

ANNUAL REPORT 2014



4X4 ACCESSORIES

ARB Corporation Limited
ABN: 31 006 708 756

A YEAR IN REVIEW



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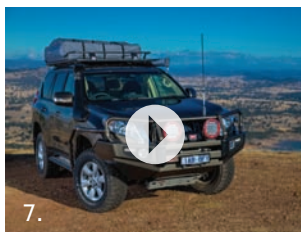
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1. Air Locker is rebranded to tie in with new features and an extended warranty available across the entire range.
2. ARB announces the opening of the 50th ARB store – ARB Pakenham, along with the opening of ARB Biggera Waters and ARB Broken Hill.
3. ARB invests in extensive computer aided testing with Bosch Australia, to assess the compatibility of Old Man Emu suspension components with Electronic Stability Control.
4. A second US distribution centre is opened in Jacksonville, Florida, with a focus on servicing East Coast USA and Latin America.
5. ARB is showcased at major regional, national and international 4WD shows and events including SEMA, Automechanika Dubai and Automechanika Frankfurt.
6. A new distribution centre is opened in Prague, Czech Republic.
7. ARB's social media channels continue to lead the way in the Australian 4WD market and prove a vital customer service and engagement tool.
8. An unwavering commitment to support our customers and broader community saw ARB have a strong presence at numerous 4WD gatherings, community events and charitable activities.
9. ARB's Thailand facility continues to grow its production volumes and range, helping to meet the demands of ARB customers around the world.
10. ARB's engineers continue to deliver industry leading 4WD accessories, such as the new Ascent canopy, for an ever increasing number of vehicles.
11. The second annual ARB Off Road Racing Series continues to grow in popularity, gathering support from off road racers around Australia.
12. Further cementing ARB's position as market leader in the field of research and development, ANCAP testing was undertaken to measure the impact of bull bars on vehicle safety ratings.

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Corporate Information

Directors

Roger G Brown B.E., M.B.A.
Andrew H Brown
John R Forsyth B.E., M.B.A.
Robert D Fraser B.Ec., LLB (Hons)
Ernest E Kulmar B.Com., FCPA, FAICD
Andrew P Stott

Company Secretary

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

Principal Registered Office

42-44 Garden Street
Kilsyth Victoria 3137 Australia
Tel: (03) 9761 6622
Fax: (03) 9761 6807

Auditors

Pitcher Partners
Level 19
15 William Street
Melbourne Victoria 3000

Location of Register of Securities

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
Tel: +61 (0)3 9415 4000 (investors)
Tel: 1300 850 505 (investors within Australia)
Fax: (03) 9473 2500

Stock Exchange

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

Chairman's Statement

RESULTS

ARB Corporation Limited ("ARB" or the "Company") achieved a net profit after tax of \$42.6 million for the year ended 30th June 2014. This represented a 0.5% increase over the prior year's net profit after tax.

The result was achieved in a very challenging year, particularly in relation to changing economic drivers in Australia, but also in terms of the continuing economic difficulties faced by many countries in which the Company's export customers operate.

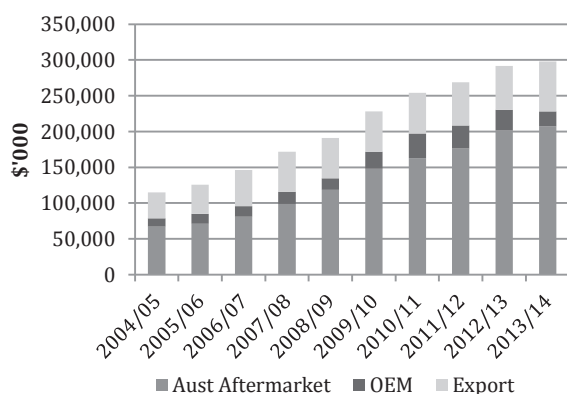
The Company's profit was achieved on a 2.2% increase in sales to \$298 million from \$292 million last year. A summary of the 2013/14 result is presented below:

Year to 30 June	2014 \$'000	2013 \$'000	Change
Sales Revenue	297,779	291,510	+ 2.2%
Total Revenue	299,947	294,509	
Net Profit Before Tax	57,291	57,965	- 1.2%
Less Tax	14,721	15,607	
Net Profit After Tax	42,570	42,358	+ 0.5%
Basic EPS – cents	58.7	58.4	
DPS – cents			
Interim	13.0	12.5	
Final	<u>16.0</u>	<u>15.5</u>	
Total	29.0	28.0	
Franked Amount	100%	100%	

The Company intends to pay an increased final fully franked dividend of 16.0 cents per share on the 24th October 2014. This brings total ordinary dividends for the year to 29.0 cents per share fully franked, compared with 28 cents per share fully franked last year. The Record Date for the final dividend will be the 10th October 2014.

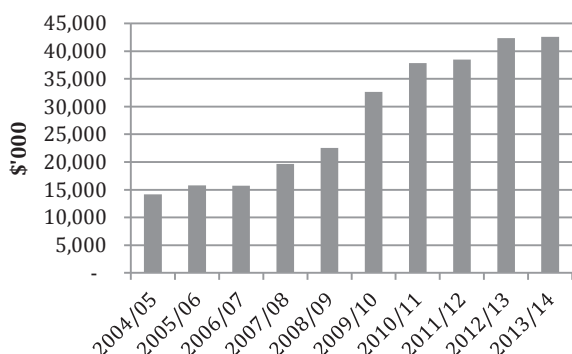
10 YEAR HISTORICAL PERFORMANCE

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



SALES REVENUE

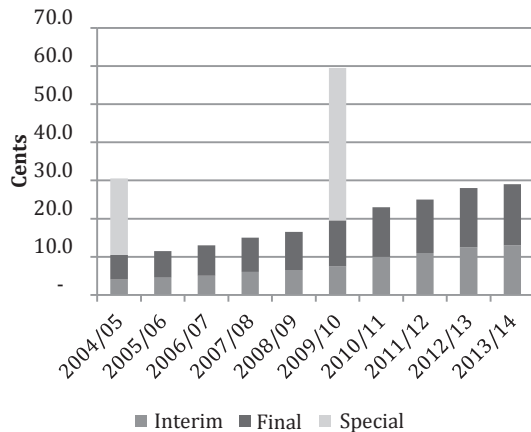
Annual sales revenue has grown at an average compound rate of 11.2% over the past 10 years.



NET PROFIT AFTER TAX

Net profit after tax has grown at an average compound rate of 13.0% over the past 10 years.

Chairman's Statement (continued)



DIVIDENDS PER SHARE

Dividends per share have grown steadily over the past 10 years with special dividends paid in 2004/05 and 2009/10. All dividends have been fully franked.

HIGHLIGHTS OF THE 2013/14 YEAR

Sales and Distribution

Sales for the period grew by a modest 2.2% over the previous corresponding period. The Company experienced large declines in sales to original equipment manufacturers in Australia, and reductions in sales to aftermarket customers associated with the mining industry, especially in Queensland and Western Australia. This was offset by strong growth in export sales and a continuing strong contribution from the rest of the Australian aftermarket. After a disappointing third quarter, the final three months of the financial year provided better sales growth.

A summary of sales category performance for the period is as follows:

Customer Category	Percentage of Sales		Sales Growth
	12 months to June 2014	12 months to June 2013	
Australian Aftermarket	69.6%	69.5%	+1.8%
Exports	23.4%	20.5%	+14.0%
Original Equipment	7.0%	10.0%	-28.0%
	100.0%	100.0%	+2.2%

Over the past financial year, independently owned ARB stores were established at Biggera Waters in Queensland, Broken Hill in New South Wales and Pakenham in Victoria. The Company also purchased the independently owned ARB stores in Welshpool in Western Australia and Darwin in the Northern Territory. This last transaction was completed at the end of the financial year. As at the date of this report there were 50 ARB stores in Australia, up from 47 at the same time last year. Currently 21 of the stores are operated by the Company. New ARB stores will continue to be added to the network as opportunities arise.

Australian warehousing capacity will be increased over the next 12 months. In Queensland, a new Company owned warehouse is being built in Brendale, Brisbane and will be opened in December 2014. In New South Wales, the sales facility at Moorebank has been purchased by the Company and will be substantially renovated over the next 12 months. In addition, a larger warehouse has been leased in New South Wales to relieve current congestion. In South Australia, ARB has purchased a warehouse to replace existing leased properties and provide increased capacity.

As previously advised, to enhance supply to the Company's export customers, ARB Europe has been established in Prague in the Czech Republic. The establishment of this warehouse facility will provide better access to the Company's products for all European customers. In addition, ARB has established a second warehouse in the USA, based in Jacksonville, Florida to service customers in the south-east USA and Central and South America. Both of these new operations have operated successfully for the last quarter of the financial year.

Chairman's Statement (continued)

Products and Production

ARB regards product development as essential and it is a key element in maintaining the Company's long-term competitive advantage. Expenditure on R&D was increased over the period and new products are regularly being released to ARB's markets worldwide.

The Company's R&D department is actively developing both aftermarket and OEM products and is also continuing to work on a number of long term product development projects.

One of these long term development projects, the ARB Ascent Canopy, was released to the market in April 2014 after many years of development. This product represents a new level of design and innovation which is world leading. Over the next 12 months versions of the canopy will be released to suit all the popular utilities. More information on the Ascent Canopy is available at this website: <http://www.arb.com.au/products/arb-canopies-sport-lids/ascent-canopies>.

The Board expects that another important new product range will be released in the second quarter of this financial year.

Demand for the Company's manufactured products made by the Australian plant was subdued during the period, primarily due to the lower demand from original equipment manufacturers. However, demand on the Thailand plants continued to be strong and the recent expansion of ARB's warehouse capacity in Thailand to improve supply chain efficiencies and to meet increased export demand has been timely.

Financial

ARB has maintained a strong balance sheet over the period and had a net cash balance of \$38.8 million at the 30th June 2014. This was despite increased spending on inventory, plant and equipment and property over the period.

The Company's strong financial position ensures that ARB can react quickly to appropriate opportunities, such as further capital projects or suitable acquisitions.

Exchange rates have fluctuated significantly over the year. The Company has some natural hedges through its operations in Australia, USA and Thailand and also through its purchasing and selling arrangements. However, changes in exchange rates affect costs in different geographic markets and management believes that more stable currency markets generally create a better business environment for the Company over the longer term.

THE FUTURE

The Company's modest growth in 2013/14 was achieved in the face of difficult local and global market conditions. The current economic environment remains challenging. However, the outlook for the Company is positive and the Board is optimistic about the future.

Demand for the Company's products currently remains healthy in many countries around the world. ARB has long term expansion plans in place, both in Australia and in export markets, which include new products and improved distribution.

With strong brands around the world, very capable senior management and staff, a strong balance sheet and growth strategies in place, the board believes ARB is well positioned to achieve on-going success.

A first quarter trading update will be provided to shareholders at the AGM in October 2014.



Roger Brown
Chairman
20st August 2014

Corporate Governance Statement

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

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 12 August 2014.

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, the Executive Directors and the Departmental Executives.

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

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

The monthly management accounts are prepared using accrual accounting techniques and report each Division's results. These monthly management accounts are compared by management with monthly targets. Each Division has key performance indicators and reports to 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 Executive Directors evaluate the performance of the senior management team on an informal basis throughout the year and on a formal basis once per year.

The Company Secretary is presently a member of the Board to ensure direct accountability to the Board, through the Chairman.

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 three Executive Directors and three 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 Executive Chairman has undertaken this role since the company listed on the ASX in 1987. The Board acknowledges the recommendation of the ASX Corporate Governance Council that the Chairman be a Non-executive 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.

Corporate Governance Statement (continued)

For the same reasons, the Board does not comprise 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 objective judgement to bear in decision making.

Committees

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

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

The Board, either directly or through the Remuneration and Nomination Committee, periodically attempts to assess objectively its performance and that of its committees and individual members. The committee undertook a performance evaluation in the current reporting year in accordance with this process. The Board also regularly undertakes performance reviews on an informal basis.

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

The committee's Charter is disclosed in the Investor Relations section of the Company's web site (www.arb.com.au).

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. Shareholders are encouraged to participate in the re-election of Directors.

Further information with respect to the Board is provided in the Directors' Report in the Company's Annual Report. This information includes the skills set of the Board which the Remuneration and Nomination Committee believes has a suitable mix and diversity without requiring a skills matrix.

The Company does not have a formal director induction or professional development programme. However, 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 does not have a formal Code of Conduct because the Company believes that a more effective means of enhancing investor confidence and actively promoting ethical and responsible decision-making is for the Board and the senior management team to foster, through their own actions, an ethical corporate culture.

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

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

Corporate Governance Statement (continued)

The proportion of women employed by the consolidated entity in the following roles are:

Board	0%
Senior Management	27%
Consolidated entity	17%

The Board promotes open and honest disclosure and discussion, together with consideration and respect for the interests of all legitimate stakeholders, at all Board and weekly 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 Board encourages Non-executive Directors to own shares in the Company to further link their interests with the interests of all shareholders.

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 (www.arb.com.au). The Audit Committee is composed of the three independent Non-executive Directors of ARB and is chaired by one of those 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 the 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 2001 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.

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 2001 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;

Corporate Governance Statement (continued)

- the Directors, Company Secretary and the Financial Controller 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 encourage effective shareholder participation at general meetings.

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

The Company has not implemented a formal investor relations programme as it believes it has a policy of 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 (www.arb.com.au).

7. Risk Management

The Board has established a Risk Management Committee to oversee the management of business risks and internal control. This is a management committee composed of the Executive Directors including the Company Secretary and the Financial Controller (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 weekly meetings of the senior management team of the Company.

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 its review in the current reporting year determined the risk management framework to be sound.

The Company does not have an internal audit function. Instead, the weekly 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.

8. Fair and Responsible Remuneration

ARB has established a Remuneration and Nomination Committee. The Remuneration and Nomination Committee is composed of the three independent Non-executive Directors. The Chairman of the Committee is appointed by the Board.

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 (www.arb.com.au).

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

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

Directors' Report

The Directors present their report together with the financial report of the consolidated entity of ARB Corporation Limited, being the Company and its controlled entities, for the financial year ended 30 June 2014 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal Activities

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

Results

The consolidated profit for the year attributable to the members of the Company after income tax expense was \$42,570,000 (2013: \$42,358,000).

Review of Operations

A review of the consolidated entity's operations is included in the Chairman's Statement on pages 3 to 5.

Significant Changes in the State of Affairs

During the period, the Company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. There have been no significant changes in the Company's state of affairs during the financial year.

After Balance Date Events

Other than as noted elsewhere in this report, no matters or circumstances have arisen since the end of the financial year, that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Developments

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

Environmental Regulation

The consolidated entity's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

Dividend 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:	\$'000s
- A final fully franked ordinary dividend of 15.5 cents per share was recommended by the Directors in the June 2013 Financial Report and subsequently paid on 18 October 2013	<u>11,235</u>
In respect of the current financial year:	
- An interim dividend of 13 cents per share fully franked was paid on 17 April 2014	9,424
- The final dividend proposed by the Directors of the Company to be paid on 24 October 2014 is a fully franked dividend of 16 cents per share	<u>11,599</u>
Total dividends in respect of the year ended 30 June 2014	<u>21,023</u>

The final dividend proposed by the Directors of the Company has not been provided for in the Consolidated Statement of Financial Position as at 30 June 2014.

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 as at the year end.

NAME & QUALIFICATIONS

EXPERIENCE AND SPECIAL RESPONSIBILITIES

Mr. Roger G Brown
B.E., M.B.A.
Executive Chairman

Wide range of experience within the automotive industry in Australia and overseas. Non-executive Director of Amcil Limited.
Executive Chairman of ARB Corporation Limited since 1987.
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. John R Forsyth
B.E., M.B.A.
Executive Director
Company Secretary

Director of ARB Corporation Limited since 1987.
Executive Director of ARB Corporation Limited since 1989.
Chairman of the Risk Management Committee.
Company Secretary of ARB Corporation Limited since 2004.

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, Gowing Bros Limited and Magellan Financial Group Limited.
Non-executive Director of Symex Holdings Limited between January 2011 and February 2012.
Non-executive Director of ARB Corporation Limited since 2004.
Chairman of the Audit Committee.
Chairman of the Remuneration and Nomination Committee.

Mr. Ernest E Kulmar
B Com., FCPA, FAICD
Independent Non-executive Director

Business consultant with experience in a range of industries.
Non-executive Director of ARB Corporation Limited since 2006.
Member of the Remuneration and Nomination Committee and the Audit Committee.

Mr. Andrew P Stott
Independent Non-executive Director

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

Share Options

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

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 of \$30,000 in respect of Directors' and Officers' Liability insurance which indemnifies the Directors and Officers of the Company for any claims made against the Directors and Officers of the Company, subject to conditions contained in the insurance policy. Further disclosures required under Section 300(1)(g) of the Corporations Act 2001 are prohibited under the terms of the contract.

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

Directors' Report (continued)

Directors' Meetings

The number of meetings of the Board of Directors and of each Board committee held during the financial year and the numbers of Directors', Audit Committee and Remuneration & Nomination Committee meetings attended by each Director were:

	Directors'	Audit Committee	Remuneration & Nomination Committee
Number of meetings held	10	5	3
Mr. Roger G Brown	9		
Mr. Andrew H Brown	10		
Mr. John R Forsyth	10		
Mr. Robert D Fraser	10	5	3
Mr. Ernest E Kulmar	10	5	3
Mr. Andrew P Stott	9	5	3

The Risk Management Committee meetings occur in conjunction with the weekly Management meetings. There were 50 Risk Management meetings during the year. These were attended by the Executive Directors with representation by Mr. R Brown on 40 occasions, Mr A Brown on 44 occasions and Mr J Forsyth on 42 occasions.

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

Auditor's Independence Declaration

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

Non-Audit Services

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

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:	2014 (\$'000s)	2013 (\$'000s)
Taxation services	20	32
Other compliance and advisory services	5	12

Directors' Interests and Contracts

As at the date of this report, the number of ordinary shares of ARB Corporation Limited held by each Director, either directly or indirectly were:

Roger G. Brown (Executive)	8,150,994 (a)
Andrew H. Brown (Executive)	8,150,994 (a)
John R. Forsyth (Executive)	2,214,667
Robert D. Fraser	25,077
Ernest E. Kulmar	15,888

- (a) Common to each Director are shares held in associated entities of Rogand Unit Trust, a trust that holds 8,107,387 ordinary shares and Rogand Superannuation Fund that holds 25,729 ordinary shares. Each Director also holds 8,939 shares directly.

Since the end of the previous financial year no Director of the Company, other than as disclosed in Note 26, 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.

Proceedings on Behalf of the Consolidated Entity

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

Directors' Report (continued)

Remuneration Report - Audited

Remuneration Policies

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

For Executive Directors and key management personnel, the Company provides a remuneration package that incorporates 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 not directly related to Company performance. The Board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the Company for shareholders.

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

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

	Salary & Fees \$	Non-cash Benefits \$	Super contributions \$	Total \$
2014				
Directors				
Roger G. Brown (Executive)	272,935	28,035	35,000	335,970
Andrew H. Brown (Executive)	303,974	28,035	25,000	357,009
John R. Forsyth (Executive)	272,935	28,035	35,000	335,970
Robert D. Fraser	73,429	-	6,792	80,221
Ernest E. Kulmar	61,503	-	5,689	67,192
Andrew P. Stott	49,965	-	4,622	54,587
Total	1,034,741	84,105	112,103	1,230,949
2013				
Directors				
Roger G. Brown (Executive)	282,886	28,035	25,000	335,921
Andrew H. Brown (Executive)	290,762	28,035	25,000	343,797
John R. Forsyth (Executive)	282,886	28,035	25,000	335,921
Robert D. Fraser	72,809	-	6,553	79,362
Ernest E. Kulmar	60,983	-	5,488	66,471
Andrew P. Stott	49,543	-	4,459	54,002
Total	1,039,869	84,105	91,500	1,215,474

The Directors do not receive any short term or long term incentive arrangements.

The following table summarises company performance and key performance indicators:

	2014	2013	2012	2011	2010
Revenue (\$'000)	299,947	294,509	271,843	256,553	230,313
Increase in revenue (%)	1.8%	8.3%	6.0%	11.4%	19.7%
Profit before tax (\$'000)	57,291	57,965	52,788	51,315	44,812
Increase/(decrease) in profit before tax (%)	(1.2%)	9.8%	2.9%	14.5%	42.4%
Change in share price (%)	7.4%	25.3%	20.2%	30.1%	63.9%
Dividend paid to Shareholders (\$'000)	20,659	19,207	17,396	15,946	33,316
Total remuneration of Key Management Personnel	1,230,949	1,215,474	1,185,375	1,121,645	1,070,296

Related party transactions

An importing and distribution company of which A.P. Stott is a Director, supplied product to ARB Corporation Limited and Kingsley Enterprises Pty Ltd and was paid a royalty during the year on an arms length basis. The total value of the royalty was \$323,585 (2013: \$171,988).

Directors' Report (continued)

Directors' holdings of shares

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

	JUN 2014	JUN 2013
R.G. Brown (Executive)	8,150,994	8,150,994
A.H. Brown (Executive)	8,150,994	8,150,994
J.R. Forsyth (Executive)	2,214,667	2,214,667
R.D. Fraser	25,077	25,077
E.E. Kulmar	15,888	15,888

Common to each of R.G. Brown and A.H. Brown, are shares held in associated entities of Rogand Unit Trust, a trust that holds 8,107,387 ordinary shares and Rogand Superannuation Fund that holds 25,729 ordinary shares. Each Director also holds 8,939 shares directly.

R.G. Brown is a Director and member of Saharaton Pty Ltd., the holder of 8,939 (2013: 8,939) ordinary shares.

A.H. Brown is a Director and member of Thirty Third Jabot Nominees Pty Ltd., the holder of 8,939 (2013: 8,939) ordinary shares.

J.R. Forsyth, the holder of 9,414 (2013: 9,414) ordinary shares, is a Director and member of Formax Pty Ltd, the holder of 9,414 (2013: 9,414) ordinary shares, Formax Superannuation Pty Ltd, the holder of 192,874 (2013: 192,874) ordinary shares and Formax Pty Ltd (Reparar Account) the holder of 2,002,965 (2013: 2,002,965) ordinary shares.

R.D. Fraser, the holder of 6,191 (2013: 6,191) ordinary shares is a trustee and a member of the Fraser Family Superannuation Fund, the holder of 18,886 (2013: 18,886) ordinary shares.

E.E. Kulmar is a Director of Kulmar Pty Ltd which is the holder of 15,888 (2013:15,888) ordinary shares as trustee of the Kulmar Superannuation Fund of which he is a member.

Key Management Personnel

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

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

Rounding of Amounts

The amounts contained in the Directors' report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order CO 98/0100. The Company is an entity to which the class order applies.

Signed in accordance with a resolution of the Directors.



R.G. Brown
Director



J.R. Forsyth
Director

Melbourne, 20 August, 2014

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of ARB Corporation Limited

In relation to the independent audit for the year ended 30 June 2014, 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 any applicable code of professional conduct.



M J HARRISON
Partner

20 August 2014



PITCHER PARTNERS
Melbourne

Consolidated Income Statement
For the Year Ended 30 June 2014

		CONSOLIDATED	
	Note	JUN 2014 (\$'000s)	JUN 2013 (\$'000s)
Sales revenue		297,779	291,510
Other income		2,168	2,999
Total revenue and other income	3	299,947	294,509
Materials and consumables used		(131,764)	(132,008)
Employee expenses		(67,191)	(65,029)
Depreciation and amortisation expense	4	(7,402)	(6,449)
Advertising expense		(4,745)	(4,754)
Distribution expense		(7,237)	(7,694)
Occupancy costs		(11,618)	(9,993)
Other expenses		(12,699)	(10,617)
Profit before income tax expense		57,291	57,965
Income tax expense	5	(14,721)	(15,607)
Profit attributable to members of the parent entity		42,570	42,358
Basic and Diluted Earnings per share (cents)	22	58.7	58.4

The Consolidated Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 21 to 40.

Consolidated Statement of Comprehensive Income
 For the Year Ended 30 June 2014

	CONSOLIDATED	
Note	JUN 2014	JUN 2013
	(\$'000s)	(\$'000s)
Profit attributable to members of the parent entity	42,570	42,358
Other comprehensive income		
Items that may be reclassified subsequently to Profit/(Loss)		
Movement in fair value of cash flow hedges, net of tax	16 (285)	47
Exchange differences on translation of foreign operations, net of tax	16 (1,495)	3,169
Other comprehensive income for the year	(1,780)	3,216
Total comprehensive income for the year attributable to members of the parent entity	40,790	45,574

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 21 to 40.

Consolidated Statement of Financial Position
 As at 30 June 2014

	Note	CONSOLIDATED JUN 2014 (\$'000s)	JUN 2013 (\$'000s)
CURRENT ASSETS			
Cash and cash equivalents	18	38,835	43,764
Receivables	7	39,762	37,010
Inventories	8	70,443	58,728
Other assets	9	1,580	366
Total current assets		150,620	139,868
NON-CURRENT ASSETS			
Property, plant and equipment	10	71,943	63,156
Deferred tax assets	5	2,167	2,780
Intangible assets	11	17,034	13,247
Total non-current assets		91,144	79,183
Total assets		241,764	219,051
CURRENT LIABILITIES			
Payables	12	30,202	28,222
Other financial liabilities	13	308	23
Current tax liabilities	5	3,192	3,833
Provisions	14	9,528	8,738
Total current liabilities		43,230	40,816
NON-CURRENT LIABILITIES			
Provisions	14	720	692
Total non-current liabilities		720	692
Total liabilities		43,950	41,508
Net assets		197,814	177,543
EQUITY			
Contributed equity	15	46,758	46,618
Reserves	16	2,098	3,878
Retained profits	16	148,958	127,047
Total equity		197,814	177,543

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on pages 21 to 40.

Consolidated Statement of Changes in Equity
 For the Year Ended 30 June 2014

Consolidated Entity	Contributed equity (\$'000s)	Reserves (\$'000s)	Retained earnings (\$'000s)	Total equity (\$'000s)
Balance as at 1 July 2013	46,618	3,878	127,047	177,543
Profit for the year	-	-	42,570	42,570
Movement in fair value of cash flow hedges, net of tax	-	(285)	-	(285)
Exchange differences on translation of foreign operations, net of tax	-	(1,495)	-	(1,495)
Total comprehensive income for the year	-	(1,780)	42,570	40,790
Transactions with owners in their capacity as owners:				
Employee share issue	140	-	-	140
Dividends paid	-	-	(20,659)	(20,659)
Total transactions with owners in their capacity as owners	140	-	(20,659)	(20,519)
Balance as at 30 June 2014	46,758	2,098	148,958	197,814
Balance as at 1 July 2012	46,618	662	103,896	151,176
Profit for the year	-	-	42,358	42,358
Movement in fair value of cash flow hedges, net of tax	-	47	-	47
Exchange differences on translation of foreign operations, net of tax	-	3,169	-	3,169
Total comprehensive income for the year	-	3,216	42,358	45,574
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(19,207)	(19,207)
Total transactions with owners in their capacity as owners	-	-	(19,207)	(19,207)
Balance as at 30 June 2013	46,618	3,878	127,047	177,543

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 21 to 40.

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2014

		CONSOLIDATED	
	Note	JUN 2014	JUN 2013
		(\$'000s)	(\$'000s)
Cash Flows From Operating Activities			
Receipts from customers		319,047	316,436
Payments to suppliers and employees		(267,526)	(256,649)
Interest received		1,206	1,168
Income tax paid		(14,702)	(15,149)
Other income received		(1,519)	1,367
Net cash provided by Operating activities	18	36,506	47,173
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(16,298)	(15,003)
Payments for development costs		(1,856)	(1,685)
Payments for investments & goodwill	19	(3,006)	(1,291)
Proceeds from sales of property, plant & equipment		303	383
Net cash used in Investing activities		(20,857)	(17,596)
Cash Flows From Financing Activities			
Dividends paid		(20,659)	(19,207)
Net cash used in Financing activities		(20,659)	(19,207)
Foreign exchange differences		81	160
Net increase/(decrease) in cash held		(4,929)	10,530
Cash at the beginning of the financial year		43,764	33,234
Cash at the end of the financial year	18	38,835	43,764

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 21 to 40.

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Notes to the Financial Statements
For the Year Ended 30 June 2014

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 authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

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

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

Compliance with IFRS

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

Historical Cost Convention

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

(b) Going concern

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

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the Company and all entities which the Company controls. ARB Corporation Limited has the power to control the financial and operating policies so as to obtain benefits from the activities of its subsidiaries. Details of the controlled entities are contained in Note 24.

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 from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at transfer of ownership of the goods to the customer.

Revenue from rendering services to customers is recognised upon delivery of the service to the customer.

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

(e) Cash and cash equivalents

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

(f) Inventories

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

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

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2014

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 depreciation and accumulated impairment losses.

Depreciation

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

The useful lives for each class of assets are:

	<u>2014</u>	<u>2013</u>
- Buildings:	40 years	40 years
- Plant and equipment:	3 to 10 years	3 to 10 years

(h) Leases

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

Operating Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(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 asset over its estimated useful lives, which range from 3 to 5 years. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

Distribution Rights

The distribution rights were recorded at fair value on acquisition.

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

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2014

1. Statement of significant accounting policies (continued)

(k) Impairment of non-financial assets

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

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

(l) 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.

(m) Employee benefits

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

(n) Financial instruments

Loans and Receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method. Loans and receivables are tested for impairment. Any impairment loss is recognised in the profit and loss.

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties.

Hedge Accounting

Certain derivatives are designated as hedging instruments and are classified as cash flow hedges.

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

Cash flow hedge

To qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable.

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

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

1. Statement of significant accounting policies (continued)

(o) Foreign currency

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies of entities within the consolidated entity are translated into 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 year end exchange rates prevailing at that reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised as a separate component of equity.

(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 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) Rounding amounts

The Group is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(s) Adoption of new and amended accounting standards that are first operative at 30 June 2014

AASB 10 Consolidated Financial Statements

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and all entities which the parent controls. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

The consolidated entity concluded that the adoption of AASB 10 did not change the consolidation status of its subsidiaries. Therefore, no adjustments to any of the carrying amounts are required.

AASB 11 Joint Arrangements

AASB 11 has a principles-based approach to accounting for joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement, rather than the legal structure of joint arrangements. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate is no longer permitted. Parties to a joint operation account for their share of revenues, expenses, assets and liabilities arising from the arrangement by recognising their share of interest in each them.

The consolidated entity concluded that the adoption of AASB 11 has no impact on the composition or performance of the consolidated entity. Therefore, no adjustments to any of the carrying amounts are required.

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

1. Statement of significant accounting policies (continued)

(s) Adoption of new and amended accounting standards that are first operative at 30 June 2014 (continued)

AASB 12 Disclosure of Interests in Other Entities

AASB 12 has new minimum disclosures requirements for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements found in AASB 127 and AASB 128. This standard affects the type of information disclosed in relation to the consolidated entity's investments as the new standard requires extensive new disclosures regarding the nature of risk associated with the entity's interest in other entities and the effect of those interest on its financial position, financial performance and cash flows.

The consolidated entity concluded that the adoption of AASB 12 did not change the information on disclosures.

AASB 13 Fair Value Measurement

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards as well as the enhanced disclosure requirements. This standard explains how to measure fair value and aims to enhance fair value disclosures.

Application of AASB 13 does not materially change the company's fair value measurements. However, additional disclosures required under AASB 13 are provided in Note 10: Property, plant and equipment.

AASB 119 Employee Benefits

The amendments to AASB 119 revise the definitions of short term and long term employee benefits, placing the emphasis on when the benefit is expected to be settled rather than when it is due to be settled. The group has assessed its impact and concludes that the adoption of AASB 119 has no material effect on the amounts recognised in current or prior years.

No other new and amended accounting standards effective for the financial year beginning 1 July 2013 affected any amounts recorded in the current or prior year.

(t) New accounting standards and interpretations issued but not operative at 30 June 2014

AASB 9 *Financial Instruments*, improve and simplify the approach for classification and measurement of financial assets and financial liabilities, when compared with AASB 139. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the consolidated entity's accounting for financial liabilities.

In December 2013, new general hedge accounting requirements are also incorporated in AASB 9. The new model aligns hedge accounting more closely with risk management, and will be easier to apply and reduce the costs of implementation. However, the new model requires extended disclosure. The standard is not applicable until 1 January 2017 but is available for early adoption. The consolidated entity has yet to assess the impact of new general hedge accounting model on its hedge arrangements. The consolidated entity has decided not to early adopt AASB 9 at 30 June 2014.

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

2. Financial risk management

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

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

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

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

2. Financial risk management (continued)

(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 only reputable institutions with sound financial positions are dealt with.

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

Forward exchange contracts as at 30 June were:

	JUN 2014	JUN 2013	JUN 2014	JUN 2013
	A(\$'000s)	A(\$'000s)	\$	\$
Settlement	Sell AUD/Buy JPY		Forward Exchange Rate	
Less than 6 months	182	-	92.37	-
Settlement	Sell AUD/Buy SEK		Forward Exchange Rate	
Less than 6 months	3,089	3,324	5.9885	6.1682
Settlement	Sell AUD/Buy THB		Forward Exchange Rate	
Less than 6 months	6,585	-	29.6117	-
Settlement	Sell AUD/Buy NZD		Forward Exchange Rate	
Less than 6 months	-	160	-	1.2518

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

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

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

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 used to determine the fair value of the consolidated entity's financial instruments would result in a significant impact on profit or equity.

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

2. Financial risk management (continued)

(b) Interest rate risk

The Group monitors its cash flow on a daily basis. Borrowings as at the year ended 30 June 2014 were \$nil (2013: \$nil). Finance facilities available and used as at the reporting date are disclosed in Note 21.

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

Consolidated Entity	Note	Weighted Average Interest rate	Floating Interest rate (\$'000s)	Fixed interest maturing in:		Non Interest Bearing (\$'000s)	Total (\$'000s)
				1 year or less (\$'000s)	More than 1 year (\$'000s)		
2014							
<i>Financial assets</i>							
Cash	18	2.79%	38,835	-	-	-	38,835
Receivables	7	-	-	-	-	39,762	39,762
<i>Financial liabilities</i>							
Payables	12	-	-	-	-	30,202	30,202
Other financial liabilities	13	-	-	-	-	308	308
2013							
<i>Financial assets</i>							
Cash	18	3.25%	43,764	-	-	-	43,764
Receivables	7	-	-	-	-	37,010	37,010
<i>Financial liabilities</i>							
Payables	12	-	-	-	-	28,222	28,222
Other financial liabilities	13	-	-	-	-	23	23

(c) 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 provisions for impairment of those assets, as disclosed in the Consolidated Statement of Financial Position and Notes to the Financial Statements.

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

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

Concentrations of credit risk

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

(d) Liquidity risk

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

Maturity analysis

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

(e) Fair values

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

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

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

	CONSOLIDATED	
	JUN 2014	JUN 2013
	(\$'000s)	(\$'000s)
3. Revenues from continuing operations		
Sales Revenue		
Revenue from sale of goods	297,779	291,510
Other income:		
- Interest	1,206	1,168
- Net gain on disposal of property, plant and equipment	157	162
- Foreign exchange gains/(losses)	(789)	301
- Other	1,594	1,368
Total other income	2,168	2,999
Total Income from Continuing Operations	299,947	294,509
4. Profit from continuing operations		
Profit from continuing operations before income tax has been determined after the following specific expenses:		
Cost of goods sold	174,211	166,921
Depreciation of non-current assets:		
Buildings	976	844
Plant and equipment	5,351	4,579
	6,327	5,423
Amortisation of non-current assets:		
Development costs capitalised	1,060	966
Distribution right	15	60
	1,075	1,026
Total depreciation and amortisation	7,402	6,449
Other expense items:		
- Movement in provisions for impairment of receivables	117	(20)
- Research and development expenditure	4,604	2,888
- Operating lease rentals	5,207	5,405

Notes to the Financial Statements (continued)
 For the Year Ended 30 June 2014

	CONSOLIDATED	
	JUN 2014	JUN 2013
	(\$'000s)	(\$'000s)
5. Income tax		
(a) The components of tax expense:		
Current tax	14,465	15,653
Deferred tax	400	(32)
Under/(over) provision prior year	(144)	(14)
Total income tax expense	14,721	15,607
(b) Income tax expense		
Prima facie income tax expense at 30% (2013: 30%) on the operating profit	17,187	17,389
Increase/(decrease) in income tax expense due to:		
Non tax deductible items	-	1
Differences in overseas tax rates	(2,199)	(1,778)
Other	63	178
Research & development & building allowance deductions	(186)	(169)
Income tax expense on operating profit	14,865	15,621
Under/(over) provision prior year	(144)	(14)
Total income tax expense	14,721	15,607
(c) Current tax liabilities		
Movements during the year were as follows:		
Balance at beginning of year	3,833	3,343
Income tax paid	(14,702)	(15,149)
Current income tax liability on operating profit	14,465	15,653
Under/(over) provision prior year	(404)	(14)
	3,192	3,833
(d) Deferred tax		
Deferred tax assets		
Deferred tax asset comprises the estimated future benefit at applicable income tax rates of the following items:		
Provisions, accruals and accrued employee benefits	2,980	2,870
Doubtful debt impairment	491	538
Inventory write-down	408	364
Income tax expense on group unrealised profit	838	776
	4,717	4,548
Deferred tax liabilities		
Provision for deferred income tax comprises the estimated expenses at applicable income tax rates for the following items:		
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	1,194	878
Development costs capitalised	1,209	970
Other income not yet assessable	147	(80)
	2,550	1,768
Net deferred tax assets	2,167	2,780

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

6. Dividends	Note	CONSOLIDATED	
		JUN 2014 (\$'000s)	JUN 2013 (\$'000s)
Dividends recommended or paid by the Company are:			
(i)	a final fully franked ordinary dividend of 15.5 cents per share (2013: 14 cents fully franked) paid on 18 October 2013	11,235	10,147
(ii)	an interim fully franked ordinary dividend of 13 cents per share (2013: 12.5 cents fully franked) paid on 17 April 2014	9,424	9,060
(iii)	a final fully franked ordinary dividend is proposed of 16 cents per share (2013: 15.5 cents fully franked) to be paid on 24 October 2014	20,659	19,207
		11,599	11,235

The dividends paid by the Company were fully franked at the tax rate of 30% (2013: 30%) and the recommended final dividend will be fully franked at the tax rate of 30%.

Dividend franking account

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

Franking Credits (measured on a tax paid basis under Australian Legislation)	44,735	40,050
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7. Receivables

Current

Trade receivables	39,477	37,517
Other receivables	1,922	1,285
	41,399	38,802
Less: provision for impairment	1,637	1,792
	39,762	37,010

Provision for impairment

Receivables ageing analysis at 30 June is:	CONSOLIDATED		CONSOLIDATED	
	Gross 2014 (\$'000s)	Impairment 2014 (\$'000s)	Gross 2013 (\$'000s)	Impairment 2013 (\$'000s)
Not past due	33,037	(1,113)	34,295	(1,100)
Past due 0 - 30 days	5,180	(117)	3,073	(64)
Past due 31 - 90 days	2,126	(111)	720	(88)
Past due more than 91 days	1,056	(296)	714	(540)
	41,399	(1,637)	38,802	(1,792)

Trade receivables are non interest bearing with 30 days terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment 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 provision for impairment were:	CONSOLIDATED	
	JUN 2014 (\$'000s)	JUN 2013 (\$'000s)
Opening balance at 1 July	(1,792)	(2,115)
Charge for the year	(117)	20
Amounts written off	270	323
Foreign exchange translation	2	(20)
Closing balance at 30 June	(1,637)	(1,792)

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

	CONSOLIDATED	
	JUN 2014	JUN 2013
	(\$'000s)	(\$'000s)
8. Inventories		
Current		
Raw materials and work in progress, at cost	15,870	12,417
Finished goods, at cost	41,287	36,186
Goods in transit, at cost	13,286	10,125
	<u>70,443</u>	<u>58,728</u>
9. Other assets		
Current		
Prepayments	<u>1,580</u>	366
10. Property, plant and equipment		
Land and buildings, at cost	51,727	42,313
Less: accumulated depreciation	5,468	4,704
	<u>46,259</u>	<u>37,609</u>
Plant and equipment, at cost	65,505	61,810
Less: accumulated depreciation	39,821	36,263
	<u>25,684</u>	<u>25,547</u>
Total property, plant and equipment	<u>71,943</u>	<u>63,156</u>
Net book value		
(a) Movements in the carrying amounts		
Freehold Land and Buildings		
Balance at the beginning of financial year	37,609	30,891
Additions	10,314	7,000
Disposals	(34)	-
Depreciation	(976)	(844)
Foreign exchange impact	(654)	562
Balance at the end of financial year	<u>46,259</u>	<u>37,609</u>
Plant & Equipment		
Balance at the beginning of financial year	25,547	21,705
Additions	5,984	8,003
Disposals	(112)	(221)
Depreciation	(5,351)	(4,579)
Foreign exchange impact	(384)	639
Balance at the end of financial year	<u>25,684</u>	<u>25,547</u>

(b) Property, plant and equipment have been granted as security over bank facilities. Refer to Note 21 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 collective valuations for freehold land and buildings were \$55.1 million, compared with the collective carrying value of \$46.3 million. The fair value measurements have been determined as level 3 in the fair value measurement hierarchy. The valuations are based on the expected vacant possession sales price with consideration of comparable sales information and prevailing rental capitalisation rates.

Notes to the Financial Statements (continued)
 For the Year Ended 30 June 2014

11. Intangible assets	CONSOLIDATED	
	JUN 2014 (\$'000s)	JUN 2013 (\$'000s)
Distribution right, at cost	300	300
Less: accumulated amortisation	300	285
	-	15
Goodwill	13,005	9,999
Development, at cost	13,694	12,342
Less: accumulated amortisation	9,665	9,109
	4,029	3,233
	17,034	13,247
(a) Movements in the carrying amounts		
Distribution right		
Balance at the beginning of financial year	15	75
Amortisation	(15)	(60)
Balance at the end of financial year	-	15
Goodwill		
Balance at the beginning of financial year	9,999	8,708
Additions	3,006	1,291
Balance at the end of financial year	13,005	9,999
Development Costs		
Balance at the beginning of financial year	3,233	2,514
Additions	1,856	1,685
Amortisation	(1,060)	(966)
Balance at the end of financial year	4,029	3,233

Impairment

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

	Goodwill (\$'000s)	Growth rate	Discount Rate (post tax)	Period of projection
2014				
Thule Car Rack systems	1,748	5.0%	10.0%	5 years
Kingsley Enterprises	3,226	4.5%	10.0%	5 years
ARB Corporation (Australia)	8,031	6.5%	10.0%	5 years
2013				
Thule Car Rack systems	1,748	5.0%	10.0%	5 years
Kingsley Enterprises	3,226	4.5%	10.0%	5 years
ARB Corporation (Australia)	5,025	6.5%	10.0%	5 years

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

12. Payables	CONSOLIDATED	
	JUN 2014 (\$'000s)	JUN 2013 (\$'000s)
Current		
Trade payables	25,762	24,063
Other payables	4,440	4,159
	30,202	28,222

Notes to the Financial Statements (continued)
 For the Year Ended 30 June 2014

13. Other financial liabilities	CONSOLIDATED	
	JUN 2014 (\$'000s)	JUN 2013 (\$'000s)
Current		
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Forward exchange contracts	<u>308</u>	<u>23</u>

14. Provisions

Current		
Employee benefits	<u>9,528</u>	<u>8,738</u>
Non-current		
Employee benefits	<u>720</u>	<u>692</u>
Total employee benefits	<u>10,248</u>	<u>9,430</u>

15. Contributed equity

Issued and paid up capital

72,493,302 ordinary shares (2013: 72,481,302)	<u>46,758</u>	<u>46,618</u>
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Fully paid ordinary shares carry one vote and carry the right to dividends.

<u>Movements during the year</u>	CONSOLIDATED		CONSOLIDATED	
	JUN 2014	JUN 2013	JUN 2014	JUN 2013
	No. of shares		(\$'000s)	(\$'000s)
Balance at the beginning of the financial year	72,481,302	72,481,302	46,618	46,618
Other shares issued	12,000	-	140	-
Balance at the end of the financial year	<u>72,493,302</u>	<u>72,481,302</u>	<u>46,758</u>	<u>46,618</u>

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 payment 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.

During 2014 the Company paid dividends of \$20,659,000 (2013: \$19,207,000).

Notes to the Financial Statements (continued)
 For the Year Ended 30 June 2014

	Note	CONSOLIDATED	
		JUN 2014 (\$'000s)	JUN 2013 (\$'000s)
16. Reserves and retained earnings			
Reserves			
Capital profits		4,090	4,090
Foreign currency translation reserve		(1,684)	(189)
Cash flow hedge		(308)	(23)
		<u>2,098</u>	<u>3,878</u>
Retained earnings		<u>148,958</u>	<u>127,047</u>
Capital Profits			
Balance at the beginning and end of the financial year		<u>4,090</u>	<u>4,090</u>
Capital profits reserve reflects previously realised profits on sale of capital assets.			
Foreign Currency Translation Reserve			
Balance at the beginning of the financial year		(189)	(3,358)
Movement during the year		(1,495)	3,169
Balance at the end of the financial year		<u>(1,684)</u>	<u>(189)</u>
Foreign currency translation reserve reflects exchange differences on translation of foreign operations.			
Cash Flow Hedge			
Balance at the beginning of the financial year		(23)	(70)
Amount recognised in equity		(285)	47
Balance at the end of the financial year		<u>(308)</u>	<u>(23)</u>
Cash flow hedge reserve reflects the difference between the hedge contracts translated at the year end and contractual exchange rates.			
Retained earnings			
Balance at the beginning of the financial year		127,047	103,896
Net profit attributable to members of the parent entity		42,570	42,358
Dividends paid	6	(20,659)	(19,207)
Balance at the end of the financial year		<u>148,958</u>	<u>127,047</u>

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2014

19. Business combinations

Current Year

During the year the consolidated entity purchased two retail stores in Australia: Welshpool in Western Australia (February 2014) and Darwin in Northern Territory (30 June 2014).

A summary of these aggregated transactions is:

	\$'000s
Total consideration paid	4,049

Assets and liabilities acquired

	Fair value at acquisition \$'000s
Assets and liabilities acquired	
Inventory	884
Plant and equipment	268
Deferred Tax Asset	46
Employee Entitlements	(155)
Net assets acquired	1,043
Goodwill	3,006

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

Goodwill is not deductible for tax purposes.

Contribution since acquisition

For the year ended 30 June 2014 the two retail stores contributed revenue of \$1,683,000 and a profit after tax of \$135,000 which is included within the consolidated profit for that period.

Prior Year

During the prior year the consolidated entity purchased two retail stores in Australia: Alice Springs in Northern Territory (July 2012) and Ballarat in Victoria (June 2013).

A summary of these aggregated transactions is:

	\$'000s
Total consideration paid	1,913

Assets and liabilities acquired

	Fair value at acquisition \$'000s
Assets and liabilities acquired	
Inventory	530
Plant and equipment	102
Deferred Tax Asset	5
Employee Entitlements	(15)
Net assets acquired	622
Goodwill	1,291

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

Goodwill is not deductible for tax purposes.

Contribution since acquisition

For the year ended 30 June 2013 the two retail stores contributed revenue of \$2,240,000 and a profit after tax of \$259,000 which is included within the consolidated profit for that period.

These acquisitions were for the business assets only and accordingly appropriate accounting records are not available to ascertain what the contribution to revenue and profits would have been if the acquisitions had been at the beginning of the reporting period.

Notes to the Financial Statements (continued)
 For the Year Ended 30 June 2014

	CONSOLIDATED	
	JUN 2014	JUN 2013
	(\$'000s)	(\$'000s)
20. Commitments and contingencies		
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	5,847	5,399
Later than one year but not later than five years	12,732	13,435
Later than five years	620	1,137
	<u>19,199</u>	<u>19,971</u>
Capital expenditure commitments		
Contracted, but not provided for and payable within one year	<u>11,803</u>	<u>509</u>
21. Financing arrangements		
The consolidated entity has access to the following lines of credit:		
Total facilities available:		
Bank overdraft	500	500
Online facility	2,000	2,000
Lease guarantees	650	255
	<u>3,150</u>	<u>2,755</u>
Facilities utilised at balance date:		
Lease guarantees	<u>417</u>	<u>255</u>
	<u>417</u>	<u>255</u>
Facilities not utilised at balance date:		
Bank overdraft	500	500
Online facility	2,000	2,000
Lease guarantees	233	-
	<u>2,733</u>	<u>2,500</u>

Bank overdraft

The bank overdraft is subject to annual review. Following such review, the Bank retains the right at its discretion to review all of the terms and conditions of the facilities including without limitation all facility limits, fees, pricing, security and facility conditions. This facility was unused at 30 June 2014.

Online facility

This facility is used for the clearance of wages and was unused at 30 June 2014.

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.

	CONSOLIDATED	
	JUN 2014	JUN 2013
	cents	cents
22. Earnings per share		
Earnings per share (cents)	<u>58.7</u>	<u>58.4</u>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>72,485,445</u>	<u>72,481,302</u>

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

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2014

23. Auditor's remuneration	CONSOLIDATED	
	JUN 2014 (\$'000s)	JUN 2013 (\$'000s)
Remuneration of Pitcher Partners, the auditor of the parent entity for:		
- Auditing or reviewing the financial report	209	161
- Taxation services	20	32
- Other compliance and advisory services	5	12
Auditing or reviewing the financial report of subsidiaries		
- Remuneration of network firms of Pitcher Partners	30	23
- Remuneration of other non-related auditors	33	26
Total auditors' remuneration	297	254

24. Controlled entities

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

Parent entity	Country of Incorporation	JUN 2014	JUN 2013
		%	%
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	-

25. Directors and executives

Details of Key Management Personnel

R.G. Brown	Executive Chairman
A.H. Brown	Managing Director
J.R. Forsyth	Executive Director and Company Secretary
R.D. Fraser	Non-executive Director
E.E. Kulmar	Non-executive Director
A.P. Stott	Non-executive Director

Director and executive compensation by category	JUN 2014	JUN 2013
Short term employment benefits	1,118,846	1,123,974
Post employment benefits	112,103	91,500
Total	1,230,949	1,215,474

26. Related party transactions

Directors

The names of each person holding the position of Director of ARB Corporation Limited during the financial year are R.G. Brown, A.H. Brown, J.R. Forsyth, R.D. Fraser, E.E. Kulmar and A.P. Stott.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the economic entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Controlled entities

Details of interests in the controlled entities, being wholly-owned subsidiary companies, are set out at Note 24. All transactions between the Company and its controlled entities have been eliminated on consolidation.

Ultimate parent entity

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

Loans

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

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

27. Segment information

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

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

(a) Income Statement

	Australia (\$'000s)	USA (\$'000s)	Thailand (\$'000s)	Europe (\$'000s)	Eliminations (\$'000s)	Consolidated (\$'000s)
2014						
Segment revenue						
Total segment revenue	301,472	31,358	39,281	1,343	(73,507)	299,947
Intersegmental revenues	(37,305)	-	(36,202)	-	73,507	-
Segment revenue from external source	264,167	31,358	3,079	1,343	-	299,947
Total segment result	41,396	2,171	7,846	(63)	(8,780)	42,570
Intersegmental eliminations	(8,780)	-	-	-	8,780	-
Segment result from external source	32,616	2,171	7,846	(63)	-	42,570
Items included within the segment result:						
Interest income	1,199	-	7	-	-	1,206
Depreciation and amortisation expense	5,893	100	1,401	8	-	7,402
Income tax expense	13,497	1,091	158	-	(25)	14,721
2013						
Segment revenue						
Total segment revenue	303,899	27,078	27,707	-	(64,175)	294,509
Intersegmental revenues	(39,055)	-	(25,120)	-	64,175	-
Segment revenue from external source	264,844	27,078	2,587	-	-	294,509
Total segment result	48,178	399	6,281	-	(12,500)	42,358
Intersegmental eliminations	(12,500)	-	-	-	12,500	-
Segment result from external source	35,678	399	6,281	-	-	42,358
Items included within the segment result:						
Interest income	1,161	-	7	-	-	1,168
Depreciation and amortisation expense	5,416	73	960	-	-	6,449
Income tax expense	15,259	228	120	-	-	15,607

(b) Statement of Financial Position

	Australia (\$'000s)	USA (\$'000s)	Thailand (\$'000s)	Europe (\$'000s)	Eliminations (\$'000s)	Consolidated (\$'000s)
2014						
Segment assets	240,874	14,544	32,738	3,664	(50,056)	241,764
Segment liabilities	46,790	8,457	14,647	3,680	(29,624)	43,950
Segment acquisition of property, plant, equipment and intangibles	19,612	261	1,078	209	-	21,160
2013						
Segment assets	219,858	12,595	30,290	-	(43,692)	219,051
Segment liabilities	46,385	8,496	12,536	-	(25,909)	41,508
Segment acquisition of property, plant, equipment and intangibles	10,194	41	7,744	-	-	17,979

28. Subsequent events

There has been no matter or circumstance, which has arisen since 30 June 2014 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2014 of the consolidated entity,
- the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2014 of the consolidated entity.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 16 to 40 are in accordance with the Corporations Act 2001:

- (a) Complying with Accounting Standards, and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- (b) Complying with International Financial Reporting Standards as indicated in Note 1; and
- (c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2014 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 sections 295A of the Corporations Act 2001 for the financial period ended 30 June 2014.

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



Roger G Brown
Director



John R Forsyth
Director

Melbourne, 20 August, 2014

ARB CORPORATION LIMITED AND ITS CONTROLLED ENTITIES
ABN 31 006 708 756

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ARB CORPORATION LIMITED

Report on the Financial Report

We have audited the accompanying financial report of ARB Corporation Limited and its controlled entities, which comprises the consolidated statement of financial position as at 30 June 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of ARB Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in page 13 of the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of ARB Corporation Ltd for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.



M J HARRISON
Partner

20 August 2014



PITCHER PARTNERS
Melbourne

ASX Additional Information

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

SHAREHOLDINGS

Substantial Shareholders

The number of shares to which substantial shareholders were entitled as listed in the Company's register of substantial shareholders at 31 July 2014 was:

Shareholder	Ordinary
Rogand Pty Ltd	8,186,750
Perpetual Limited	7,029,403
Aberdeen Asset Management Asia Limited	5,954,219
Bennelong Funds Management Group Pty Ltd	4,513,141

Class of Shares and Voting Rights

At 10 August 2014, there were 5,917 holders of the 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 10 August 2014):

	Holders	%	Shares Held	%
1 - 1,000	2,610	44.11	1,318,060	1.82
1,001 - 5,000	2,339	39.53	5,901,973	8.14
5,001 - 10,000	535	9.04	3,906,847	5.39
10,001 - 100,000	400	6.76	9,452,103	13.04
100,001 or more	33	0.56	51,914,319	71.61
	5,917	100.00	72,493,302	100.00

The number of shareholders holding less than a marketable parcel at 10 August 2014 was 105.

Twenty largest shareholders (as at 8 August 2014)

Name of Holder	Number of ordinary shares held	% of issued ordinary shares held
BNP Paribas Noms Pty Ltd <DRP>	9,516,174	13.13
Rogand Pty Ltd	8,107,387	11.18
HSBC Custody Nominees (Australia) Limited	6,884,096	9.50
J P Morgan Nominees Australia Limited	5,726,507	7.90
National Nominees Limited	3,950,843	5.45
RBC Investor Services Australia Nominees Pty Limited <PI Pooled Account>	3,553,156	4.90
Citicorp Nominees Pty Ltd	2,404,725	3.32
Formax Pty Ltd (Reparar Account)	2,002,965	2.76
RBC Investor Services Australia Nominees Pty Limited <BKCust Account>	1,130,275	1.56
BKI Investment Company Limited	873,600	1.21
Citicorp Nominees Pty Ltd <Colonial First State Inv Account>	784,758	1.08
RBC Investor Services Australia Nominees Pty Limited <PIIC Account>	762,266	1.05
Milton Corporation Limited	744,741	1.03
Mrs Pamela Shirley Carpenter	598,888	0.83
Australian Foundation Investment Company Limited	583,224	0.80
Mr Gerard James Van Paassen (The Van Paassen Fam Account)	407,199	0.56
Mirraboopa Investments Limited	375,000	0.52
Illabarook Pty Ltd	350,000	0.48
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp Account>	347,517	0.48
Netwealth Investments Limited <Wrap Services Account>	276,943	0.38

The 20 largest shareholders hold 68.12% of the ordinary shares of the Company.

There is no current on market buy back of shares.

THE YEAR AHEAD

In 2015 ARB will continue to consolidate its place as the industry leader in 4WD accessories nationally, and increase our international presence and reach.

There are already innovative new products set to be released, stores to be opened and promotions planned.

Our engineers will continue to work tirelessly to expand the range with innovative, world leading products, keeping 4WDers on the tracks and ensuring that ARB's future is brighter than ever.

ARB – your partner in adventure since 1975.





4X4 ACCESSORIES

