ARB 4X4 ACCESSORIES

ARB CORPORATION LTD

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ASX ANNOUNCEMENT

18 August 2020

APPENDIX 4E, ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

ARB Corporation Limited herewith lodges the Appendix 4E, Annual Report and Financial Statements for the financial year ended 30 June 2020.

This announcement has been authorised by the Board.

Yours sincerely,

Damon Page
Company Secretary

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2020

1. The reporting period is the year ended 30 June 2020.
The previous corresponding period is the year ended 30 June 2019.

2. Results for announcement to the market

	Year ended	Jun 2020 $'000	Jun 2019 $'000	% Change
	Sales Revenue	465,379	443,891	Up 4.8%
2.1	Revenues from ordinary activities	466,988	446,572	Up 4.6%
	Profit from ordinary activities before tax attributable to members	78,092	77,692	Up 0.5%
2.2	Profit from ordinary activities after tax attributable to members	57,295	57,137	Up 0.3%
2.3	Net profit for the period attributable to members	57,295	57,137	Up 0.3%

2.4	Dividends in respect of current financial year	Jun 2020	Record date	Payment date	Jun 2019	% Change
	Interim Dividend per Ordinary Share (fully franked)	18.5 cents	9 Oct 2020	23 Oct 2020	18.5 cents	0.0%
	Final Dividend per Ordinary Share (fully franked)	21.0 cents	9 Oct 2020	23 Oct 2020	21.0 cents	0.0%

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

2.6 Refer to the Chairman's Statement in the attached Annual Report for a review of the Group's operations.
No further explanation is required to enable the figures disclosed in sections 2.1 to 2.4 to be understood.

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

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

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

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

7.	Dividends paid during current financial year	Amount per Security	Franked Amount per Security	Total $'000	Record date	Payment date
	Final dividend - year ended 30 June 2019	21.0 cents	21.0 cents	16,569	4 Oct 2019	18 Oct 2019

8. The Dividend Reinvestment Plan and Bonus Share Plan will operate for the interim and final dividends.
The last date for the receipt of an election notice for participation in the plans is 14 October 2020.

9.	Net tangible assets per security	Jun 2020	Jun 2019	% Change
	Net tangible assets per security	$3.71	$3.66	Up 1.4%

The calculation of net tangible assets per security incorporates lease liabilities but not the associated intangible lease right-of-use asset. To ensure comparability, net tangible assets per security disclosed for June 2019 of $3.66 above has been calculated on the basis that AASB 16 Leases had already been adopted. The actual net tangible assets per security disclosed last year, prior to adopting AASB 16 Leases, was $3.98.

APPENDIX 4E (continued)

FOR THE YEAR ENDED 30 JUNE 2020

10. ARB New Zealand Limited was incorporated during the financial year and is 100% owned by ARB Corporation Limited. There were no other changes to controlled entities during the year ended 30 June 2020.

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

12. All significant information needed by an investor to make an informed assessment of the Group's financial performance and financial position is disclosed in this Appendix 4E and the attached Annual Report.

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

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

15. The financial report has been independently audited.

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 2020

ARB Corporation Limited
ABN: 31 006 708 756

4X4 ACCESSORIES

THE YEAR IN REVIEW

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1. ZERO Fridge Freezer Range
ARB introduced the ZERO dual-zone fridge freezer range in early 2020. Innovation was at the forefront of the planning process and these fridges are as revolutionary as they are unique.

2. Toby Price Partnership
ARB partnered with two-time Dakar Rally winner and motorcycle champion Toby Price in a variety of retail and social media campaigns to leverage his large and loyal following, with particular success in promoting the Air Locker and Old Man Emu brands.

3. ARB Sportlid
ARB released a range of new Sportlids to suit a variety of popular vehicles on the market, offering storage solutions without compromising on security, as well as improved handling and fuel economy.

4. ARB Acquires PRO-FORM Plastics
PRO-FORM Plastics manufactures large ABS plastic parts and is based in Hamilton, New Zealand. The acquisition secures current and future manufacturing requirements and provides product and distribution benefits to the broader ARB Group.

5. ARB Acquires Beaut Utes
Beaut Utes also joined the ARB Group of companies. With offices in Auckland, Hamilton and Christchurch, the business is primarily focused on supplying pick-up bed covers such as canopies and hardtops to original equipment manufacturers and vehicle dealerships.

6. 2020 Catalogue
ARB's multi-award-winning catalogue was updated with a brand new look, offering a modern and contemporary feel.

7. Sandy 60
ARB's marketing team joined forces with Offroad Images to launch a series of social videos revolving around the build and restoration of the Sandy 60 and how ARB continues to offer a range of quality 4x4 accessories for a variety of older vehicles. This project turned out to be a huge success and received a large amount of positive feedback and engagement.

8. SmartBar Supports Aid & Relief
ARB subsidiary SmartBar commenced supply of its pedestrian-friendly bull bar to United Nations agency vehicles for global deployment.

9. ARB Strengthens its Brand in Latin America
An unwavering commitment to support distributors and customers alike resulted in ARB's strong presence at numerous 4WD gatherings, community events and automotive shows in the South American region.

TABLE OF CONTENTS

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
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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)
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STOCK EXCHANGE
Australian Securities Exchange
Level 4, North Tower
Rialto, 525 Collins Street
Melbourne Victoria 3000

CHAIRMAN'S STATEMENT

RESULTS

The Directors of ARB Corporation Limited ("**ARB**" or the "**Company**") are pleased to report that the Company achieved a net profit after tax of $57.3 million for the year ended 30 June 2020, up 0.3% on the reported net profit after tax of $57.1 million in the previous year.

Sales for the year were $465.4 million, an increase of 4.8% over the previous corresponding year.

Profit before tax of $78.1 million for the year ended 30 June 2020 represents a marginal increase of 0.5% compared with the year to 30 June 2019.

The current year results incorporate the impact of COVID-19 and include the receipt of government wage subsidies in Australia (JobKeeper) and New Zealand (Wage Subsidy Scheme) of $9.5 million in total.

The full year results are summarised below:

Year ended	**30 Jun 20** $'000	**30 Jun 19** $'000	**Change**
Sales	**465,379**	**443,891**	**4.8%**
Other Revenue	1,609	2,681	
Total Revenue	**466,988**	**446,572**	**4.6%**
Profit before Tax	**78,092**	**77,692**	**0.5%**
Tax	(20,797)	(20,555)	
Profit after Tax	**57,295**	**57,137**	**0.3%**
EPS - cents	**71.8**	**71.9**	
DPS - cents			
Interim	18.5	18.5	
Final	21.0	21.0	
Total	**39.5**	**39.5**	**-**
Franking	100%	100%	

The Company intends to pay a final fully franked dividend of 21.0 cents per share. This brings total dividends for the year to 39.5 cents per share fully franked, consistent with last year.

The interim dividend of 18.5 cents per share was declared on 18 February 2020 and was scheduled to be paid on 17 April 2020. However, payment was subsequently deferred until 23 October 2020 as announced to Australian Securities Exchange on 30 March 2020 in response to the impact of COVID-19. The Board has determined to pay both the deferred interim dividend and the final dividend concurrently on 23 October 2020 with a Record Date of 9 October 2020. The ARB Dividend Reinvestment Plan and Bonus Share Plan will be in operation for both dividends.

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 (continued)

COVID-19

COVID-19 is having a tragic impact on human lives and livelihoods and restrictive measures taken to prevent its spread continue to impact significantly on economies and businesses around the world. It is not feasible to quantify the impact of COVID-19 and associated government enforced preventative measures on the results of ARB as the effects, both positive and negative, and measures undertaken to manage the impact of COVID-19 are interrelated and cannot be measured in isolation.

ARB remains very focused on the health and safety of its staff and customers and has implemented a wide range of measures to prevent the spread of COVID-19 including social distancing, limited on-site access to non-employees, promotion of good hygiene practices, temperature checking on arrival, working-from-home where possible and compulsory testing and isolation where symptoms are present.

Government enforced shut downs were implemented in late March and throughout April 2020 in ARB's key markets including Australia, the USA, New Zealand, the United Arab Emirates, Thailand and throughout Europe. Shut downs varied from stage 3 restrictions across Australia to complete shut downs in key states of the USA and in New Zealand. The impact of such extensive shut downs resulted in a rapid decline in customer orders from around the world through the second half of March 2020 and ultimately a collapse in customer orders in April as customers stopped ordering and de-stocked due to the escalating uncertainty and impact of COVID-19.

ARB's sales grew relatively consistently at 7.6% throughout the financial year to March 2020. Due to the decline in customer orders in March and April 2020, ARB's sales were significantly down in April and May 2020 and the Company qualified for the JobKeeper subsidy from April 2020. Customer orders rebounded strongly in May 2020 resulting in consecutive record sales months in June and July 2020.

The shut downs and uncertainty around the timing of a recovery created significant risks in managing the business. Accordingly, ARB undertook a number of measures to protect the Company's financial position including:

- Manufacturing was scaled back to approximately 40% capacity in Australia and Thailand;
- Staff were placed on stand down across all areas of the business to approximately 50% capacity;
- Purchase orders previously placed on third party suppliers were deferred or cancelled;
- Discretionary operating and capital expenditure were tightly managed;
- The senior management team and Directors reduced their remuneration by 30% to 50%;
- The interim dividend was deferred for six months to preserve cash; and
- The Company secured additional borrowing facilities.

The JobKeeper subsidy provided certainty and facilitated the reinstatement of employees and the continuation of important Company projects. This included engineering research and development activities and operational improvement projects that without JobKeeper would not have progressed.

The rapid return of customer orders in May 2020 following the removal of shut downs was unexpected and reversed the declines in orders that occurred in March and April 2020. Unfortunately, ARB has been unable to fill many customer orders received due to the deliberate de-stocking that occurred as a result of scaling back manufacturing and deferring third party purchases in anticipation of a prolonged downturn. It has been challenging for ARB to reinstate its manufacturing operations in Australia and Thailand. ARB's current order book is now at record levels, however fulfilment of customer orders remains challenging.

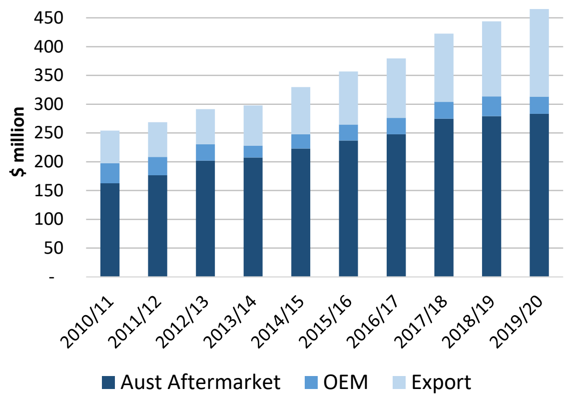
Significant uncertainty remains around future trading conditions with continued speculation of further shut downs across ARB's global distribution network, cautious consumer sentiment and the potential disruption to ARB's manufacturing and distribution warehouse located in Melbourne, currently Australia's COVID-19 hotspot.

It is anticipated that domestic travel will increase in Australia, the USA and in other key markets as international travel restrictions remain in place indefinitely. ARB is well placed to service domestic travellers and facilitate their overlanding requirements.

CHAIRMAN'S STATEMENT (continued)

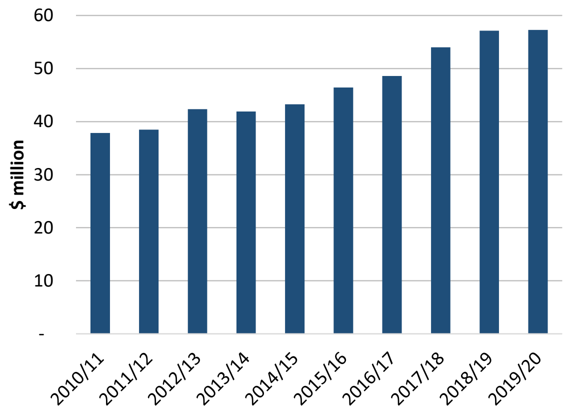
10 YEAR HISTORICAL PERFORMANCE

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



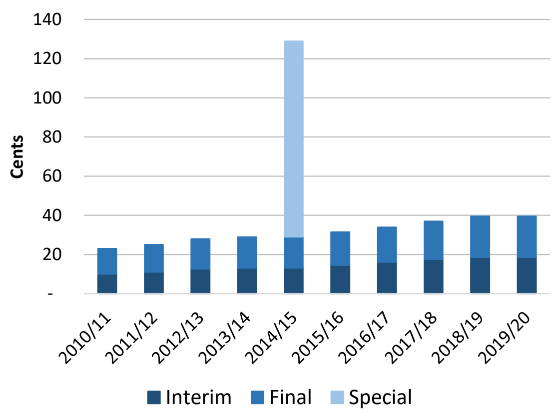
SALES REVENUE

Annual sales revenue has grown at an average compound rate of 7.4% over the past 10 years.



NET PROFIT AFTER TAX

Net profit after tax has grown at an average compound rate of 5.8% over the past 10 years.



DIVIDENDS PER SHARE

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

All dividends have been fully franked.

CHAIRMAN'S STATEMENT (continued)

HIGHLIGHTS OF THE 2019/20 YEAR

Sales and Distribution

Sales revenue increased by 4.8% in 2019/20 over the previous year. Strong sales growth was achieved in export markets whilst the Australian Aftermarket achieved modest growth and sales to Original Equipment Manufacturers declined as can be seen in the following table.

Customer Category	Percentage of Sales		Sales Growth
	12 months to Jun 2020	12 months to Jun 2019	
Australian Aftermarket	60.9%	62.9%	1.4%
Exports	32.7%	29.4%	16.9%
Original Equipment	6.4%	7.7%	(12.9%)
	100.0%	100.0%	4.8%

Sales growth of 7.3% in the first half of the financial year over the previous corresponding half contrasted with sales growth of only 2.5% in the second half of the financial year.

ARB's sales to the Australian aftermarket grew by a modest 1.4% in challenging circumstances where new vehicle sales in Australia have now declined over the last 28 consecutive months and ARB's target vehicles, four-wheel drive utilities and SUVs, have declined over the year by approximately 7%. Sales to the Australian aftermarket now represent 60.9% of ARB's sales, down from 62.9% last year.

ARB's distribution network to the Australian aftermarket is a vital strength of the Company and includes sales through the ARB store network, to ARB stockists, to new vehicle dealers and to various fleet operators. ARB also distributes to the Australian aftermarket segment through its GoActive Outdoors, Kingsley Enterprises and SmartBar divisions.

ARB continues to invest in its branded retail stores with eight stores fitted out in the new flagship format over the past year. Branded ARB stores are an integral part of the Company's distribution network in Australia. One new store was established since this time last year in Windsor, New South Wales. This brings the total number of ARB stores to 67, of which 27 are Company owned. The Company expects an additional three ARB stores to open in the coming year.

Export sales grew by 16.9% and now represent 32.7% of ARB's sales. Export sales are a key focus for ARB and have increased as a proportion of total sales from 24.9% five years ago. Export sales were bolstered by the acquisition of two New Zealand companies and sales growth was achieved from the Company's distribution centres in Australia, the USA and in the United Arab Emirates. Sales declined very marginally in the Czech Republic and Thailand.

Accessory sales to Original Equipment Manufacturers declined by 12.9% for the year, cycling off strong growth of 17.1% in the prior year and impacted by the decline in new vehicle sales in Australia. Several new contracts with Original Equipment customers will commence in the next six months.

New Zealand Acquisitions

ARB strategically acquired two businesses in New Zealand during the year. The Board is pleased with the successful integration of these businesses, the contributions they have made to the Company's operations and the opportunities they present.

Beaut Utes is a wholesaler and retailer of canopies, bedliners, ute lids and other products for the rear of utility tubs. The Beaut Utes business now incorporates the distribution of the entire ARB product range in New Zealand.

Proform Plastics specialises in plastic sheet manufacturing and undertakes a wide range of activities including new product development, manufacturing and sales and distribution of plastics products to wholesale and OEM customers. The acquisition of the Proform Plastics business shores up ARB's supply of canopy shells and provides opportunity to develop and sell other proprietary large plastics products, including bedliners and the newly released Sportlid for utilities, into the Australian and international markets.

CHAIRMAN'S STATEMENT (continued)

Products and Production

ARB regards product development as a key element in maintaining the Company's long-term competitive advantage. The Company spent $12.0 million on research and development during 2019/20 and work is continuing on a number of exciting long-term development projects that will provide growth opportunities for the Company in the future.

During the year a limited number of key new vehicles were released, giving the engineering team the opportunity to advance a number of all new products. Two examples of this include the Base Rack which incorporates a uniquely flexible aluminium roof rack mounting system and the Intensity Solis LED lights with flood and spot variants connected to a dimming controller. These new products were both released in July 2020 and have been well received. Further innovative all new products will come to market this financial year. The acquisition of Proform Plastics introduced new engineering and innovation to the engineering team as well as the release of the Sportlid V to global markets.

As a part of ongoing business, the engineering team continues to develop new applications for existing products such as BP-51 shock absorbers, Air Locker, and the expanding capability of LINX. These new applications are released to production on a weekly basis. The low number of new vehicle releases in the year allowed ARB engineering to experiment with niche vehicles such as the Dodge RAM.

The Company's website at www.arb.com.au provides further information on ARB's new product releases.

ARB opened its new 20,000 square metre free-trade zoned global warehouse in Thailand during the first half of the financial year. The new warehouse has increased the efficiency of the global distribution network by distributing from a more central location at lower cost.

Financial

Cash flows from operations increased by 82.6% to $91.2 million driven by COVID-19 related working capital changes, including a decline in inventories this year compared with an increase in the prior year.

ARB continues to assess opportunities to invest in new machinery to drive manufacturing quality and efficiencies.

ARB's cash balance at the end of the year was $41.6 million, an increase of $33.1 million, with access to unutilised borrowing facilities of $55.6 million. The Company is well placed to take advantage of investment opportunities which may arise.

THE FUTURE

The Company's growth in 2019/20 was hampered by difficult local and global market conditions including the impact of COVID-19, the weaker Australian dollar and further declines in new vehicle sales.

The current economic conditions remain very uncertain. The ongoing impact of COVID-19, including government measures to slow the spread of the virus, is dynamic and unpredictable and it is not possible to provide financial or operational guidance in the short term with any level of confidence. The recent stage 4 lockdowns in the Melbourne metropolitan area will slow production, warehousing activity and retail in that area. 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 improved distribution.

The recent strengthening of the Australian dollar, particularly against the Thai Baht, has more recently reduced the cost of the Company's Thai manufactured product and improved sales margins.

ARB's current customer order book is strong and the Company recently achieved its highest ever monthly sales in July 2020. The Board believes ARB is well positioned to achieve long term success with strong brands around the world, loyal customers, capable senior management and staff, a strong balance sheet and growth strategies in place.

A first quarter trading update will be provided to shareholders at the AGM on 15 October 2020.

Roger Brown
Chairman
18 August 2020

DIRECTORS' REPORT

The Directors present their report together with the financial report of the consolidated entity of ARB Corporation Limited, being the Company and its controlled entities ("the Group"), for the financial year ended 30 June 2020 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal Activities

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

Results

The consolidated profit attributable to members of the parent entity after income tax expense for the year was $57,295,000 (2019: $57,137,000).

Review of Operations

A review of the Group's operations, including the impact of COVID-19, is included in the Chairman's Statement on pages 3 to 7.

Significant Changes in the State of Affairs

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

Subsequent Events

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

Likely Developments

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

Environmental Regulation

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

Dividends Paid, Recommended and Declared

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

In respect of the prior financial year:	**$'000**
- A final fully franked ordinary dividend of 21.0 cents per share was paid on 18 October 2019	**16,569**
In respect of the current financial year:	
- The interim dividend proposed by the Directors of the Company to be paid on 23 October 2020 is a fully franked dividend of 18.5 cents per share (i)	14,769
- The final dividend proposed by the Directors of the Company to be paid on 23 October 2020 is a fully franked dividend of 21.0 cents per share (ii)	16,764
Total dividends in respect of the year ended 30 June 2020	**31,533**

(i) The interim dividend was declared prior to 30 June 2020 and is therefore recognised as a liability at 30 June 2020. The interim dividend was scheduled to be paid on 17 April 2020 but payment was subsequently deferred until 23 October 2020 as announced to Australian Securities Exchange on 30 March 2020 in response to the impact of COVID-19.

(ii) The final dividend was declared subsequent to 30 June 2020 and has not been recognised as a liability at 30 June 2020.

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. 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 Omni Bridgeway Ltd (formerly IMF Bentham Ltd) and Magellan Financial Group Limited. Member of the Takeovers Panel. Non-executive Director of ARB Corporation Limited since 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 Group were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

DIRECTORS' REPORT (continued)

Indemnification and Insurance of Directors, Officers and Auditors

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

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

Directors' Meetings

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

	Board	Audit Committee	Remuneration & Nomination Committee	Risk Management Committee
	Meetings attended / Meetings held whilst a member			
Mr. Roger G Brown	14 / 14	*	*	18 / 21
Mr. Andrew H Brown	13 / 14	*	*	18 / 21
Mr. Adrian R Fitzpatrick	14 / 14	4 / 4	1 / 1	*
Mr. John R Forsyth	14 / 14	*	*	20 / 21
Mr. Robert D Fraser	14 / 14	4 / 4	1 / 1	*
Ms. Karen L Phin (appointed 26 June 2019)	14 / 14	4 / 4	1 / 1	*
Mr. Andrew P Stott	14 / 14	4 / 4	1 / 1	*

* Not a member of the Committee

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

In addition to scheduled meetings, the Board held discussions on a regular basis to consider relevant issues arising from COVID-19. It also has informal meetings, discusses strategic, operational and risk matters with senior management and undertakes site visits.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is included at page 50 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 Group, Pitcher Partners, are detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	2020 $	2019 $
Amounts paid or payable to auditors for non-audit services provided during the year by the auditors to any entity that is part of the Group for:		
Taxation services	**42,932**	**102,070**

Proceedings on Behalf of the Group

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

DIRECTORS' REPORT (continued)

Remuneration Report - Audited

The directors present the Group’s 2020 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 Group, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Being a working Board, strategic direction and decision making is exercised by the Directors. Accordingly, the Managing Director and the other Directors are considered to be the Group's 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 Group attracts and retains talented and motivated Key Management Personnel who can enhance the Group's 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 (2019: $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 Group for the financial year are:

	Short Term			Long Term	Post Employment	
	Salary & Fees $	**Non-cash Benefits $**	**Annual Leave $**	**Long Service Leave $**	**Super-annuation $**	**Total $**
2020						
Roger G Brown (Chairman)	145,044	-	-	-	13,779	**158,823**
Andrew H Brown (Managing Director)	310,870	28,701	18,243	11,769	25,000	**394,583**
Adrian R Fitzpatrick	55,885	-	-	-	5,309	**61,194**
John R Forsyth	145,044	-	-	-	13,779	**158,823**
Robert D Fraser	85,739	-	-	-	4,194	**89,933**
Karen L Phin	55,885	-	-	-	5,309	**61,194**
Andrew P Stott	55,885	-	-	-	5,309	**61,194**
Total	**854,352**	**28,701**	**18,243**	**11,769**	**72,679**	**985,744**
2019						
Roger G Brown (Chairman)	205,176	-	-	-	19,492	**224,668**
Andrew H Brown (Managing Director)	354,082	28,934	15,801	17,526	24,831	**441,174**
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**	**15,801**	**17,526**	**83,207**	**1,114,027**

During the current financial year, effective from 1 April 2020, Roger Brown, Andrew Brown and John Forsyth chose to take a 50% reduction to their total remuneration, excluding Andrew Brown's motor vehicle benefit. Each of the other directors took a 30% reduction to their total remuneration. This cost reduction measure, in response to COVID-19, was in place from 1 April 2020 through to 30 June 2020.

DIRECTORS' REPORT (continued)

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

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

	2020	2019	2018	2017	2016
Revenue ($'000)	466,988	446,572	425,144	381,206	361,224
Increase in revenue (%)	4.6%	5.0%	11.5%	5.5%	8.4%
Profit before tax ($'000)	78,092	77,692	74,372	67,501	64,379
Increase/(decrease) in profit before tax (%)	0.5%	4.5%	10.2%	4.8%	7.3%
Profit after tax ($'000)	57,295	57,137	50,969	49,152	47,439
Increase/(decrease) in profit after tax (%)	0.3%	12.1%	3.7%	3.6%	7.6%
Basic earnings per share (cents)	71.8	71.9	64.3	62.1	59.9
Dividends per share fully franked (cents)	39.5	39.5	37.0	34.0	31.5
Earnings before interest and tax ($'000)	79,766	77,908	74,641	67,458	64,516
Gearing ratio (%)	n/a	n/a	1.3%	n/a	n/a
End of year share price ($)	17.95	18.20	22.83	15.71	16.74
Total remuneration of Key Management Personnel	985,744	1,114,027	1,055,250	1,047,167	1,070,633

Key Management Personnel Shareholdings

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

2020		Beginning of Year	Acquired	Sold	End of Year
Roger G Brown (Chairman)	(a)	5,927,037	2,293	(8,500)	**5,920,830**
Andrew H Brown (Managing Director)	(a)	5,933,457	106	-	**5,933,563**
Adrian R Fitzpatrick		2,500	-	-	**2,500**
John R Forsyth		1,622,049	244	-	**1,622,293**
Robert D Fraser		28,231	325	-	**28,556**
Karen L Phin		-	4,700	-	**4,700**
Andrew P Stott		3,000	-	-	**3,000**

(a) Common to each of R.G. Brown and A.H. Brown are 5,879,272 (2019: 5,879,272) shares held indirectly.

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

Corporate Governance Statement

The Company's Corporate Governance Statement is included at page 52 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, 18 August, 2020

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Sales revenue		465,379	443,891
Other income		1,609	2,681
Total revenue and other income	3	**466,988**	**446,572**
Materials and consumables used		(216,127)	(197,051)
Employee expenses		(115,210)	(109,562)
Government wage subsidies		9,478	-
Depreciation and amortisation expense	4	(21,733)	(13,879)
Advertising expense		(6,950)	(7,729)
Distribution expense		(10,554)	(10,402)
Finance expense		(1,723)	(284)
Occupancy expense		(11,679)	(15,696)
Maintenance expense		(4,034)	(4,499)
Other expenses		(10,364)	(9,778)
Profit before income tax expense		**78,092**	**77,692**
Income tax expense	5	(20,797)	(20,555)
Profit attributable to members of the parent entity		**57,295**	**57,137**
Basic and Diluted earnings per share (cents)	25	**71.8**	**71.9**

The accompanying notes form part of these financial statements.

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

The Group has initially applied AASB 16 Leases using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1 (s)).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Profit attributable to members of the parent entity		**57,295**	**57,137**
Other comprehensive income			
Items that may be reclassified subsequently to Profit/(Loss)			
Movement in fair value of cash flow hedges	19	9	(9)
Exchange differences on translation of foreign operations	19	448	9,985
Other comprehensive income for the year		**457**	**9,976**
Total comprehensive income for the year attributable to members of the parent entity		**57,752**	**67,113**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	23	41,569	8,464
Receivables	7	60,102	59,445
Inventories	8	119,170	125,340
Other assets	9	3,683	3,133
Total current assets		**224,524**	**196,382**
Non-current assets			
Property, plant and equipment	10	180,399	169,420
Deferred tax assets	5	5,897	3,722
Intangible assets	11	35,524	29,575
Right-of-use assets	12	40,175	-
Total non-current assets		**261,995**	**202,717**
Total assets		**486,519**	**399,099**
Current liabilities			
Payables	13	35,709	35,883
Derivative financial instruments	14	5	14
Current tax liabilities	5	2,948	1,239
Lease liabilities	16	4,716	-
Provisions	17	29,904	14,066
Total current liabilities		**73,282**	**51,202**
Non-current liabilities			
Lease liabilities	16	39,814	-
Provisions	17	1,162	1,303
Total non-current liabilities		**40,976**	**1,303**
Total liabilities		**114,258**	**52,505**
NET ASSETS		**372,261**	**346,594**
EQUITY			
Contributed equity	18	116,916	115,181
Reserves	19	23,264	22,807
Retained earnings	20	232,081	208,606
TOTAL EQUITY		**372,261**	**346,594**

The accompanying notes form part of these financial statements.

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

The Group has initially applied AASB 16 Leases using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1 (s)).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
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**
Balance as at 1 July 2019	115,181	22,807	208,606	**346,594**
Adjustment on change of accounting policy, net of tax (note 1 (s))	-	-	(2,482)	**(2,482)**
Restated opening balance	**115,181**	**22,807**	**206,124**	**344,112**
Profit for the year	-	-	57,295	**57,295**
Movement in fair value of cash flow hedges, net of tax	-	9	-	**9**
Exchange differences on translation of foreign operations, net of tax	-	448	-	**448**
Total comprehensive income for the year	**-**	**457**	**57,295**	**57,752**
Transactions with owners in their capacity as owners:				
Contributions	1,534	-	-	**1,534**
Share issue	201	-	-	**201**
Dividends paid	-	-	(31,338)	**(31,338)**
Total transactions with owners in their capacity as owners	**1,735**	**-**	**(31,338)**	**(29,603)**
Balance as at 30 June 2020	**116,916**	**23,264**	**232,081**	**372,261**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Cash Flows From Operating Activities			
Receipts from customers		497,648	475,079
Payments to suppliers and employees		(384,555)	(401,940)
Interest received		49	68
Finance costs		(1,723)	(284)
Income tax paid		(20,182)	(22,950)
Net cash provided by Operating activities	23	**91,237**	**49,973**
Cash Flows From Investing Activities			
Payments for property, plant and equipment	10	(17,757)	(23,570)
Payments for development costs	11	(3,299)	(3,402)
Payments for intangible software assets	11	(734)	(655)
Proceeds from sales of property, plant & equipment		642	4,082
Payments for business acquisition		(17,478)	-
Net cash used in Investing activities		**(38,626)**	**(23,545)**
Cash Flows From Financing Activities			
Dividends paid		(15,035)	(23,783)
Payments for lease liabilities	1 (s)	(4,572)	-
Repayment of borrowings		-	(4,000)
Net cash used in Financing activities		**(19,607)**	**(27,783)**
Foreign exchange differences		**101**	632
Net increase/(decrease) in cash held		**33,105**	**(723)**
Cash at the beginning of the financial year		**8,464**	9,187
Cash at the end of the financial year	23	**41,569**	**8,464**

The accompanying notes form part of these financial statements.

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

The Group has initially applied AASB 16 Leases using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1 (s)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial report

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

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

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

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

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

(b) Going concern

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

(c) Principles of consolidation

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

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

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

(d) Revenue recognition

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

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

(e) Cash and cash equivalents

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

(f) Inventories

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

- Raw materials and consumables: purchase 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

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

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

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

The useful lives for each class of assets are:	2020	2019
- Buildings:	40 years	40 years
- Plant and equipment:	3 to 10 years	3 to 10 years

(h) Leases

Prior to the adoption of AASB 16 Leases (see note 1(s)), 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. This lease policy applies to the year ended 30 June 2019. Refer to note 1(s) which outlines the policy for the current year.

(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 expensed when incurred.

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

Distribution rights
Distribution rights are recorded at cost.

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

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 Impairment of Assets. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

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

(m) Employee benefits

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

(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 Group applies the simplified approach under AASB 9 Financial Instruments to measuring the allowance for credit losses for receivables from contracts with customers on the basis of the lifetime expected credit losses of the financial asset that are expected to result from default events. Expected credit losses are based on a review of debtor balances and identification of specific debtors, based on historical credit loss experience, and adjusted for factors that are specific to the financial asset, as well as current and future expected economic 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.

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 Group are translated into their functional currency at the rate of exchange ruling at the date of the transaction.

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

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

Entities that have a functional currency different to the presentation currency are translated as follows:
- Assets and liabilities are translated at the closing rate prevailing on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate;
- All resulting exchange differences are recognised as Other Comprehensive Income.

(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 Group. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined. The recoverable amount of a CGU is based on value in use calculations.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) New and revised accounting standards effective at 30 June 2020

The Group adopted AASB 16 Leases (AASB 16) at the commencement of the financial year. AASB 16 replaced AASB 117 Leases (AASB 117) and introduced an on balance sheet accounting model for leases. AASB 16 requires a lessee to recognise right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments for all leases with a term greater than 12 months.

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

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

As a result of adopting AASB 16, the Group recognises depreciation expense of right-of-use assets and interest expense associated with lease liabilities in lieu of expensing lease payments made which were recognised as occupancy related rental expenses under AASB 117 in previous periods.

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

In accordance with the transition requirements of AASB 16, the Group has elected to use the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information has not been restated.

On transition to AASB 16 at 1 July 2019, the Group recognised:	*Disclosed in the December 2019 half year report * as:*
- Right-of-use assets of $25.0 million;	*$29.3 million*
- Lease liabilities of $28.6 million;	*$34.1 million*
- A deferred tax asset of $1.1 million; and	*$1.4 million*
- A reduction in retained earnings of $2.5 million.	*$3.4 million*

** Disclosures in the December 2019 half year report assumed the extension of a 10 year option on a property subsequently exited. Given it is the first year of reporting under AASB 16, the adjustment to opening retained earnings has been reduced by $0.9 million, net of taxes.*

During the financial year, in relation to the right-of-use assets and lease liabilities recognised at transition, the Group recognised:
- Amortisation expense of $5.3 million; and
- Finance expense of $1.6 million.

These expenses are in lieu of occupancy expenses (operating leases / rental expenses) of $6.1 million that would have previously been recognised under AASB 117.

The following is a reconciliation of operating lease commitments disclosed at 30 June 2019 to the aggregate carrying amount of lease liabilities recognised at the date of the initial application (i.e. at 1 July 2019):

	1 July 19 $'000
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	**14,689**
Lease payments previously included in lease commitments for leases with remaining terms of less than 12 months	**(327)**
Impact of discounting lease payments to their present value at 1 July 2019	**(1,089)**
Extension options reasonably certain to be exercised	**15,325**
Lease liabilities recognised at 1 July 2019	**28,598**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) COVID-19 related rent concessions in the current period

In addition, the Group has elected to early adopt AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions in the current reporting period, with effect from 1 July 2019 (the beginning of the current reporting period).

In accordance with AASB 2020-4, the Group has elected to apply the practical expedient not to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications, and to account for any changes in lease payments resulting from the rent concessions as if the changes were not lease modifications. Any gains arising from COVID-19 related rent concessions are recognised in profit or loss.

(u) New accounting standards and interpretations issued but not operative at 30 June 2020

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

(v) 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).

(w) Government wage subsidies

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

(x) COVID-19

Since the declaration by the World Health Organisation on 11 March 2020, of COVID-19 as a pandemic, there has been a significant impact on local and world economies. This pandemic may have an impact on the financial position, and may affect the financial performance of the Group in the future.

2. FINANCIAL RISK MANAGEMENT

The Group 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 Group against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

Forward exchange contracts as at 30 June were:

	2020 A$'000	2019 A$'000	2020 Forward Rate	2019 Forward Rate
Settlement - less than 6 months				
Sell AUD / Buy THB	1,408	-	21.3000	-
Sell EUR / Buy AUD	-	1,523	-	0.6159
Sell USD / Buy AUD	-	4,719	-	0.7012
Sell AUD / Buy SEK	-	1,542	-	6.4857

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

The Group purchases some equipment and products in Thai Baht (THB), United States Dollars (USD), New Zealand Dollars (NZD), Euro (EUR), Japanese Yen (JPY) 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 Thai Baht (THB) received over the Group's THB payments. Accordingly, the Group monitors the foreign currency exchange rates and may take out hedge contracts to stabilise the Group's purchase of THB.

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

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

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

Sensitivity

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

(b) Liquidity risk

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

Maturity analysis
Financial liabilities excluding lease liabilities are contractually due to be settled within the next six months.
As at 30 June 2020, property lease payments due within 1 year: $6.4m; within 1-5 years: $29.8m; and more than 5 years: $18.1m.
As at 30 June 2019, property leases were previously classified as operating leases under AASB 117 Leases, refer note 24.

2. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk

The Group monitors its cash flow on a daily basis. Borrowings as at 30 June 2020 were $nil (2019: $nil). Finance facilities available and used as at the reporting date are disclosed in Note 15.

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

	Note	Weighted Average Interest rate %	Floating Interest rate $'000	Fixed interest maturing in : 1 year or less $'000	More than 1 year $'000	Non Interest Bearing $'000	Total $'000
2020							
Financial assets							
Cash	23	0.25%	41,569	-	-	-	**41,569**
Receivables	7	-	-	-	-	60,102	**60,102**
Financial liabilities							
Payables	13	-	-	-	-	35,709	**35,709**
Derivative financial instruments	14	-	-	-	-	5	**5**
Lease liabilities	16	4.20%	-	4,716	39,814	-	**44,530**
2019							
Financial assets							
Cash	23	1.25%	8,464	-	-	-	**8,464**
Receivables	7	-	-	-	-	59,445	**59,445**
Financial liabilities							
Payables	13	-	-	-	-	35,883	**35,883**
Derivative financial instruments	14	-	-	-	-	14	**14**

(d) Credit risk

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

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

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

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

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

(e) Fair values

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

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

3. REVENUES FROM CONTINUING OPERATIONS

	2020 $'000	2019 $'000
Revenue from sale of goods	**465,379**	**443,891**
Other income:		
Interest	49	68
Net gain on disposal of property, plant and equipment	12	761
Other	1,548	1,852
Total other income	**1,609**	**2,681**
Total income from continuing operations	**466,988**	**446,572**

4. PROFIT FROM CONTINUING OPERATIONS

		2020 $'000	2019 $'000
Cost of goods sold		**272,903**	**254,004**
Depreciation of non-current assets:			
Buildings		2,831	2,247
Plant and equipment		9,741	8,135
		12,572	**10,382**
Amortisation of non-current assets:			
Development costs capitalised		2,641	2,125
Intangible software assets		1,184	1,372
Right-of-use assets	1 (s), 12	5,336	-
		9,161	**3,497**
Total depreciation and amortisation		**21,733**	**13,879**
Other expense items:			
Trade receivables (recovered) / written off		706	(247)
Provision for inventory obsolescence		1,453	830
Research and development expenditure		12,043	13,014
Operating lease rentals	1 (s), 16	-	5,465
Bonus accrued for employees in response to COVID-19		1,497	-

COVID-19

It is not feasible to quantify the impact of COVID-19 and associated government enforced preventative measures on the results of ARB as the effects, both positive and negative, and measures undertaken to manage the impact of COVID-19 are interrelated and cannot be measured in isolation.

Government enforced shut downs were implemented in late March and throughout April 2020 in ARB's key markets including Australia, the USA, New Zealand, the United Arab Emirates, Thailand and throughout Europe. This resulted in a rapid decline in customer orders from around the world through the second half of March 2020 and ultimately a collapse in customer orders in April 2020 as customers stopped ordering and de-stocked due to the escalating uncertainty and impact of COVID-19. The Company qualified for the JobKeeper subsidy from April 2020.

The shut downs and uncertainty around the timing of a recovery created significant risks in managing the business. Accordingly, ARB undertook a number of measures to protect the Group's financial position including:

- Manufacturing was scaled back to approximately 40% capacity in Australia and Thailand;
- Staff were placed on stand down across all areas of the business to approximately 50% capacity;
- Purchase orders previously placed on third party suppliers were deferred or cancelled;
- Discretionary operating and capital expenditure were tightly managed;
- The senior management team and Directors reduced their remuneration by 30% to 50%;
- The interim dividend was deferred for six months to preserve cash; and
- The Group secured additional borrowing facilities.

The rapid return of customer orders in May 2020 following the removal of shut downs was unexpected and reversed the declines in orders that occurred in March and April 2020. Unfortunately, ARB has been unable to fill many customer orders received due to the deliberate de-stocking that occurred as a result of scaling back manufacturing and deferring third party purchases in anticipation of a prolonged downturn. It has been challenging for ARB to reinstate its manufacturing operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2020

5. INCOME TAX

			2020 $'000	2019 $'000
(a)	**The components of tax expense:**			
	Current tax		22,062	20,904
	Deferred tax		(2,175)	(311)
	Deferred tax recognised through retained earnings	1 (s)	1,061	-
	(Over) / Underprovision prior year		(151)	(38)
	Total income tax expense		**20,797**	**20,555**
(b)	**Income tax expense**			
	Prima facie income tax expense at 30% (2019: 30%) on the operating profit		23,427	23,308
	Increase/(decrease) in income tax expense due to:			
	Differences in overseas tax rates		(2,629)	(2,920)
	Research & development		(140)	(142)
	Other		290	347
	Income tax expense on operating profit		**20,948**	**20,593**
	(Over) / Underprovision prior year		(151)	(38)
	Total income tax expense		**20,797**	**20,555**
(c)	**Deferred tax**			
	Deferred tax assets			
	Deferred tax asset comprises the estimated future benefits at applicable income tax rates of the following items:			
	Provisions, accruals and accrued employee benefits		5,055	4,612
	Doubtful debt impairment		242	37
	Inventory write-down		1,334	1,059
	Income tax expense on group unrealised profit		2,426	2,411
	Leases		1,290	-
	Other		(42)	219
			10,305	**8,338**
	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		306	1,207
	Development costs capitalised		3,804	2,984
	Other income not yet assessable		298	425
			4,408	**4,616**
	Net deferred tax assets		**5,897**	**3,722**
(d)	**Current tax liabilities**			
	Balance at the beginning of the financial year		1,239	3,323
	Income tax		22,062	20,904
	Tax payments		(20,182)	(22,950)
	Under / (over) provisions		(151)	(38)
	Other		(20)	-
	Current tax liabilities		**2,948**	**1,239**

6. DIVIDENDS

	Note	2020 $'000	2019 $'000
Dividends recommended or paid by the Company are:			
Recognised amounts			
A final fully franked ordinary dividend of 21.0 cents per share was paid on 18 October 2019 (2019: 19.5 cents fully franked)		16,569	14,573
An interim fully franked ordinary dividend is proposed of 18.5 cents per share to be paid on 23 October 2020 (2019: 18.5 cents fully franked) (i)		14,769	14,388
	20	**31,338**	**28,961**
Unrecognised amounts			
A final fully franked ordinary dividend is proposed of 21.0 cents per share to be paid on 23 October 2020 (2019: 21 cents fully franked) (ii)		**16,764**	**16,742**

(i) The interim dividend was declared prior to 30 June 2020 and is therefore recognised as a liability at 30 June 2020. The interim dividend was scheduled to be paid on 17 April 2020 but payment was subsequently deferred until 23 October 2020 as announced to Australian Securities Exchange on 30 March 2020 in response to the impact of COVID-19.

(ii) The final dividend was declared subsequent to 30 June 2020 and has not been recognised as a liability at 30 June 2020.

The dividends paid by the Company were fully franked at the tax rate of 30% (2019: 30%) and the recommended dividends will be fully franked at the tax rate of 30%.

Dividend franking account

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

Franking credits (measured on a tax paid basis under Australian Legislation)	**61,193**	**50,740**

7. RECEIVABLES

	Note	2020 $'000	2019 $'000
Current			
Trade receivables		57,204	57,851
Other receivables		3,746	1,736
		60,950	59,587
Less: allowance for credit losses		(848)	(142)
		60,102	**59,445**
Allowance for credit losses			
Receivables ageing analysis at 30 June is:			
Not past due		51,134	53,996
Past due 0 - 30 days		4,845	2,927
Past due 31 - 90 days		3,479	1,436
Past due more than 91 days		1,492	1,228
		60,950	**59,587**

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

Movements in the allowance for credit losses were:		
Opening balance at 1 July	(142)	(389)
Writeback / (charge) for the year	(716)	165
Amounts written off	18	85
Foreign exchange translation	(8)	(3)
Closing balance at 30 June	**(848)**	**(142)**

8. INVENTORIES

	2020 $'000	2019 $'000
Current		
Raw materials and work in progress	29,641	29,807
Finished goods	75,912	80,924
Goods in transit, at cost	18,520	18,059
Less: Provision for stock obsolescence	(4,903)	(3,450)
	119,170	**125,340**

9. OTHER ASSETS

	2020 $'000	2019 $'000
Current		
Prepayments	**3,683**	**3,133**

10. PROPERTY, PLANT AND EQUIPMENT

	2020 $'000	2019 $'000
Land and buildings, at cost	143,605	137,189
Less: accumulated depreciation	(15,210)	(12,373)
	128,395	**124,816**
Plant and equipment, at cost	125,504	108,813
Less: accumulated depreciation	(73,500)	(64,209)
	52,004	**44,604**
Total property, plant and equipment	**180,399**	**169,420**

(a) Movements in the carrying amounts	Land & Buildings $'000	Plant & Equipment $'000	Total $'000
2020			
Balance at the beginning of financial year	124,816	44,604	**169,420**
Additions	7,613	10,144	**17,757**
Business acquisitions	156	5,548	**5,704**
Disposals	(21)	(609)	**(630)**
Depreciation	(2,831)	(9,741)	**(12,572)**
Transfers	(1,817)	1,817	**-**
Foreign exchange impact	479	241	**720**
Balance at the end of financial year	**128,395**	**52,004**	**180,399**
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**

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

(c) Fair value of freehold land and buildings – The Group obtains independent property valuations of freehold land and buildings on a 3 year rotational basis. The total current valuations for freehold land and buildings are $156.2 million, compared with the collective carrying value of $128.4 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.

11. INTANGIBLE ASSETS

	2020 $'000	2019 $'000
Goodwill	**22,660**	**16,917**
Development costs	27,289	23,990
Less: accumulated amortisation	(16,614)	(13,973)
	10,675	**10,017**
Intangible software assets	10,250	9,517
Less: accumulated amortisation	(8,061)	(6,876)
	2,189	**2,641**
Total intangible assets	**35,524**	**29,575**

Movements in the carrying amounts	Goodwill $'000	Development Costs $'000	Intangible Software Assets $'000	Total $'000
2020				
Balance at the beginning of financial year	16,917	10,017	2,641	**29,575**
Additions	5,774	3,299	734	**9,807**
Amortisation	-	(2,641)	(1,184)	**(3,825)**
Foreign exchange impact	(31)	-	(2)	**(33)**
Balance at the end of financial year	**22,660**	**10,675**	**2,189**	**35,524**
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**

Impairment

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

	Goodwill $'000	Growth rate	Discount Rate (post tax)	Period of projection
2020				
GoActive Outdoors	2,008	5.0%	10.0%	5 years
Kingsley Enterprises	3,226	4.5%	10.0%	5 years
SmartBar	1,648	5.0%	10.0%	5 years
ARB Corporation (Australia)	12,486	6.5%	10.0%	5 years
ARB New Zealand	3,292	5.0%	10.0%	5 years
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

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

12. RIGHT-OF-USE ASSETS

The following information relates to the current reporting period only, and is presented in accordance with AASB 16 Leases (which was applied by the Group for the first time in the current reporting period). Refer note 1 (s).

The Group leases various properties for retail and warehouse operations. Lease terms are typically contracted for an initial period of 10 years with an option to renew at the end of the initial term. Lease payments are renegotiated every five years to reflect prevailing market conditions. These leases were previously classified as operating leases under AASB 117 Leases.

	2020 $'000	2019 $'000
Lease Assets		
Land and buildings under lease arrangements at cost	57,395	-
Accumulated depreciation	(17,220)	-
	40,175	**-**

Movements in the carrying amounts	2020 $'000	2019 $'000
Balance at the beginning of financial year on initial application of AASB 16	25,030	-
Additions	20,427	-
Depreciation	(5,336)	-
Foreign exchange impact	54	-
Balance at the end of financial year	**40,175**	**-**

13. PAYABLES

	2020 $'000	2019 $'000
Current		
Trade payables	9,118	18,917
Other payables	26,591	16,966
	35,709	**35,883**

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 $'000	2019 $'000
Derivatives that are designated and effective as hedging instruments carried at fair value.		
Current liabilities		
Forward exchange contracts	**5**	**14**

15. FINANCING ARRANGEMENTS

	2020 $'000	2019 $'000
The Group has access to the following lines of credit:		
Total facilities available:		
Market loans	50,000	30,000
International facility	5,606	-
Lease guarantees	1,650	2,000
Standby letter of credit	450	150
	57,706	**32,150**
Facilities utilised at balance date:		
Market loan	-	-
International facility	-	-
Lease guarantees	1,157	1,038
Standby letter of credit	385	103
	1,542	**1,141**
Facilities not utilised at balance date:		
Market loan	50,000	30,000
International facility	5,606	-
Lease guarantees	493	962
Standby letter of credit	65	47
	56,164	**31,009**

(i) Market loan and International facility

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

(ii) Security & conditions

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2020

16. LEASE LIABILITIES

The following information relates to the current reporting period only, and is presented in accordance with AASB 16 Leases (which was applied by the Group for the first time in the current reporting period). Refer note 1 (s).

	2020 $'000	2019 $'000
Lease liabilities		
Current lease liabilities	4,716	-
Non-current lease liabilities	39,814	-
	44,530	**-**
Lease expenses and cashflows		
Interest expense on lease liabilities	1,553	-
Amortisation expense on lease assets	5,336	-
Cash outflow in relation to leases	6,125	-

17. PROVISIONS

	2020 $'000	2019 $'000
Current		
Employee benefits	15,135	14,066
Provision for interim dividend (refer note 6)	14,769	-
	29,904	**14,066**
Non-current		
Employee benefits	**1,162**	**1,303**
Total employee benefits	**16,297**	**15,369**

18. CONTRIBUTED EQUITY

	2020 $'000	2019 $'000
Issued and paid up capital		
79,830,525 ordinary shares (2019: 79,725,131)	**116,916**	**115,181**

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

Movements during the year	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Balance at the beginning of the financial year	79,725,131	79,343,950	115,181	109,801
Dividend reinvestment plan and Bonus share plan	93,744	368,531	1,534	5,178
Other shares issued	11,650	12,650	201	202
Balance at the end of the financial year	**79,830,525**	**79,725,131**	**116,916**	**115,181**

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 2020

19. RESERVES

	Note	2020 $'000	2019 $'000
Capital profits reserve	(i)	4,090	4,090
Foreign currency translation reserve	(ii)	19,179	18,731
Cash flow hedge reserve	(iii)	(5)	(14)
		23,264	**22,807**

(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**
2020				
Balance at the beginning of the financial year	4,090	18,731	(14)	**22,807**
Amount recognised in other comprehensive income	-	448	9	**457**
Balance at the end of the financial year	**4,090**	**19,179**	**(5)**	**23,264**
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**

20. RETAINED EARNINGS

	Note	2020 $'000	2019 $'000
Retained earnings		**232,081**	**208,606**
Retained earnings			
Balance at the beginning of the financial year		208,606	180,430
Net profit attributable to members of the parent entity		57,295	57,137
Dividends recognised	6	(31,338)	(28,961)
Adjustment on change of accounting policy, net of tax	1 (s)	(2,482)	-
Balance at the end of the financial year		**232,081**	**208,606**

21. PARENT ENTITY INFORMATION

	2020 $'000	2019 $'000
Profit before income tax expense	60,647	60,728
Income tax expense	(18,398)	(18,320)
Profit attributable to members of the parent entity	**42,249**	**42,408**
Total comprehensive income for the year attributable to members of the parent entity	**42,734**	**42,859**
Current assets	151,154	137,141
Non-current assets	224,557	169,639
Total assets	**375,711**	**306,780**
Current liabilities	70,637	43,764
Non-current liabilities	33,460	1,255
Total liabilities	**104,097**	**45,019**
Net assets	**271,614**	**261,761**
Equity		
Contributed equity	116,916	115,181
Reserves	4,186	4,560
Retained earnings	150,512	142,020
Total equity	**271,614**	**261,761**
Capital expenditure commitments		
Contracted, but not provided for and payable within one year	**7,337**	**3,947**

22. BUSINESS COMBINATIONS

Current year

During the year the Group purchased retail stores in Bundaberg, Queensland (July 2019) and Rockhampton, Queensland (September 2019), the assets of Advanced Equipment Limited (trading as Beaut Utes) in New Zealand (October 2019) and the assets of Proform Plastics Limited in New Zealand (March 2020).

A summary of these aggregated transactions is:

	2020 $'000
Total cost of combination	**17,478**
Assets and liabilities acquired:	
Inventory	**6,702**
Plant and equipment	**5,704**
Goodwill	**5,774**
Deferred tax asset	**20**
Employee entitlements	**(507)**
Other assets/ (liabilities)	**(215)**
Net assets acquired	**17,478**

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

22. BUSINESS COMBINATIONS (continued)

Contributions since acquisition

For the financial year ended 30 June 2020, the businesses acquired contributed revenue of $24,033,000 and a profit after tax of $1,802,000 which is included within the consolidated profit for the financial year. ARB was previously a major supplier to three of the businesses acquired and the Group's sales to these businesses and profits generated on those sales since acquisition are included in these numbers.

Prior year

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

23. CASH FLOW INFORMATION

		2020 $'000	2019 $'000
(i)	**Reconciliation of cash**		
	Cash	**41,569**	**8,464**
(ii)	**Reconciliations of the net profit after tax to the net cash flows from operations:**		
	Net profit	57,295	57,137
	Add/(less) items classified as Investing/financing activities:		
	(Profit)/loss on disposal of non-current assets	(12)	(761)
	Add/(less) non-cash items		
	Depreciation and amortisation	21,733	13,879
	Allowance for credit losses of receivables	706	(247)
	Provision for inventory obsolescence	1,453	830
	Impact of foreign exchange	(292)	4,138
	Share issue	201	202
	Net cash provided by operating activities before change in assets and liabilities	**81,084**	**75,178**
	Change in assets and liabilities		
	(Increase)/decrease in trade receivables	647	(2,786)
	(Increase)/decrease in other receivables	(2,010)	(593)
	(Increase)/decrease in inventories	11,419	(17,451)
	(Increase)/decrease in other assets	(550)	1,034
	(Increase)/decrease in deferred tax asset	(1,094)	(311)
	(Decrease)/increase in payables	(389)	(4,383)
	(Decrease)/increase in income tax payable	1,709	(2,084)
	(Decrease)/increase in provisions	421	1,369
	Net cash flow from operating activities	**91,237**	**49,973**
(iii)	**Credit stand-by arrangements are identified at note 15.**		
(iv)	**Reconciliation of liabilities arising from financing activities:**		
	Opening borrowings	-	4,000
	Proceeds	-	-
	Repayments	-	(4,000)
	Non-cash changes	-	-
	Closing borrowings	**-**	**-**

24. COMMITMENTS AND CONTINGENCIES

	2020 $'000	2019 $'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
Later than one year but not later than five years	-	8,633
Later than five years	-	1,016
	-	**14,689**

Operating lease commitments are recognised as a liability on the Consolidated Statement of Financial Position upon adoption of AASB 16 Leases from 1 July 2019. Refer note 1 (s).

	2020 $'000	2019 $'000
Capital expenditure commitments		
Contracted, but not provided for and payable within one year		
Land & buildings	7,337	1,799
Plant & equipment	295	2,698
Other	-	2,100
	7,632	**6,597**

25. EARNINGS PER SHARE

	2020 cents	2019 cents
Earnings per share (cents)	**71.8**	**71.9**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**79,798,819**	**79,512,189**

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

26. AUDITORS' REMUNERATION

	2020 $	2019 $
Remuneration of Pitcher Partners, the auditors of the parent entity for:		
Auditing or reviewing the financial report	198,750	184,671
Taxation services	42,932	102,070
Auditing or reviewing the financial report of subsidiaries		
Remuneration of network firms of Pitcher Partners	30,241	29,781
Remuneration of other non-related auditors	73,727	66,599
Total auditors' remuneration	**345,650**	**383,121**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2020

27. CONTROLLED ENTITIES

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

	Country of Incorporation	2020 %	2019 %
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
ARB New Zealand Limited	New Zealand	**100**	-

28. 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 (resigned as Company Secretary on 1 July 2019)
Robert D Fraser	Non-executive Director
Karen L Phin	Non-executive Director
Andrew P Stott	Non-executive Director

	2020 $	2019 $
Key Management Personnel remuneration by category		
Short term employment benefits	901,296	1,013,294
Long term employment benefits	11,769	17,526
Post employment benefits	72,679	83,207
	985,744	**1,114,027**

29. RELATED PARTY TRANSACTIONS

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

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

Controlled entities
Details of interests in the controlled entities, being wholly-owned subsidiary companies, are set out at note 27. All transactions between the Company and its controlled entities have been eliminated on consolidation.

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

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

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

30. SEGMENT INFORMATION

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

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

(a) Income Statement	Australasia	USA	Thailand	Middle East & Europe	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
2020						
Segment revenue						
Total segment revenue	446,823	65,086	71,544	21,368	(137,833)	**466,988**
Intersegmental revenues	(71,710)	(11)	(66,106)	(6)	137,833	**-**
Segment revenue from external source	**375,113**	**65,075**	**5,438**	**21,362**	**-**	**466,988**
Total segment result	44,073	2,724	8,490	2,043	(35)	**57,295**
Intersegmental eliminations	7,811	-	(7,845)	(1)	35	**-**
Segment result from external source	**51,884**	**2,724**	**645**	**2,042**	**-**	**57,295**
Items included within the segment result:						
Net interest income (expense)	(1,577)	(72)	25	(50)	-	**(1,674)**
Depreciation and amortisation expense	15,937	900	4,363	533	-	**21,733**
Income tax expense	19,079	735	581	402	-	**20,797**
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**

(b) Statement of Financial Position	Australasia	USA	Thailand	Middle East & Europe	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
2020						
Segment assets	423,794	33,620	97,746	14,384	(83,025)	**486,519**
Segment liabilities	131,659	13,927	6,793	4,734	(42,855)	**114,258**
Segment acquisition of property, plant, equipment and intangibles	27,958	284	4,954	72	-	**33,268**
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**

31. SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2020 of the Group;

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 30 June 2020 of the Group.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 13 to 41 are in accordance with the Corporations Act 2001, including:

(a) Complying with Accounting Standards, and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

(b) Complying with International Financial Reporting Standards as indicated in note 1; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2020 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 2020.

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

Roger G Brown
Director

John R Forsyth
Director

Melbourne, 18 August, 2020

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 2020, 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 2020 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

PITCHER PARTNERS

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
Revenue Recognition Refer to note 1(d) and Note 3	
The Group's revenue, $467.0M (2019: $446.6M), is primarily derived from the sale of product through retail and wholesale channels, domestically and internationally. 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.	Our testing of revenue transactions focused on evidencing that the underlying transactions existed in the period. Our procedures included: • Reviewing the Group's terms and conditions of sale. • Understanding the Group's controls and processes for recognising and recording revenue transactions. • Testing the existence of revenue by agreeing a sample of revenue transactions to supporting documentation. • Analysing general journal entries impacting revenue and analysing transactions considered to be outside ordinary transaction cycles for testing.
Inventory valuation Note 1 (f) and Note 8	
As at 30 June 2020, the Group held inventories of $119.2M (2019: $125.3M). In recent years, the Group has increased its revenue, as well as increasing its warehousing and retail presence in numerous geographic locations and expanding the product range. 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. We focused on the value of inventory as a key audit matter as it involves judgement as to the recoverable value of inventory.	Our testing of inventory valuation focused on assessing the appropriateness of management's judgements as to which items of inventory were identified and provided for. Our procedures included: • Assessing the inventory provisioning policy and methodology for determination of the provision. • Reviewing the Group's provisioning assessment including challenging inventory items not provided for and potentially at risk of overstatement. • For a sample of inventory items agreeing that they are held at the lower of cost and net realisable value, through comparison to recent purchase invoices and sales prices.

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
Recognition of Right-of-Use-Assets & Lease Liabilities Note 1 (s), Note 12 and Note 16	
AASB 16 Leases is applicable for the first time. The standard removes the classification of leases as either operating or finance for the lessee, effectively treating all leases as finance leases. The Group has initially recognised $25.0M of new right-of-use assets and associated lease liabilities of $28.6M at 1 July 2019. The balances at 30 June 2020 are $40.2M of right-of-use assets and associated lease liabilities of $44.5M. Further, during the year there has been modifications to certain leases as a result of rent free or reduced periods in response to COVID-19, the treatment of which are subject to specific additional guidance from Australian Standards Board. Due to the first time adoption of this accounting standard, the calculations and assumptions required to determine individual right-of-use asset and lease liability values, we have considered this to be a key audit matter.	Our testing of right-of-use assets and associated lease liabilities included the following procedures amongst others: • Understanding and evaluating the processes and controls in place to appropriately recognise new right-of-use assets and associated lease liabilities. • Testing calculations of the right-of-use assets and associated lease liabilities. • Evaluating the assumptions used in calculating the right-of-use assets and associated lease liabilities. • Vouching the lease calculations to supporting documentation. • Evaluating and agreeing on a sample basis the accounting for compliance with AASB 16 and relevant practical expedient guidance. • Reviewing the adequacy of disclosures in the financial statements including the comparative information.

**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
Recognition of JobKeeper Subsidy **Consolidated Income Statement, Note (1w)**	
Following the announcement of the global Pandemic on March 11 2020, the Australian Federal Government announced a "JobKeeper" government assistance scheme for entities which meet prescribed eligibility requirements. The Group's operations have been impacted by COVID-19 and the Group has successfully applied for the scheme. For the year ended 30 June 2020, Government wage subsidies of $9.5M have been recorded, of which $8.6M related to the JobKeeper scheme. The remaining wage subsidies were received in New Zealand, under the New Zealand Government wage subsidy scheme. Due to the rapid introduction of the Job Keeper scheme, revisions to eligibility requirements and the quantum of the amount received during the year, we have considered this to be a key audit matter.	Our procedures included amongst others: • Understanding and evaluating the controls in place to determine the eligibility of the Group and employees for JobKeeper. • Reviewing the accounting treatment of the JobKeeper payments. • Reviewing the adequacy of the disclosures in the financial statements.

Information Other than the Financial Report and Auditors' Report Thereon

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

- 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, actions taken to eliminate threats or safeguards applied.

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

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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 12 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of ARB Corporation Limited, for the year ended 30 June 2020, 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

18 August 2020

ARB CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

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

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

K L BYRNE
Partner

18 August 2020

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 29 July 2020 was:

Shareholder	Ordinary
Rogand Pty Ltd	5,935,976
Bennelong Funds Management Group Pty Ltd	6,821,451
Mitsubishi UFJ Financial Group, Inc.	4,037,912

Class of Shares and Voting Rights

At 29 July 2020, there were 7,169 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 29 July 2020):

	Holders	%	Shares Held	%
1 - 1,000	3,980	55.52	1,593,362	2.00
1,001 - 5,000	2,337	32.60	5,421,896	6.79
5,001 - 10,000	463	6.46	3,367,196	4.22
10,001 - 100,000	354	4.93	8,126,500	10.18
100,001 or more	35	0.49	61,321,571	76.81
	7,169	**100.00**	**79,830,525**	**100.00**

The number of shareholders holding less than a marketable parcel at 29 July 2020 was 200.

Twenty largest shareholders (as at 29 July 2020)

Name of Holder	Number of ordinary shares held	% of issued ordinary shares held
HSBC Custody Nominees (Australia) Limited	17,598,649	22.05
J P Morgan Nominees Australia Pty Limited	9,390,288	11.76
Citicorp Nominees Pty Limited	5,906,184	7.40
Rogand Pty Ltd	5,851,183	7.33
Australian Foundation Investment Company Limited	3,502,724	4.39
National Nominees Limited	3,108,392	3.89
BNP Paribas Noms Pty Ltd (Agency Lending DRP A/C)	2,755,918	3.45
BNP Paribas Noms Pty Ltd (DRP)	2,262,951	2.83
Formax Pty Ltd (Reparar A/C)	1,586,723	1.99
Netwealth Investments Limited (Wrap Services A/C)	1,144,733	1.43
BKI Investment Company Limited	945,447	1.18
Milton Corporation Limited	911,065	1.14
Mirrabooka Investments Limited	734,053	0.92
Ms Judith Caroline Carpenter + Ms Gillian Clare Carpenter (Est Late P Carpenter A/C)	653,831	0.82
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	455,610	0.57
Santos L Helper Pty Ltd (The Van Paassen Fam Account)	405,834	0.51
Amcil Limited	386,280	0.48
Illabarook Pty Ltd	350,000	0.44
HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp A/C)	333,460	0.42
Djerriwarrh Investments Limited	330,570	0.41

The 20 largest shareholders hold 73.42% 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 17 August 2020 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 fortnightly management meetings and the preparation of monthly management accounts.

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

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

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

The 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 (continued)

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
- sales and marketing experience
- 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 (continued)

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 13%
- Consolidated entity 14%

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:

- 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 answers 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, global pandemics, major outage of services (eg electricity), a raw material shortage and prolonged failure of a supplier to supply a critical component. This risk is managed through businesses spread across multiple sites to mitigate site specific risks, site specific Emergency Response Plans and appropriate policies of insurance.

- **Tax Risk:** The Company has effective policies and processes in place to manage tax risk including direct, indirect and excise taxes.

CORPORATE GOVERNANCE STATEMENT (continued)

- **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 though 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 renumerated 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

ARB recognises that its business operations impact many stakeholders, including customers, employees, suppliers, shareholders and the broader communities in which the Company operates.

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 sustainability goals are 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 the Company operates. As a result, these matters are comprehensively monitored as a part of the Board's regular activities.

Key internal policies including the Code of Conduct, Workplace Behaviour, Compliance, Risk Management, Environment, Privacy and Whistleblowing are approved by the Board and promoted by management. Processes are in place to communicate these policies to all employees and contractors and to monitor adherence across the Company.

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. ARB promotes active management of environmental responsibilities among its employees. ARB complies with all environmental regulatory requirements applicable to its operations.

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 across its operations and embraces technological advances that can help meet its goals. The Company is continually reviewing its manufacturing process and measures emissions due to electricity and gas usage for key sites. ARB has developed programs and invested in manufacturing operations to improve energy efficiency whilst reducing resource usage and wastage. For example, during the past year:

- ARB undertook an extensive review of its powder coating process and investments were made to reduce heat loss and improve thermal efficiency reducing gas consumption by approximately 12%; and
- ARB invested in a new rapid drying system in the painting process to reduce oven bake time and associated electricity and gas consumption.

ARB continued its program of refurbishing corporate retail stores using energy efficient materials and recycled products where possible to raise energy efficiency and improve the customer and employee experience in-store.

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 continues to transition from traditional paper-based systems to electronic, online and cloud-based technology in an effort to minimise reliance and usage of paper.

Social

Staff:
ARB is proud to provide stable employment and career opportunities to approximately 1,600 people around the world. Human capital is ARB's most important asset and remains a continued area of focus.

Training and development of staff at all levels remains a key focus of the business. ARB seeks to develop talent internally and has recently piloted an in-house leadership and management training course run by a third-party provider with a view to enhancing skills and formalising career pathways. ARB is also liaising with education bodies to deliver a formal qualification to the Company's 4x4 Technicians.

ARB operates 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 as far as possible. The Company consults with employees directly and through committees. Best practice safety indicators are captured and reported to the Board monthly.

ARB promotes key policies on anti-discrimination and harassment to ensure staff are trained in the Board's expectations of workplace behaviour.

The Company's Board and management team monitor the company's culture through regular reporting on HR metrics such as staff engagement, turnover and absenteeism. 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 overseas where it operates.

ARB also supports a number of community-based and charitable organisations and local events on an ad-hoc basis. This support is usually by way of financial contribution, the provision of products or sponsorship.

Organisations supported by ARB last year include:

- CEO Sleep Out supporting St Vincent de Paul Society;
- Supporting Murphy Ames, walking across the Simpson Desert Trek for Injured Veterans;
- MS Sydney to Gong Ride;
- Mental Wheels Foundation;
- 2019 RMHC Ride for Sick Kids (SA);
- Wildlife Warriors; and
- Starlight Children's Foundation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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 produces its in-house magazine, *4x4 Culture*, a free publication which is produced quarterly and includes articles and tips for adventurers. Along with the destination-based articles within the magazine, ARB has also produced a series of destination-based videos to assist customers with planning post COVID-19 lockdown and encouraging them to get out and enjoy their 4WDs which in turn promotes and simulates the tourism industry.

Suppliers:

ARB is committed to sourcing products ethically and responsibly. The Company recognises the importance of its suppliers in sustainably delivering quality products to its customers. ARB has built close relationships with key suppliers over many years and works hard to maintain those relationships through ongoing discussions and formal performance reviews. In this way, ARB monitors the sustainability endeavours and supply chain integrity of its suppliers. ARB also reports to many Original Equipment Manufacturing customers to demonstrate that it meets ethical sourcing requirements in its supply chain.

ARB is committed to working with its employees, suppliers, contractors, and external stakeholders to improve its understanding of modern slavery risks and to address such risks with the implementation of frameworks and procedures to respond appropriately. The ARB modern slavery working group continues its work to better understand and manage the risks associated with ARB's operations and supply chains.

THE YEAR AHEAD

ARB will continue to strive for innovation and engineering excellence in 2020/2021, using advanced technologies to bring new and improved products to market, to roll-out new ARB Flagship stores across Australia and to continue to grow in export and OE markets.

ARB
4X4 ACCESSORIES