ARB's strong balance sheet, with no net debt, ensures that the Company is well placed to take advantage of investment opportunities going forward which are actively being pursued.

THE FUTURE

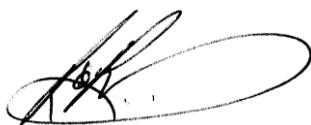
The Company's growth in 2018/19 was hampered by difficult local and global market conditions. Specifically, new car sales in Australia posted their biggest annual fall in more than nine years. In addition, the Australian dollar declined to its historically weakest position against the Thai Bhat.

Although the lower Australian dollar increases ARB's offshore revenue opportunities, in the short term it has a significant impact on the cost of the Company's Thai manufactured product and negatively impacts sales margins. The Company is taking measures to offset the increased cost, but the exchange rate will continue to affect the Company's performance throughout the first half of the new financial year.

The current economic conditions remain uncertain. However, the Board remains focussed on the long term growth of the Company as it develops and pursues a number of exciting opportunities. This includes further growth in export markets, new products and vehicle releases, and improved distribution.

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

A first quarter trading update will be provided to shareholders at the AGM on 17 October 2019.



Roger Brown
Chairman
20 August 2019

DIRECTORS' REPORT

The Directors present their report together with the financial report of the consolidated entity of ARB Corporation Limited, being the Company and its controlled entities, for the financial year ended 30 June 2019 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal Activities

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

Results

The consolidated profit attributable to members of the parent entity after income tax expense for the year was \$57,137,000 (2018: \$50,969,000).

Review of Operations

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

Significant Changes in the State of Affairs

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

Subsequent Events

With the exception of the declaration of a final dividend detailed in Note 6, no other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Developments

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

Environmental Regulation

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

Dividends Paid, Recommended and Declared

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

In respect of the prior financial year:	\$'000
- A final fully franked ordinary dividend of 19.5 cents per share was paid on 19 October 2018	<u>14,573</u>
In respect of the current financial year:	
- An interim fully franked ordinary dividend of 18.5 cents per share was paid on 18 April 2019	14,388
- The final dividend proposed by the Directors of the Company to be paid on 18 October 2019 is a fully franked dividend of 21.0 cents per share	<u>16,742</u>
Total dividends in respect of the year ended 30 June 2019	<u>31,130</u>

The final dividend proposed by the Directors of the Company has not been provided for in the Consolidated Statement of Financial Position as at 30 June 2019 as it was declared subsequent to 30 June 2019.

Rounding of Amounts

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

Comparatives

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

DIRECTORS' REPORT (continued)

Information on Directors and Company Secretary

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

NAME & QUALIFICATIONS

EXPERIENCE AND SPECIAL RESPONSIBILITIES

Mr. Roger G Brown

B.E., M.B.A.
Chairman
Non-executive Director

Wide range of experience within the automotive industry in Australia and overseas. Non-executive Director of Amcil Limited.
Non-executive Chairman of ARB Corporation Limited since 2016.
Executive Chairman of ARB Corporation Limited from 1987 to 2016.
Managing Director of ARB Corporation Limited from 1987 to 2012.
Member of the Risk Management Committee.

Mr. Andrew H Brown

Managing Director

Wide range of experience in automotive engineering and marketing.
Managing Director of ARB Corporation Limited since 2012.
Executive Director of ARB Corporation Limited from 1987 to 2012.
Member of the Risk Management Committee.

Mr. Adrian R Fitzpatrick

B.Com., FCA
Independent Non-executive Director

Former partner of Pitcher Partners (retired 30 June 2016).
Non-executive Director of RXP Services Limited since July 2019.
Previously a Non-executive Director of Naos Small Cap Opportunities Company Ltd (formerly Contango Microcap Limited) from 2017 to 2018.
Non-executive Director of ARB Corporation Limited since July 2016.
Member of the Audit Committee and the Remuneration and Nomination Committee.

Mr. John R Forsyth

B.E., M.B.A.
Non-executive Director
Company Secretary (resigned 1 July 2019)

Director of ARB Corporation Limited since 1987.
Non-executive Director of ARB Corporation Limited since 2016.
Executive Director of ARB Corporation Limited from 1989 to 2016.
Chairman of the Risk Management Committee.
Company Secretary of ARB Corporation Limited from 2004 to July 2019.

Mr. Robert D Fraser

B.Ec., LLB (Hons)
Independent Non-executive Director

Company Director and corporate adviser. Director of Taylor Collison Limited and Non-executive Director of F.F.I. Holdings Limited, Magellan Financial Group Limited and MFF Capital Investments Limited.
Previously a Non-executive Director of Gowing Bros Limited from 2012 to 2016.
Non-executive Director of ARB Corporation Limited since 2004.
Chairman of the Audit Committee and the Remuneration and Nomination Committee.

Ms. Karen L Phin

BA., LLB (Hons), GAICD
Independent Non-executive Director

Corporate advisor on capital markets, capital management and funding strategies. Non-executive Director of IMF Bentham Ltd and Magellan Financial Group Limited. Member of the Takeovers Panel.
Non-executive Director of ARB Corporation Limited since June 2019.
Member of the Audit Committee and the Remuneration and Nomination Committee from August 2019.

Mr. Andrew P Stott

Independent Non-executive Director

Wide 4WD industry experience.
Non-executive Director of ARB Corporation Limited since 2006.
Member of the Audit Committee and the Remuneration and Nomination Committee.

Mr. Damon Page

B.Bus., CA
Company Secretary (appointed 1 July 2019)

Company Secretary of ARB Corporation Limited since July 2019.
Chief Financial Officer of ARB Corporation Limited since 2014.

Share Options

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

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

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

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

Directors' Meetings

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

	Board	Audit Committee	Remuneration & Nomination Committee	Risk Management Committee
	Meetings attended / Meetings held whilst a member			
Mr. Roger G Brown	13 / 13	*	*	18 / 23
Mr. Andrew H Brown	13 / 13	*	*	21 / 23
Mr. Adrian R Fitzpatrick	12 / 13	5 / 6	3 / 3	*
Mr. John R Forsyth	13 / 13	*	*	18 / 23
Mr. Robert D Fraser	13 / 13	6 / 6	3 / 3	*
Ms. Karen L Phin (appointed 26 June 2019)	0 / 0	#	#	*
Mr. Andrew P Stott	13 / 13	6 / 6	3 / 3	*

* Not a member of the Committee

Ms. Phin appointed in August 2019

The Risk Management Committee meetings occur in conjunction with management meetings.

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is included at page 45 of this report.

Non-Audit Services

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

	2019 \$	2018 \$
Amounts paid or payable to auditors for non-audit services provided during the year by the auditors to any entity that is part of the consolidated entity for:		
Taxation services	102,070	145,737

Proceedings on Behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

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

The directors present the Group's 2019 remuneration report which details the remuneration information for ARB Corporation Limited's key management personnel including executive directors and non-executive directors.

Key Management Personnel

'Key Management Personnel' are those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Being a working Board, strategic direction and decision making is exercised by the Directors. Accordingly, the Managing Director and the other Directors are considered to be the Company's Key Management Personnel.

Remuneration Policies

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

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

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

The Group has reimbursed expenses incurred by the Non-executive Directors in the discharge of their duties of \$nil (2018: \$nil).

Details of the nature and amount of each major element of the remuneration of each Director of the Company and each of the Key Management Personnel of the Company and the consolidated entity for the financial year are:

	Salary & Fees	Non-cash Benefits	Super contributions	Total
	\$	\$	\$	\$
2019				
Roger G Brown (Chairman)	205,176	-	19,492	224,668
Andrew H Brown (Managing Director)	354,082	28,934	24,831	407,847
Adrian R Fitzpatrick	58,832	-	5,589	64,421
John R Forsyth	205,176	-	19,492	224,668
Robert D Fraser	86,461	-	8,214	94,675
Karen L Phin (appointed 26 June 2019)	-	-	-	-
Andrew P Stott	58,832	-	5,589	64,421
Total	968,559	28,934	83,207	1,080,700
2018				
Roger G Brown (Chairman)	205,176	-	19,492	224,668
Andrew H Brown (Managing Director)	331,567	28,091	31,049	390,707
Adrian R Fitzpatrick	56,645	-	5,381	62,026
John R Forsyth	205,176	-	19,492	224,668
Robert D Fraser	83,247	-	7,908	91,155
Andrew P Stott	56,645	-	5,381	62,026
Total	938,456	28,091	88,703	1,055,250

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

DIRECTORS' REPORT (continued)

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

	2019	2018	2017	2016	2015
Revenue (\$'000)	446,572	425,144	381,206	361,224	333,356
Increase in revenue (%)	5.0%	11.5%	5.5%	8.4%	11.1%
Profit before tax (\$'000)	77,692	74,372	67,501	64,379	60,016
Increase/(decrease) in profit before tax (%)	4.5%	10.2%	4.8%	7.3%	4.8%
Profit after tax (\$'000)	57,137	50,969	49,152	47,439	44,093
Increase/(decrease) in profit after tax (%)	12.1%	3.7%	3.6%	7.6%	3.6%
Basic Earnings per share (cents)	71.9	64.3	62.1	59.9	57.8
Dividends per share fully franked (cents)	39.5	37.0	34.0	31.5	129.0
Earnings before interest and tax (\$'000)	77,908	74,641	67,458	64,516	59,751
Gearing ratio (%)	n/a	1.3%	n/a	n/a	0.9%
End of year share price (\$)	18.20	22.83	15.71	16.74	13.03
Total remuneration of Key Management Personnel	1,080,700	1,055,250	1,047,167	1,070,633	1,258,409

Key Management Personnel Shareholdings

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

2019		Beginning of Year	Acquired	Sold	End of Year
Roger G Brown (Chairman)	(a)	7,926,605	432	(2,000,000)	5,927,037
Andrew H Brown (Managing Director)	(a)	7,933,053	404	(2,000,000)	5,933,457
Adrian R Fitzpatrick		2,500	-	-	2,500
John R Forsyth		2,118,031	4,018	(500,000)	1,622,049
Robert D Fraser		27,624	607	-	28,231
Karen L Phin		-	-	-	-
Andrew P Stott		-	3,000	-	3,000

(a) Common to each of R.G. Brown and A.H. Brown are 5,879,272 (2018: 7,879,272) shares held indirectly.

*** End of the Remuneration Report ***

Corporate Governance Statement

The Company's Corporate Governance Statement is included at page 47 of this report and is also available on the Company website at <http://www.arb.com.au/about/investor-relations/>.

Signed in accordance with a resolution of the Directors.



Roger G Brown
Director



John R Forsyth
Director

Melbourne, 20 August, 2019

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Sales revenue		443,891	422,675
Other income		2,681	2,469
Total revenue and other income	3	446,572	425,144
Materials and consumables used		(197,051)	(187,796)
Employee expenses		(109,562)	(104,966)
Depreciation and amortisation expense	4	(13,879)	(12,895)
Advertising expense		(7,729)	(7,065)
Distribution expense		(10,402)	(9,833)
Finance expense		(284)	(320)
Occupancy expense		(15,696)	(15,420)
Maintenance expense		(4,499)	(3,837)
Other expenses		(9,778)	(8,640)
Profit before income tax expense		77,692	74,372
Income tax expense	5	(20,555)	(23,403)
Profit attributable to members of the parent entity		57,137	50,969
Basic and Diluted Earnings per share (cents)	23	71.9	64.3

The accompanying notes form part of these financial statements.

Prior year comparatives have been reclassified to ensure consistency with current year disclosures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Profit attributable to members of the parent entity		57,137	50,969
Other comprehensive income			
Items that may be reclassified subsequently to Profit/(Loss)			
Movement in fair value of cash flow hedges	17	(9)	(53)
Exchange differences on translation of foreign operations	17	9,985	4,878
Other comprehensive income for the year		9,976	4,825
Total comprehensive income for the year attributable to members of the parent entity		67,113	55,794

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	21	8,464	9,187
Receivables	7	59,445	55,819
Inventories	8	125,340	108,719
Other assets	9	3,133	4,167
Total current assets		196,382	177,892
Non-current assets			
Property, plant and equipment	10	169,420	154,338
Deferred tax assets	5	3,722	3,411
Intangible assets	11	29,575	29,015
Total non-current assets		202,717	186,764
Total assets		399,099	364,656
Current liabilities			
Payables	12	35,883	40,266
Derivative financial instruments	13	14	5
Borrowings	14	-	4,000
Current tax liabilities		1,239	3,323
Provisions	15	14,066	13,022
Total current liabilities		51,202	60,616
Non-current liabilities			
Provisions	15	1,303	978
Total non-current liabilities		1,303	978
Total liabilities		52,505	61,594
NET ASSETS		346,594	303,062
EQUITY			
Contributed equity	16	115,181	109,801
Reserves	17	22,807	12,831
Retained earnings	18	208,606	180,430
TOTAL EQUITY		346,594	303,062

The accompanying notes form part of these financial statements.

Prior year comparatives have been reclassified to ensure consistency with current year disclosures.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2017	107,221	8,006	157,114	272,341
Profit for the year	-	-	50,969	50,969
Movement in fair value of cash flow hedges, net of tax	-	(53)	-	(53)
Exchange differences on translation of foreign operations, net of tax	-	4,878	-	4,878
Total comprehensive income for the year	-	4,825	50,969	55,794
Transactions with owners in their capacity as owners:				
Contributions	2,234	-	-	2,234
Share issue	346	-	-	346
Dividends paid	-	-	(27,653)	(27,653)
Total transactions with owners in their capacity as owners	2,580	-	(27,653)	(25,073)
Balance as at 30 June 2018	109,801	12,831	180,430	303,062
Balance as at 1 July 2018	109,801	12,831	180,430	303,062
Profit for the year	-	-	57,137	57,137
Movement in fair value of cash flow hedges, net of tax	-	(9)	-	(9)
Exchange differences on translation of foreign operations, net of tax	-	9,985	-	9,985
Total comprehensive income for the year	-	9,976	57,137	67,113
Transactions with owners in their capacity as owners:				
Contributions	5,178	-	-	5,178
Share issue	202	-	-	202
Dividends paid	-	-	(28,961)	(28,961)
Total transactions with owners in their capacity as owners	5,380	-	(28,961)	(23,581)
Balance as at 30 June 2019	115,181	22,807	208,606	346,594

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Cash Flows From Operating Activities			
Receipts from customers		475,079	451,163
Payments to suppliers and employees		(401,940)	(382,346)
Interest received		68	51
Finance costs		(284)	(320)
Income tax paid		(22,950)	(23,774)
Net cash provided by Operating activities	21	49,973	44,774
Cash Flows From Investing Activities			
Payments for property, plant and equipment	10	(23,570)	(39,154)
Payments for development costs	11	(3,402)	(3,033)
Payments for intangible software assets	11	(655)	(951)
Proceeds from sales of property, plant & equipment		4,082	971
Net cash used in Investing activities		(23,545)	(42,167)
Cash Flows From Financing Activities			
Dividends paid		(23,783)	(25,419)
Proceeds from borrowings		-	4,000
Repayment of borrowings		(4,000)	-
Net cash used in Financing activities		(27,783)	(21,419)
Foreign exchange differences		632	356
Net increase/(decrease) in cash held		(723)	(18,456)
Cash at the beginning of the financial year		9,187	27,643
Cash at the end of the financial year	21	8,464	9,187

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial report

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

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

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

Compliance with IFRS

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

Historical Cost Convention

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

(b) Going concern

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

(c) Principles of consolidation

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

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

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

(d) Revenue recognition

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

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

(e) Cash and cash equivalents

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

(f) Inventories

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

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

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

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

Depreciation

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

The useful lives for each class of assets are:	<u>2019</u>	<u>2018</u>
- Buildings:	40 years	40 years
- Plant and equipment:	3 to 10 years	3 to 10 years

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the term of the lease.

(i) Business combinations

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

The consideration transferred is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Deferred consideration payable is discounted to present value using the Group's incremental borrowing rate.

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

Acquisition related costs are expensed as incurred.

(j) Intangibles*Goodwill*

Goodwill is initially measured as described in Note 1 (i).

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

Research and Development

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

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

Other development expenditure is recognised as an expense when incurred.

Distribution Rights

Distribution rights are recorded at cost.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

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

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

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

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

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

Tax Consolidation

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

(l) Impairment of non-financial assets

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

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

(m) Employee benefits*Short-term employee benefits obligations*

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

(n) Financial instruments

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

Financial liabilities: include trade payables, other creditors and loans from third parties measured at amortised cost.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Foreign currency

Functional and presentation currency

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

Transactions and balances

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

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

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

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

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

(p) Goods and services tax (GST)

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

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

(q) Comparatives

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

(r) Significant accounting estimates and judgements

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

Inventories

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

Impairment of goodwill

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

Impairment of non-financial assets other than goodwill

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(s) Rounding amounts**

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

(t) New and revised accounting standards effective at 30 June 2019

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2018, including *AASB 9: Financial Instruments* (AASB 9) and *AASB 15: Revenue from Contracts with Customers* (AASB 15).

AASB 9 replaces *AASB 139: Financial Instruments: Recognition and Measurement*. The key changes introduced by AASB 9 include simplifying the general classification and measurement of financial assets and financial liabilities, a new model for calculating the provision for doubtful debts (now termed the allowance for credit losses) and new hedge accounting requirements. At the time of adoption, the Group did not have any investments in financial assets accounted for at fair value through other comprehensive income, nor did it hold any during the period. Accordingly, first time application of AASB 9 had no impact on the Group's accounting for investments in financial assets. On initial application of AASB 9 the Company also adopted the expected credit loss model in AASB 9. As a consequence of the carrying amounts and the nature of the Group's receivables, initial application of the expected credit loss model did not have a material impact on the carrying amounts of the Group's receivables.

AASB 15 replaces *AASB 118: Revenue* and establishes a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, *AASB 118: Revenue*, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period. First time application of AASB 15 had no material impact on the Group's consolidated net income, statement of financial position or cash flows.

(u) New accounting standards and interpretations issued but not operative at 30 June 2019

AASB 16: Leases (AASB 16) requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term greater than 12 months. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition: (i) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model, and (ii) lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability.

Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. The ongoing income statement classification of what is currently predominantly presented as occupancy-related expenses will be split between amortisation and interest expense.

The effective date is annual reporting periods beginning on or after 1 January 2019, and the consolidated entity will apply AASB 16 in the financial year beginning 1 July 2019. The consolidated entity has now completed its assessment of all leases that will be subject AASB 16 and elected to transition to the new standard using the modified retrospective approach.

On 1 July 2019, the anticipated impact on the consolidated entity is to recognise the following lease assets and liabilities:

- Increase in right of use asset of \$29.5m;
- Increase in lease liability of \$34.3m; and
- Reduction in retained earnings of \$4.8m.

Information on the undiscounted amount of the Group's operating lease commitments at 30 June 2019 is disclosed in note 22.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

2. FINANCIAL RISK MANAGEMENT

The consolidated entity is exposed to a variety of financial risks comprising:

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

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

(a) Currency risk

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

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

Forward exchange contracts as at 30 June were:

	2019 A\$'000	2018 A\$'000	2019 Forward Rate	2018 Forward Rate
Settlement - less than 6 months				
Sell EUR / Buy AUD	1,523	-	0.6159	-
Sell USD / Buy AUD	4,719	-	0.7012	-
Sell AUD / Buy NZD	-	275	-	1.0919
Sell AUD / Buy SEK	1,542	1,592	6.4857	6.5955

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

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

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

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

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

Sensitivity

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

(b) Liquidity risk

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

Maturity analysis

All financial liabilities are due to be settled within the next six months in accordance with their contractual terms.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

2. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk

The Group monitors its cash flow on a daily basis. Borrowings as at the year ended 30 June 2019 were \$nil (2018: \$4.0m). Finance facilities available and used as at the reporting date are disclosed in Note 14.

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

	Note	Weighted Average Interest rate %	Floating Interest rate \$'000	Fixed interest maturing in :		Non Interest Bearing \$'000	Total \$'000
				1 year or less \$'000	More than 1 year \$'000		
2019							
<i>Financial assets</i>							
Cash	21	1.25%	8,464	-	-	-	8,464
Receivables	7	-	-	-	-	59,445	59,445
<i>Financial liabilities</i>							
Payables	12	-	-	-	-	35,883	35,883
Derivative financial instruments	13	-	-	-	-	14	14
Borrowings	14	-	-	-	-	-	-
2018							
<i>Financial assets</i>							
Cash	21	0.95%	9,187	-	-	-	9,187
Receivables	7	-	-	-	-	55,819	55,819
<i>Financial liabilities</i>							
Payables	12	-	-	-	-	40,266	40,266
Derivative financial instruments	13	-	-	-	-	5	5
Borrowings	14	2.84%	4,000	-	-	-	4,000

(d) Credit risk

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

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

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

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

Concentrations of credit risk

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

(e) Fair values

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

3. REVENUES FROM CONTINUING OPERATIONS

	2019 \$'000	2018 \$'000
Revenue from sale of goods	443,891	422,675
Other income:		
Interest	68	51
Net gain on disposal of property, plant and equipment	761	186
Foreign exchange gains	-	534
Other	1,852	1,698
Total other income	2,681	2,469
Total income from continuing operations	446,572	425,144

4. PROFIT FROM CONTINUING OPERATIONS

	2019 \$'000	2018 \$'000
Cost of goods sold	254,004	241,443
Depreciation of non-current assets:		
Buildings	2,247	1,936
Plant and equipment	8,135	7,405
	10,382	9,341
Amortisation of non-current assets:		
Development costs capitalised	2,125	1,926
Intangible software assets	1,372	1,628
	3,497	3,554
Total depreciation and amortisation	13,879	12,895
Other expense items:		
Trade receivables (recovered) / written off	(247)	69
Provision for inventory obsolescence	830	297
Research and development expenditure	13,014	9,517
Operating lease rentals	5,465	5,409

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

5. INCOME TAX

	2019 \$'000	2018 \$'000
(a) The components of tax expense:		
Current tax	20,904	21,245
Deferred tax	(311)	(883)
(Over) / Underprovision prior year	(38)	3,041
Total income tax expense	20,555	23,403
(b) Income tax expense		
Prima facie income tax expense at 30% (2018: 30%) on the operating profit	23,308	22,311
Increase/(decrease) in income tax expense due to:		
Differences in overseas tax rates	(2,920)	(2,518)
Research & development	(142)	(100)
Other	347	669
Income tax expense on operating profit	20,593	20,362
(Over) / Underprovision prior year	(38)	3,041
Total income tax expense	20,555	23,403
(c) Deferred tax		
Deferred tax assets		
Deferred tax asset comprises the estimated future benefit at applicable income tax rates of the following items:		
Provisions, accruals and accrued employee benefits	4,612	4,430
Doubtful debt impairment	37	114
Inventory write-down	1,059	762
Income tax expense on group unrealised profit	2,411	2,294
Other	219	239
	8,338	7,839
Deferred tax liabilities		
Deferred tax liability comprises the estimated future expenses at applicable income tax rates for the following items:		
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	1,207	1,478
Development costs capitalised	2,984	2,610
Other income not yet assessable	425	340
	4,616	4,428
Net deferred tax assets	3,722	3,411

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

6. DIVIDENDS

	Note	2019 \$'000	2018 \$'000
Dividends recommended or paid by the Company are:			
Recognised Amounts			
A final fully franked ordinary dividend of 19.5 cents per share was paid on 19 October 2018 (2018: 18.0 cents fully franked)		14,573	14,253
An interim fully franked ordinary dividend of 18.5 cents per share was paid on 18 April 2019 (2018: 17.5 cents fully franked)		14,388	13,400
	18	28,961	27,653
Unrecognised Amounts			
A final fully franked ordinary dividend is proposed of 21.0 cents per share to be paid on 18 October 2019 (2018: 19.5 cents fully franked)		16,742	15,472

The final dividend proposed was declared subsequent to the financial year end and is therefore not recognised as a liability.

The dividends paid by the Company were fully franked at the tax rate of 30% (2018: 30%) and the recommended final dividend will be fully franked at the tax rate of 30%.

Dividend franking account

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

Franking credits (measured on a tax paid basis under Australian Legislation)	50,740	41,942
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7. RECEIVABLES

	Note	2019 \$'000	2018 \$'000
Current			
Trade receivables		57,851	55,065
Other receivables		1,736	1,143
		59,587	56,208
Less: allowance for credit losses		(142)	(389)
		59,445	55,819
Allowance for credit losses			
Receivables ageing analysis at 30 June is:			
Not past due		53,996	52,952
Past due 0 - 30 days		2,927	1,894
Past due 31 - 90 days		1,436	665
Past due more than 91 days		1,228	697
		59,587	56,208

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

Movements in the allowance for credit losses were:

Opening balance at 1 July	(389)	(407)
Writeback / (charge) for the year	165	(69)
Amounts written off	85	89
Foreign exchange translation	(3)	(2)
Closing balance at 30 June	(142)	(389)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

8. INVENTORIES

	2019 \$'000	2018 \$'000
Current		
Raw materials and work in progress	29,807	24,561
Finished goods	80,924	70,825
Goods in transit, at cost	18,059	15,953
Less: Provision for stock obsolescence	(3,450)	(2,620)
	125,340	108,719

9. OTHER ASSETS

	2019 \$'000	2018 \$'000
Current		
Prepayments	3,133	4,167

10. PROPERTY, PLANT AND EQUIPMENT

	2019 \$'000	2018 \$'000
Land and buildings, at cost	137,189	125,933
Less: accumulated depreciation	(12,373)	(11,295)
	124,816	114,638
Plant and equipment, at cost	108,813	102,139
Less: accumulated depreciation	(64,209)	(62,439)
	44,604	39,700
Total property, plant and equipment	169,420	154,338

(a) Movements in the carrying amounts	Land & Buildings \$'000	Plant & Equipment \$'000	TOTAL \$'000
2019			
Balance at the beginning of financial year	114,638	39,700	154,338
Additions	12,684	10,886	23,570
Disposals	(2,813)	(508)	(3,321)
Depreciation	(2,247)	(8,135)	(10,382)
Foreign exchange impact	2,554	2,661	5,215
Balance at the end of financial year	124,816	44,604	169,420
2018			
Balance at the beginning of financial year	87,296	35,657	122,953
Additions	28,005	11,149	39,154
Disposals	-	(785)	(785)
Depreciation	(1,936)	(7,405)	(9,341)
Foreign exchange impact	1,273	1,084	2,357
Balance at the end of financial year	114,638	39,700	154,338

(b) Property, plant and equipment have been granted as security over bank facilities. Refer to Note 14 for details.

(c) Fair value of freehold land and buildings – The Group obtains independent property valuations of freehold land and buildings on a 3 year rotational basis. The total current valuations for freehold land and buildings are \$151.4 million, compared with the collective carrying value of \$124.8 million. The fair value measurements have been determined as level 3 in the fair value measurement hierarchy. The valuations are based on the expected vacant possession sales price with consideration of comparable sales information and prevailing rental capitalisation rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

11. INTANGIBLE ASSETS

	2019 \$'000	2018 \$'000
Goodwill	16,917	16,917
Development costs	23,990	23,526
Less: accumulated amortisation	(13,973)	(14,786)
	10,017	8,740
Intangible software assets	9,517	8,862
Less: accumulated amortisation	(6,876)	(5,504)
	2,641	3,358
Total intangible assets	29,575	29,015

Movements in the carrying amounts	Development		Intangible	TOTAL \$'000
	Goodwill \$'000	Costs \$'000	Software Assets \$'000	
2019				
Balance at the beginning of financial year	16,917	8,740	3,358	29,015
Additions	-	3,402	655	4,057
Amortisation	-	(2,125)	(1,372)	(3,497)
Balance at the end of financial year	16,917	10,017	2,641	29,575
2018				
Balance at the beginning of financial year	16,917	7,633	4,035	28,585
Additions	-	3,033	951	3,984
Amortisation	-	(1,926)	(1,628)	(3,554)
Balance at the end of financial year	16,917	8,740	3,358	29,015

Impairment

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

	Goodwill \$'000	Growth rate	Discount Rate (post tax)	Period of projection
2019				
GoActive Outdoors	2,008	5.0%	10.0%	5 years
Kingsley Enterprises	3,226	4.5%	10.0%	5 years
SmartBar	1,648	5.0%	10.0%	5 years
ARB Corporation (Australia)	10,035	6.5%	10.0%	5 years
2018				
GoActive Outdoors	2,008	5.0%	10.0%	5 years
Kingsley Enterprises	3,226	4.5%	10.0%	5 years
SmartBar	1,648	5.0%	10.0%	5 years
ARB Corporation (Australia)	10,035	6.5%	10.0%	5 years

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

12. PAYABLES

	2019 \$'000	2018 \$'000
Current		
Trade payables	18,917	22,927
Other payables	16,966	17,339
	35,883	40,266

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 \$'000	2018 \$'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Current liabilities		
Forward exchange contracts	14	5

14. BORROWINGS

	2019 \$'000	2018 \$'000
Current		
Secured Borrowings	-	4,000
Financing arrangements		
The consolidated entity has access to the following lines of credit:		
Total facilities available:		
Market loan	30,000	30,000
Online facility	-	2,000
Lease guarantees	2,000	714
Standby letter of credit	150	100
	32,150	32,814
Facilities utilised at balance date:		
Market loan	-	4,000
Lease guarantees	1,038	484
Standby letter of credit	103	92
	1,141	4,576
Facilities not utilised at balance date:		
Market loan	30,000	26,000
Online facility	-	2,000
Lease guarantees	962	230
Standby letter of credit	47	8
	31,009	28,238

(i) Market Loan

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

(ii) Security & Conditions

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

15. PROVISIONS

	2019 \$'000	2018 \$'000
Current		
Employee benefits	14,066	13,022
Non-current		
Employee benefits	1,303	978
Total employee benefits	15,369	14,000

16. CONTRIBUTED EQUITY

	2019 \$'000	2018 \$'000
Issued and paid up capital		
79,725,131 ordinary shares (2018: 79,343,950)	115,181	109,801

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

Movements during the year	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Balance at the beginning of the financial year	79,343,950	79,184,214	109,801	107,221
Dividend reinvestment plan and Bonus share plan	368,531	139,736	5,178	2,234
Other shares issued	12,650	20,000	202	346
Balance at the end of the financial year	79,725,131	79,343,950	115,181	109,801

Capital management

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

17. RESERVES

	Note	2019 \$'000	2018 \$'000
Capital profits reserve	(i)	4,090	4,090
Foreign currency translation reserve	(ii)	18,731	8,746
Cash flow hedge reserve	(iii)	(14)	(5)
		22,807	12,831

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

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

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

Movements in the carrying amounts	Capital Profits Reserve \$'000	Foreign Currency Translation Reserve \$'000	Cash Flow Hedge Reserve \$'000	TOTAL \$'000
2019				
Balance at the beginning of the financial year	4,090	8,746	(5)	12,831
Amount recognised in other comprehensive income	-	9,985	(9)	9,976
Balance at the end of the financial year	4,090	18,731	(14)	22,807
2018				
Balance at the beginning of the financial year	4,090	3,868	48	8,006
Amount recognised in other comprehensive income	-	4,878	(53)	4,825
Balance at the end of the financial year	4,090	8,746	(5)	12,831

18. RETAINED EARNINGS

	Note	2019 \$'000	2018 \$'000
Retained earnings		208,606	180,430
Retained earnings			
Balance at the beginning of the financial year		180,430	157,114
Net profit attributable to members of the parent entity		57,137	50,969
Dividends paid	6	(28,961)	(27,653)
Balance at the end of the financial year		208,606	180,430

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

19. PARENT ENTITY INFORMATION

	2019	2018
	\$'000	\$'000
Profit before income tax expense	60,728	60,546
Income tax expense	(18,320)	(21,630)
Profit attributable to members of the parent entity	42,408	38,916
Total comprehensive income for the year attributable to members of the parent entity	42,859	39,210
Current assets	137,141	122,886
Non-current assets	169,639	170,817
Total assets	306,780	293,703
Current liabilities	43,764	50,188
Non-current liabilities	1,255	964
Total liabilities	45,019	51,152
Net assets	261,761	242,551
Equity		
Contributed equity	115,181	109,801
Reserves	4,560	4,177
Retained earnings	142,020	128,573
Total equity	261,761	242,551
Capital expenditure commitments		
Contracted, but not provided for and payable within one year	3,947	2,751

20. BUSINESS COMBINATIONS**Current year**

There were no changes to Business Combinations during the current year.

Prior year

There were no changes to Business Combinations during the prior year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

21. CASH FLOW INFORMATION

	2019 \$'000	2018 \$'000
(i) Reconciliation of Cash		
Cash	8,464	9,187
(ii) Reconciliations of the net profit after tax to the net cash flows from operations:		
Net profit	57,137	50,969
Add/(less) items classified as Investing/financing activities: (Profit)/loss on disposal of non-current assets	(761)	(186)
Add/(less) non-cash items		
Depreciation and amortisation	13,879	12,895
Allowance for credit losses of receivables	(247)	69
Provision for inventory obsolescence	830	297
Impact of foreign exchange	4,138	2,166
Share issue	202	346
Net cash provided by operating activities before change in assets and liabilities	75,178	66,556
Change in assets and liabilities		
(Increase)/decrease in trade receivables	(2,786)	(5,386)
(Increase)/decrease in other receivables	(593)	338
(Increase)/decrease in inventories	(17,451)	(20,996)
(Increase)/decrease in other assets	1,034	(1,542)
(Increase)/decrease in deferred tax asset	(311)	(884)
(Decrease)/increase in payables	(4,383)	4,987
(Decrease)/increase in income tax payable	(2,084)	513
(Decrease)/increase in provisions	1,369	1,188
Net cash flow from operating activities	49,973	44,774
(iii) Credit stand-by arrangements and loan facilities are identified at Note 14.		
(iv) Reconciliation of liabilities arising from financing activities:		
Opening borrowings	4,000	-
Proceeds	-	4,000
Repayments	(4,000)	-
Non-cash changes	-	-
Closing borrowings	-	4,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

22. COMMITMENTS AND CONTINGENCIES

	2019 \$'000	2018 \$'000
Operating lease commitments		
All operating leases are property leases		
Minimum lease payments		
Future operating lease rentals of property, not provided for and payable as follows:		
Not later than one year	5,040	4,503
Later than one year but not later than five years	8,633	8,994
Later than five years	1,016	788
	14,689	14,285
Capital expenditure commitments		
Contracted, but not provided for and payable within one year		
Land & Buildings	1,799	9,536
Plant & equipment	2,698	1,556
Other	2,100	2,100
	6,597	13,192

23. EARNINGS PER SHARE

	2019 cents	2018 cents
Earnings per share (cents)	71.9	64.3
Weighted average number of ordinary shares used in the calculation of basic earnings per share	79,512,189	79,224,767

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

24. AUDITORS' REMUNERATION

	2019 \$	2018 \$
Remuneration of Pitcher Partners, the auditors of the parent entity for:		
Auditing or reviewing the financial report	184,671	183,200
Taxation services	102,070	145,737
Auditing or reviewing the financial report of subsidiaries		
Remuneration of network firms of Pitcher Partners	29,781	28,293
Remuneration of other non-related auditors	66,599	59,985
Total auditors' remuneration	383,121	417,215

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

25. CONTROLLED ENTITIES

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

	Country of Incorporation	2019 %	2018 %
Parent entity			
ARB Corporation Limited	Australia		
Controlled entities			
Air Locker, Inc.	United States of America	100	100
Kingsley Enterprises Pty Ltd	Australia	100	100
Off Road Accessories Ltd	Thailand	100	100
ARB Off Road Ltd	Thailand	100	100
ARB Europe s.r.o	Czech Republic	100	100
ARB Middle East FZE	United Arab Emirates	100	100

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

Roger G Brown	Non-executive Director and Chairman
Andrew H Brown	Managing Director
Adrian R Fitzpatrick	Non-executive Director
John R Forsyth	Non-executive Director and Company Secretary (resigned 1 July 2019 as Company Secretary)
Robert D Fraser	Non-executive Director
Karen L Phin	Non-executive Director (appointed 26 June 2019)
Andrew P Stott	Non-executive Director

	2019 \$	2018 \$
Key Management Personnel remuneration by category		
Short term employment benefits	997,493	966,547
Post employment benefits	83,207	88,703
	1,080,700	1,055,250

27. RELATED PARTY TRANSACTIONS**Directors**

The name of each person holding the position of Director of ARB Corporation Limited during the financial year is: Roger G Brown, Andrew H Brown, Adrian R Fitzpatrick, John R Forsyth, Robert D Fraser, Karen L Phin and Andrew P Stott.

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

Controlled entities

Details of interests in the controlled entities, being wholly-owned subsidiary companies, are set out at Note 25. All transactions between the Company and its controlled entities have been eliminated on consolidation.

Ultimate parent entity

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

Loans

Loans from the Company to its overseas controlled entities are charged interest monthly at arm's length rates on the outstanding balance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

28. SEGMENT INFORMATION

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

The reportable segments of the consolidated entity are based on geographical locations comprising operations in Australia, USA, Thailand and Middle East & Europe.

(a) Income Statement	Australia	USA	Thailand	Middle East & Europe	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Segment revenue						
Total segment revenue	424,846	61,172	73,724	21,682	(134,852)	446,572
Intersegmental revenues	(66,784)	(3)	(68,017)	(48)	134,852	-
Segment revenue from external source	358,062	61,169	5,707	21,634	-	446,572
Total segment result	43,115	2,479	10,576	2,434	(1,467)	57,137
Intersegmental eliminations	8,290	-	(9,757)	-	1,467	-
Segment result from external source	51,405	2,479	819	2,434	-	57,137
Items included within the segment result:						
Net interest income (expense)	(253)	-	37	-	-	(216)
Depreciation and amortisation expense	10,220	283	3,261	115	-	13,879
Income tax expense	18,477	591	979	508	-	20,555
2018						
Segment revenue						
Total segment revenue	410,316	56,767	70,104	19,537	(131,580)	425,144
Intersegmental revenues	(66,819)	(85)	(64,540)	(136)	131,580	-
Segment revenue from external source	343,497	56,682	5,564	19,401	-	425,144
Total segment result	39,401	1,767	10,960	1,447	(2,606)	50,969
Intersegmental eliminations	7,484	-	(10,090)	-	2,606	-
Segment result from external source	46,885	1,767	870	1,447	-	50,969
Items included within the segment result:						
Net interest income (expense)	(283)	-	14	-	-	(269)
Depreciation and amortisation expense	9,776	209	2,802	108	-	12,895
Income tax expense	21,410	712	1,063	218	-	23,403
(b) Statement of Financial Position						
	Australia	USA	Thailand	Middle East & Europe	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Segment assets	330,404	32,552	89,062	13,056	(65,975)	399,099
Segment liabilities	64,550	15,816	7,661	5,200	(40,722)	52,505
Segment acquisition of property, plant, equipment and intangibles	15,525	483	11,460	159	-	27,627
2018						
Segment assets	320,129	29,483	74,628	12,044	(71,628)	364,656
Segment liabilities	74,192	15,992	7,706	6,970	(43,266)	61,594
Segment acquisition of property, plant, equipment and intangibles	39,129	368	3,547	94	-	43,138

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

29. SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2019 of the consolidated entity,
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2019 of the consolidated entity.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 12 to 38 are in accordance with the Corporations Act 2001:

- (a) Complying with Accounting Standards, and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- (b) Complying with International Financial Reporting Standards as indicated in Note 1; and
- (c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

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



Roger G Brown
Director



John R Forsyth
Director

Melbourne, 20 August, 2019

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ARB Corporation Limited “the Company” and its controlled entities “the Group”, which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

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

- (a) giving a true and fair view of the Group’s financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
<p><i>Revenue Recognition</i> Refer to note 1(d) and Note 3</p> <p>The Group's revenue, \$446.572M (2018: \$425.144M), is primarily derived from the sale of product through retail and wholesale channels, domestically and internationally.</p> <p>We focused on the existence and appropriate recognition of revenue as a key audit matter as these flows are a key contributor to the determination of profit.</p>	<p>Our testing of revenue transactions focused on evidencing that the underlying transactions had occurred in the period.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • Review of Group's terms and conditions of sale. • Understanding the Group's controls and processes for recognising and recording revenue transactions. • Test of detail to confirm the existence of revenue by agreeing a sample of revenue transactions to supporting documentation. • Testing of general journals impacting revenue and analysis to identify transactions considered to be outside ordinary transaction cycles.
<p><i>Inventory valuation</i> Note 1 (f) and Note 8</p> <p>As at 30 June 2019, the Group held inventories of \$125.340M (2018: \$108.719M). The value of inventories has increased consistently in recent years as the Group has increased revenue, its warehousing and retail presence in numerous geographic locations and the product range.</p> <p>The Group must make subjective judgements to identify and quantify inventory that is valued in excess of its recoverable value. The Group undertakes this by reference to historic sales volumes, levels of inventory held and market conditions.</p> <p>We focused on the value of inventory as a key audit matter as it involves judgement as to the recoverable value of inventory.</p>	<p>Our testing of inventory valuation focused on assessing the appropriateness of management's judgements when determining recoverable value of inventory and the completeness of the assessment.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • Assessing the inventory provisioning policy and methodology for determination of the provision. • Review of the Group's provisioning assessment for completeness and accuracy, including challenging inventory items not provided for and potentially at risk of overstatement. • For a sample of inventory items agreed that it is held at the lower of cost and net realisable value, through comparison to recent purchase invoices and sales prices.

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

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 2019, 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 11 of the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of ARB Corporation Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



K L BYRNE
Partner



PITCHER PARTNERS
Melbourne

20 August 2019

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

In relation to the independent audit for the year ended 30 June 2019, to the best of my knowledge and belief there have been:

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

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



K L BYRNE
Partner

20 August 2019



PITCHER PARTNERS
Melbourne

ASX ADDITIONAL INFORMATION

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

SHAREHOLDINGS

Substantial Shareholders

The number of shares to which substantial shareholders were entitled as listed in the Company's register of substantial shareholders at 31 July 2019 was:

Shareholder	Ordinary
Rogand Pty Ltd	5,935,976
Pinnacle Investment Management Group Limited and Pinnacle Investment Management Limited	5,467,690
Hyperion Asset Management Limited	5,285,889
Bennelong Funds Management Group Pty Ltd	4,882,065
Commonwealth Bank of Australia	4,077,614

Class of Shares and Voting Rights

At 31 July 2019, there were 6,926 holders of ordinary shares of the Company. The voting rights attaching to the ordinary shares are set out in the Company's Constitution.

Distribution of shareholders (as at 31 July 2019):

	Holders	%	Shares Held	%
1 - 1,000	3,689	53.26	1,523,930	1.91
1,001 - 5,000	2,363	34.12	5,547,246	6.96
5,001 - 10,000	470	6.79	3,407,027	4.27
10,001 - 100,000	373	5.38	8,388,048	10.52
100,001 or more	31	0.45	60,858,880	76.34
	6,926	100.00	79,725,131	100.00

The number of shareholders holding less than a marketable parcel at 31 July 2019 was 189.

Twenty largest shareholders (as at 31 July 2019)

Name of Holder	Number of ordinary shares held	% of issued ordinary shares held
HSBC Custody Nominees (Australia) Limited	18,908,863	23.72
J P Morgan Nominees Australia Limited	9,186,032	11.52
Rogand Pty Ltd	5,851,183	7.34
Citicorp Nominees Pty Ltd	4,622,380	5.80
National Nominees Limited	3,966,302	4.97
Australian Foundation Investment Company Limited	3,080,700	3.86
BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	2,798,601	3.51
BNP Paribas Noms Pty Ltd <DRP>	2,550,264	3.20
Formax Pty Ltd (Reparar Account)	1,586,723	1.99
Netwealth Investments Limited <Wrap Services Account>	974,529	1.22
BKI Investment Company Limited	945,447	1.19
Milton Corporation Limited	911,065	1.14
Citicorp Nominees Pty Ltd <Colonial First State Inv Account>	727,879	0.91
Ms Judith Caroline Carpenter + Ms Gillian Clare Carpenter <Est Late P Carpenter A/C>	653,831	0.82
Mirrabooka Investments Limited	573,361	0.72
Santos L Helper Pty Ltd (The Van Paassen Fam Account)	405,834	0.51
Illabarook Pty Ltd	350,000	0.45
Amcil Limited	310,004	0.39
AMP Life Limited	295,290	0.37
Mr Philip Alan Kenneth Naylor + Mr Malcolm Kennedy Shore <Est Agnes Vivien Shore A/C>	272,935	0.34

The 20 largest shareholders hold 73.97% of the ordinary shares of the Company.

There is no current on market buy back of shares.

CORPORATE GOVERNANCE STATEMENT

The Board of ARB Corporation Limited is committed to high standards of corporate governance and supports the principles of good corporate governance and best practice recommendations as published in the Third Edition Corporate Governance Guidelines (the "Guidelines") of the ASX Corporate Governance Council as revised in 2014.

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

The Board recognises that some practices are more relevant to larger companies. The Board has adopted those practices that it believes will maximise long term shareholder value given ARB's specific circumstances.

This Corporate Governance Statement was approved by the Board on 19 August 2019 and is current as at that date.

1. The Roles of the Board and Management

The Board of Directors is responsible for increasing shareholder value through leadership and direction of the Company. Matters reserved for the Board include:

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

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

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

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

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

The monthly management accounts are prepared using accrual accounting techniques and report each

Division's results. These monthly management accounts are compared by management with monthly targets. Each Division has key performance indicators and are reviewed by the Board monthly.

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

The Managing Director evaluates the performance of the senior management team on an informal basis throughout the year and on a formal basis once per year. A performance evaluation was undertaken in the current reporting period.

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

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

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

2. The Structure of the Board

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

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

The Board presently comprises one Executive Director and six non-executive Directors (four of whom are independent non-executive Directors). The Board believes that, at present, this structure combines the skills, experience and efficiency of operation best suited to governing the Company.

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

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

CORPORATE GOVERNANCE STATEMENT

Committees

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

- Audit Committee
- Risk Management Committee
- Remuneration and Nomination Committee.

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

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

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

Appointment of Directors

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

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

The Board's objective is to achieve the mix of skills and diversity that is best suited to maximising long term shareholder value given the circumstances at any particular time. The Board believes that the Remuneration and Nomination Committee is best placed to assess these requirements rather than using intermediaries.

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

Board Skills Matrix

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

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

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

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

The Company provides appropriate induction as and when required for new Directors as well as appropriate opportunities for professional development (which is undertaken individually by the Directors) of the skills and knowledge of Directors as assessed by the Remuneration and Nomination Committee.

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

3. Ethical Business Practices

ARB is committed to being a socially responsible corporate citizen, using honest and fair business practices.

The Company has a Code of Conduct which applies to everyone who works for ARB and its subsidiaries including employees, consultants and directors. The Code is disclosed at <http://www.arb.com.au/about/policy/>.

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

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

CORPORATE GOVERNANCE STATEMENT

Accordingly, the Board has not adopted a formal diversity policy or set measurable objectives based on diversity alone. The Board believes that this is consistent with its objective of generating long term shareholder value in an ethical manner.

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

- Board 14%
- Senior executives 11%
- Consolidated entity 15%

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

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

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

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

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

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

Directors' share trading

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

4. Safeguard Integrity

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

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

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

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

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

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

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

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

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

5. Timely Disclosure of Material Matters

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

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

CORPORATE GOVERNANCE STATEMENT

- the Company must notify the market, via the ASX continuous disclosure regime, of any price sensitive information
- the Directors, the Company Secretary and the Chief Financial Officer are designated as Disclosure Officers who are responsible for reviewing potential disclosures and deciding what information should be disclosed
- only a Disclosure Officer may authorise communication with external parties on behalf of the Company thereby safeguarding confidentiality of corporate information
- the onus is on all executives to inform a Disclosure Officer of all potential disclosures as soon as they become aware of the information. The senior management team is responsible for ensuring staff understand and comply with this policy
- ASX and media releases must be approved by a Director who is a Disclosure Officer.

6. Rights of Shareholders

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

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

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

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

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

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

7. Risk Management

The Board has established a Risk Management Committee to oversee the management of business risks and internal control. This committee is chaired by a non-executive Director and also includes the Chairman, the Managing Director and the Chief Financial Officer (rather than a committee as outlined in Recommendation 7.1(a) of the Guidelines).

The Risk Management Committee identifies, assesses, monitors and manages business risks and internal control procedures by considering such matters as part of the regular fortnightly meetings of the senior management team of the Company. A Risk Register is maintained and reviewed by the Board at each Board meeting.

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

The Board reviews the risk management framework of the Company annually and it undertook such an evaluation in the current reporting year.

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

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

- **Economic risk:** ARB is exposed to general risks posed by the Australian and international economies, which may cause general or local downturns in consumer confidence and demand and in the automotive industry in particular. Strategies employed to manage these risks include the use of multiple facilities for manufacturing, distribution and sales.
- **Foreign exchange risk:** ARB is exposed to foreign exchange rate influences in its dealings with a number of countries. This risk is managed through hedging arrangements as required and by operating in different currency environments.
- **Business continuity risk:** ARB faces business continuity risks which may include: a natural disaster affecting one or more sites; major outage of services (eg electricity); a raw material shortage; prolonged failure of a supplier to supply a critical component. This risk is managed through businesses spread across multiple sites to mitigate site specific risks; site specific Emergency Response Plans and appropriate policies of insurance.
- **Tax Risk:** The Company has effective policies and processes in place to manage tax risk including direct, indirect and excise taxes.

CORPORATE GOVERNANCE STATEMENT

- **Key personnel:** Finding and retaining the right employees is important to ARB's ongoing success. ARB has appropriate succession planning strategies and career development plans in place to manage this risk.
- **Regulatory:** Regulatory burdens and changes to regulatory requirements may adversely impact ARB's competitiveness. ARB addresses this risk through its globally diversified facilities and being at the forefront of relevant industry technology to meet changing regulatory requirements more effectively.
- **Environmental / Sustainability:** ARB is not significantly impacted by, but complies with, all environmental regulations or laws as reported in its Environmental, Social and Governance Report.

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

8. Fair and Responsible Remuneration

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a significant Australian company, ARB is conscious of its role to manage the environmental and social impacts of its everyday activities appropriately. ARB understands that not only are sustainability goals important for their own sake, but they are also a driving force behind long-term performance, value creation for shareholders and risk mitigation. ARB remains committed to creating a business that fosters environmental sustainability, social responsibility and employee engagement in a way that delivers positive outcomes for ARB's stakeholders and the wider community in which we operate. As a result, these matters are comprehensively monitored as a part of the Board's regular activities.

Some of ARB's recent activities demonstrating its engagement with its environmental and social responsibilities are highlighted below.

Environment

Policy and systems:

ARB strives to continually improve its environmental performance by adhering to principles of efficient production, actively working to minimise pollution and managing waste streams. Through its various corporate policies and processes, ARB promotes active management of environmental responsibilities among its employees.

ARB ensures the environment is considered in corporate strategies and procurement choices, with environmental management systems developed and implemented to achieve these objectives. ARB's manufacturing site in Kilsyth, Australia has achieved and maintained ISO 14001 certification since 2012, an international standard that specifies requirements for an effective environmental management system.

Energy efficiency:

ARB actively seeks sustainable solutions in its varied operations, and embraces technologic advances that can help meet this goal. ARB is continually reviewing its manufacturing process and has recently invested in a number of advanced laser cutting and bending machines that will result in an increased manufacturing capacity at a lower electricity usage and result in less wastage of raw materials.

ARB has also commenced a program of refurbishing its corporate retail stores in accordance with a new company standard to raise energy efficiency and improve the customer and employee experience in-store. In these refurbishments, preference is given to using energy efficient materials and reusing existing fittings and fixtures where possible. LED lighting, insulation and recycled products are all used where possible in the roll-out of the ARB store refurbishment program.

Waste & Recycling:

Across its many sites, ARB has implemented and maintained significant recycling programs of scrap materials including cardboard and metals. ARB's corporate office is in the process of transitioning from traditional paper-based systems to electronic, online and cloud-based technology in an effort to minimise reliance and usage of paper.

Social

Staff:

Human capital is ARB's most important asset and remains a continued area of focus for management at all levels. ARB is continuing to refine its human resource function to ensure the right people are in the right place at the right time. ARB has a comprehensive program for measuring and monitoring workplace health and safety, and has a dedicated team responsible for the reduction and elimination of workplace risks so far as possible.

ARB has reviewed key policies on anti-discrimination and harassment to ensure staff are trained in the Board's expectations of workplace behaviour. Training and development of staff at all levels remains a key focus of the business. Key indicators of employee satisfaction are measured and reviewed.

Community:

ARB makes regular donations to charities and not for profit organisations, both in Australia and in overseas markets in which we operate. In the last year ARB has supported numerous organisations domestically, including Run for Kids, Drive 4 Life, Variety, Rotary Australia and The Movember Foundation. In September 2018 ARB also supported the Buy a Bale campaign, with ARB employees leading an expedition delivering bales of hay to farmers in rural communities suffering the consequences drought, flood or fire.

In Thailand, ARB regularly contributes to the local community and in the last year has donated much needed items to local schools, including the installation of solar cells for electricity, raised money for orphans with parents affected by HIV and provided relevant industry experience opportunities to local universities through trainee programs.

Customers:

ARB is active in engaging with communities in which it operates. Through annual sponsorships of automotive events such as the Australian Off-Road Racing Championship and supporting individual competitors in King of the Hammers in California, ARB directly meets and engages with its customers and future customers, and is at the forefront of industry developments. In the course of the past year, ARB has also conducted *experience days* in a number of Australian States and the USA to give customers the chance to participate in demonstrations of ARB products on a tailored off-road course.

ARB's in-house magazine, *4x4 Culture*, is a free publication produced quarterly, and includes articles and tips to adventurers on how to enjoy some of the more remote and beautiful parts of the world in their 4x4 vehicle, while ensuring their impact on the local environment is minimised.

Suppliers: ARB recognises the importance of its suppliers in delivering quality products to its customers efficiently. ARB has built close relationships with key suppliers over many years and works hard to maintain those relationships through informal ongoing discussions and formal performance reviews. In this way, ARB monitors the sustainability endeavours and supply chain integrity of its suppliers. ARB reports to many Original Equipment Manufacturer customers to demonstrate that it meets ethical sourcing requirements in its supply chain.



THE YEAR AHEAD

ARB continues to pursue growth as the industry leader in design, innovation and engineering of 4WD accessories. ARB is expecting another successful year in 2019/2020 through new product releases, the ongoing roll-out of ARB Flagship stores across Australia and continued development of the 4WD markets both domestically and internationally.



4X4 ACCESSORIES