ARA

2023

Annual Report

Essential services for your facility and infrastructure

Acknowledgement of Country

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

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

Annual Report 2023

ARA Group Limited
ABN 47 074 886 561

Photograph
Cover: Dubbo Railway Project

“Do the best you can until you know better. Then when you know better, do better.”

Maya Angelou Author, poet and civil rights activist

Photograph
Fire pump room maintenance

Letter from the

Co-founder and Chief Executive Officer

"Do the best you can until you know better. Then when you know better, do better." Maya Angelou, author, poet and civil rights activist.

As I reflect upon the financial year just completed, and I think about where we are as a business, the above quote epitomises the essence of the ARA journey during the past twenty-two years. We have not always got it right, but each time we missed the mark, we learned from it, and we did better in the future. We are continuously getting better and better as a business and as an organisation. Fortunately, our current year financial results demonstrate the continuous improvement we have achieved.

Operating Results

Financial year 2023 was an extraordinarily successful year. These results are especially gratifying building upon a successful 2022 when we achieved a 25% increase in revenue and a 9% increase in EBITDA. We have built upon the successful 2022. We achieved a record revenue in 2023 of $885 million, an increase of $164 million, or 23%, from the prior financial year. The most gratifying aspect of the increase in revenue this year was more than half of the increase was organic growth, with the balance of the increase resulting from acquisitions.

2023 was the eighth consecutive year of record operating earnings. EBITDA increased from $50.5 million in 2022 to $67.0 million in 2023, an increase of $16.5 million, or 33%. Each ARA Division and each business unit within each Division, contributed to this significant increase in earnings. From the time we founded ARA, we always said that if each profit centre was profitable, we would deliver exceptional results. That is exactly what we did this financial year. Approximately half of the increase in EBITDA was due to organic growth.

In 2023, earnings per share increased to $.72 per share, from $.58 per share in 2022. The increase of $.14 per share is 24% more than the prior year. As the ARA shares have been trading around $6.50 per share, this share price represents a price earnings ratio of 9.03.

The operating cash flow results in 2023 suffered because of exceptional cash flow in the two previous years due to advanced payments received for various projects. We did not receive a similar number and dollar amount of advanced payments in the current financial year. We also had a significant increase in inventory holdings. Due to the supply chain issues during the pandemic, we consciously made certain we had good, saleable inventory on hand in our ever-growing Products Division. 63% of EBITDA was converted into operating cash flow in 2023.

Turning EBITDA into operating cash flow has been consistently positive in the past five financial years:

2019	**121%**
2020	**63%**
2021	**156%**
2022	**103%**
2023	**63%**

The average of the previous five years (2019 to 2023) was 101%. Free cash flow in 2023 was $30.2 million as compared to free cash flow in 2022 of $33.8 million.

The backlog of confirmed orders at 30 June 2023 is $421 million. There are strong order books at all four Divisions.

Note: All amounts contained in this letter are before the application of AASB16 Leases.

For me, becoming isn't about arriving somewhere or achieving a certain aim. I see it instead as forward motion, a means of evolving, a way to reach continuously toward a better self. The journey doesn't end.

Michelle Obama from her memoir Becoming

Acquisitions

We completed ten acquisitions during the 2023 financial year for total cash consideration of $26.8 million. We have continued to ensure that our acquisition strategy is consistent with the prior years. We focus on small and medium sized businesses that provide similar products and services to those we currently provide. Many small and medium sized businesses are very successful and profitable and have reached out to us. However, they typically do not have succession plans for the owner. ARA has a positive reputation in our various industries where we work, of being a good acquiror. We treat the businesses acquired with respect and make the new employees feel wanted and valued. Once acquired, ARA has many and varied opportunities for career growth for the new employees that they did not previously have in the small and medium sized business where they were employed. Typically, the acquired products and services will be in a new geography, or they are products and services that expand what ARA can offer our customers. These acquisitions also bring new customers to ARA.

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

- Data cabling in Newcastle
- Low voltage contracting and switchboard manufacturing in the Hunter Valley
- Security integration Western Sydney
- Building automation in Sydney
- Architectural hardware distribution and installation in Auckland
- Architectural hardware distribution and installation and locksmith services in Napier
- Handyman services in Australia
- Marine life safety services in New Zealand
- Vehicle fire suppression installation and service in New South Wales and Queensland
- Manufacture of high security gates in Christchurch

The ARA Team

The ARA workforce is now 3,000 people strong. Our people are spread out around Australia and New Zealand in more than 100 locations. Given our size, operating strength and the exceptional capabilities of all of our employees, ARA has become a significant commercial and industrial services business. We work hard to have a culture of engagement and inclusion with our workforce. ARA would not be where we are as a company unless all 3,000 of us work together.

The ARA Senior Management Team is legendary. We became a better team, and hence, a better company when we really banded together to weather the storm of the pandemic. This level of collaboration that we created in a time of crisis has, simply said, made ARA a better company. We meet every week, the same time and day, and work hard to be better. ARA is led by a great group of senior managers. I thank each and every one of you for all that you have contributed this financial year.

ARA has an outstanding Board of Directors. Three of us are executive directors and four of us are non-executive directors. We have now been together as a Board for the past five years. We meet regularly during the year. The Board provides terrific guidance to me in my role, and to the Group as a whole. We work hard to make certain that we have strong corporate governance in place. My heartfelt thanks to each Board member for their work and help to me this past financial year.

We remain committed to the ARA tag line:

Here for you. Here for good.

As I said in last year's letter, "By ensuring that we maintain our focus on the "You" – our customers, our employees, our shareholders, and our communities – ARA will be in a strong position to move forward and be Here for Good."

Edward Federman

Edward Federman

Executive Chair and Chief Executive Officer
ARA Group Limited

Note: All amounts contained in this letter are before the application of AASB16 Leases.

22 years of

Sales and profitability

ARA has experienced an extraordinary increase in revenue during the past two financial years. Most importantly, the majority of the growth in the business has been organic growth, supplemented by the continuous implementation of the Group's acquisition strategy. In the financial year just completed (2023), revenue increased $164 million to $885 million from $721 million in financial year 2022. This is an increase of 23%. This substantial increase in 2023 follows a similar increase in the previous financial year of $145 million, or 25%. Revenue has increased a total of $309 million in the past two financial years. More than half of the total two-year increase is a result of organic growth.

During the past 22 years of ARA Group operations, revenue has grown at a compounded rate of 17.9%.

The Products Division, the Electrical Division, and the Fire and Security Division all experienced significant increases in revenue during 2023 as compared to 2022. The Property Division's revenue was consistent with the prior year.

The backlog of the Group grew to a record $421 million at 30 June 2023. This indicates there is still significant work ahead for the Group.

EBITDA in 2023 was ARA's eighth successive year of record profits. EBITDA increased from $50.5 million to $67.0 million, an increase of $16.5 million, or 33%. EBITDA was 8% of revenue, representing a slight increase from 7% in 2022. Meaningful contributions to EBITDA were made from all divisions.

During the past 22 years of ARA Group operations, EBITDA has grown at a compounded rate of 16.5%.

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

An employee-owned company

Recent returns to our shareholders

Over the past 8 years of record earnings

$113.8 million dividends paid

For many years, one of ARA's bankers kept telling us we cannot be a dividend yield company as well as a growth company. We have defied that prediction for many of our twenty-two years of operation.

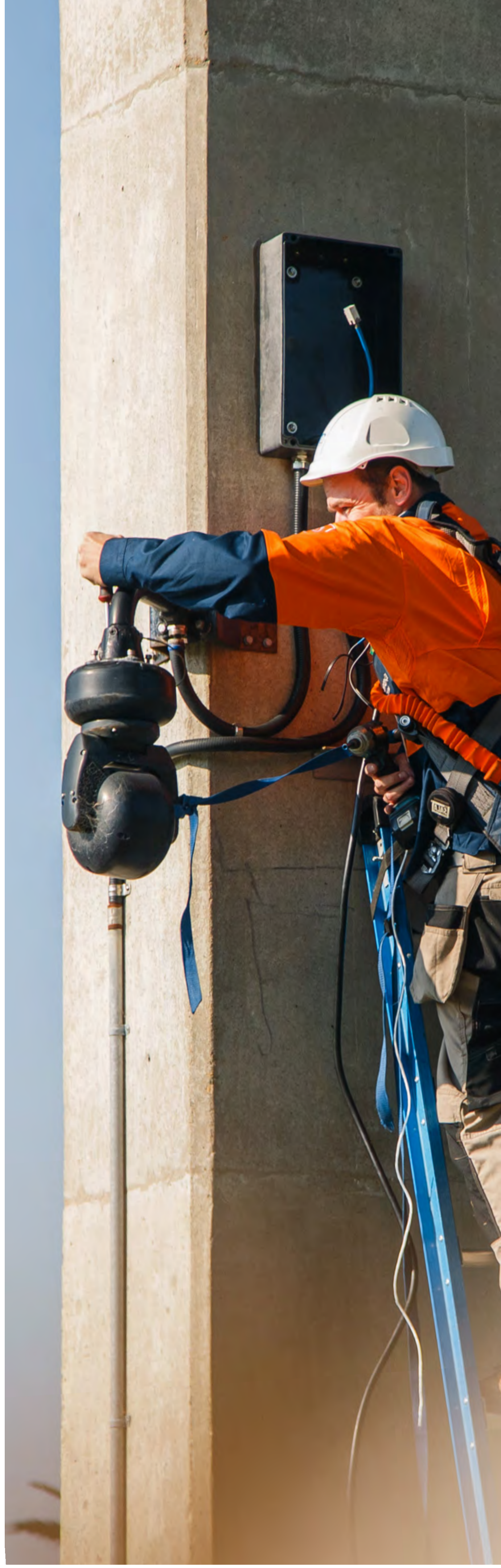
While revenue increased 23% in 2023 to a record amount, the dividends paid in financial year 2023 were a record $25,009,173. This represents $.55 per share paid in financial year 2023, also a record dividend per share payment.

$6.50 per share was the share price determined by the Board of Directors throughout financial year 2023. This share price was used in the capital raise one year ago as well as the price used for the dividend reinvestment plan implemented in the current financial year. The key factors in determining the share price are a comparison to comparable listed companies with regard to the PE ratio and dividend yield. At a share price of $6.50, the PE ratio is 9.03 for financial year 2023 ($6.50 divided by earnings per share of $.72 per share). The dividend yield in 2023 was 8.5% ($.55 of dividends paid divided by the share price of $6.50). ARA's dividend is almost double that of the dividend yield of the All Ordinaries Index of 4.29%.

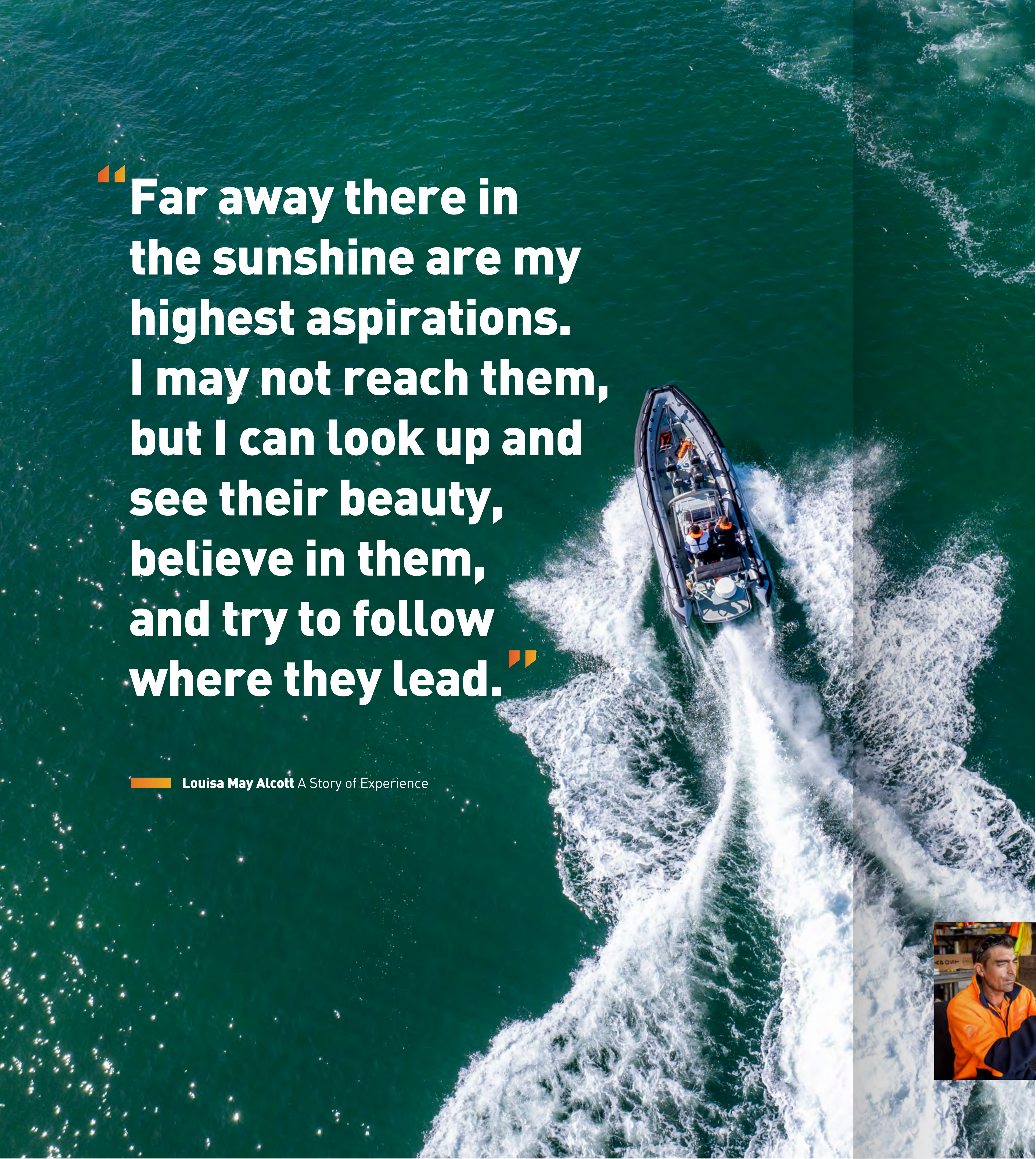
As indicated in the graph, ARA has paid $113.8 million in fully franked dividends in the past eight years. Throughout this period, the company's debt levels have remained at safe levels with significant head room with respect to all the bank covenants of the loan agreement in place. To pay this level of dividends, ARA is earning real cash profits. We are very proud of the results we have produced to date. We are very focused on continuing on the same path.

At 30 June 2023, there are more than $42 million of unused franking credits.

Note: Amounts are presented before the impact of the accounting standard (AASB 16) Leases.



Photograph
Gladesville bridge CCTV upgrade



"Far away there in the sunshine are my highest aspirations. I may not reach them, but I can look up and see their beauty, believe in them, and try to follow where they lead."

Louisa May Alcott A Story of Experience

Thoughts by
Edward Federman

ARA Today

It is interesting to look back and see where we have come from and recognise where ARA is today as a company and an organisation.

For many years, ARA was simply a collection of companies. The services and products we produced were related, but there was no effective Group branding. It was very difficult to describe the ARA Group and explain who we were and what we did. In financial year 2013, after twelve years of operations we rebranded the Group into five divisions: Electrical, Fire, Security, Mechanical and Manufacture. The colours of each division represented the earthy colours in the Australian landscape. The effect of this rebrand of ARA made it possible to explain what we were (a building service company) and what we did.

In financial year 2017, ARA did the largest acquisition in its history. It created a "step change" in our evolution, both in terms of the first soft service in ARA being cleaning, and the significant growth that ensued. We also used this opportunity to expand our branding to seven divisions: Electrical, Fire, Security, Mechanical, Manufacture, Building and Property Services. Each division, or business, was growing. This expansion of our divisions started to make the description of ARA a bit unruly again.

The path to describe who we were and what we did took shape in financial year 2020 when we began to say ARA provided "Essential services for your facility and infrastructure." This description has held to this day. Since 2020, we slowly combined our businesses where they complemented one another, and today we have four divisions: Electrical, Fire and Security, Products and Property Services and a partnership with ARA Indigenous Services.

ARA today is managed through these four divisions. This structure makes it easy to understand the ARA Group. Within each division, there may be focus businesses that still require their original brand to be used. The goodwill associated with those brands are important to maintain. We typically dual brand those businesses.

The following pages define the capabilities in each division and identifies the focus businesses and product lines in each division. The collaboration with ARA Indigenous Services is described as well. ARA Indigenous Services joined with ARA in 2017 with the acquisition of the cleaning business. Initially, ARA Indigenous Services was an Indigenous cleaning business. Today, many of our services are provided to our customers through ARA Indigenous Services. The Property Services, Fire and Security and Electrical Divisions did a total of $76 million of service and installation work in collaboration with ARA Indigenous Services in financial year 2023. Many of ARA's customers reach out to us to help them achieve meaningful Indigenous engagement in their business. The ARA Group and ARA Indigenous Services work together to ensure the engagement is meaningful. Approximately 3% of the ARA Australian work force is First Nation People. This reflects the composition of the wider Australian community. We provide cultural awareness training to ARA employees as well as to the employees of our customers. We engage meaningfully with the Indigenous community from purchasing materials and services from Indigenous businesses and contributing to the GO Foundation, the Indigenous Literacy Foundation and providing scholarships to Indigenous students at the National Institute of Dramatic Arts.

ARA today works very hard to be understood, to provide essential services and to be an important member of the community at large.

Photographs
Left to right: Marine vessel service & testing, bollards fabrication, thermography services, electrical construction.

Total 2023 revenue

60% Service

15% Construction

20% Product

5% Infrastructure

$885 Million

Photograph
Installation of switchrooms
Dubbo Regional Rail project

Essential services for your facility and infrastructure.

4 Key Divisions

ARA has approximately 3,000 employees working across our four operating Divisions: Electrical, Products, Fire & Security and Property Services.

ARA ELECTRICAL

Low voltage, high voltage, data cabling, engineering and manufacture of switchboards & switchrooms

ARA PRODUCTS

Manufacture and distribution

ARA FIRE & SECURITY

Integration of and solutions for electronic security and fire protection

ARA PROPERTY SERVICES

Commercial cleaning, mechanical services and building services

Partners with

ARA INDIGENOUS SERVICES

ARA Indigenous Services operates as a commercial cleaning business and a conduit for all ARA capabilities.

ARA ELECTRICAL **$157 Million**

ARA PRODUCTS **$188 Million**

ARA FIRE & SECURITY **$276 Million**

ARA PROPERTY SERVICES **$264 Million**

ARA PARTNERS WITH **ARA Indigenous Services**

ARA ELECTRICAL

Who we are

Integrated electrical capabilities for heavy industries.

ARA Electrical keeps the largest of heavy industrial, government, infrastructure and commercial clients across Australia connected. With a strong focus on safety, quality and risk management, we deliver true in-house, full turnkey integrated electrical and communications solutions.

Feature businesses

ARA | JBM POWER   ARA ELECTRICAL | j.a.martin ELECTRICAL

araelect.com.au | 1300 272 353

What we do

Electrical Services

- High voltage installation and service
- Low voltage installation and service
- Engineering design and solutions
- Manufacture of switchboards and switchrooms
- Structured cabling

Our Partner

ARA INDIGENOUS SERVICES

$11.4 Million

ARA Indigenous Services 2023 revenue in conjunction with ARA Electrical

ARA ELECTRICAL

$157 Million

ARA PRODUCTS

Who we are

Manufacturing and distributing leading-edge products to secure your facility.

ARA Products provides the manufacture and distribution of leading-edge products to secure your facility through our three primary capabilities: the distribution of electronic security products, the in-house manufacturing of industrial and commercial doors, physical security products and systems, and architectural hardware distribution.

Feature businesses

ARA MANUFACTURE | ARA HARDWARE | ISCS | ID SUPPLIES .COM.AU

araproducts.com.au | 1300 111 010 • aramanufacture.com.au | 1300 306 440

What we do

Manufactured Products	Electronic Security Products
Commercial doors	Access control
Industrial doors	CCTV
High security doors	Photo ID systems
Physical security systems	Identity security
Ballistic glass	Architectural hardware
Bollards, gates and commercial bicycle racks	
Joinery and lockers	

Our manufacture brands

SEALECK | Monarch Renlita | CBros | BSA | RAVCO | LEDA | HUD Security | METALBILT | ACD | BRIDGEWATER MULTIDOORS | ISM | Lockin

ARA PRODUCTS

$188 Million

Who we are

Providing innovative, reliable solutions for all aspects of fire, security and marine safety.

ARA Fire & Security provides solutions and services for fire protection, integrated electronic security and maritime technical safety. Offering clients a full turnkey service – from concept and design, through to development, installation, service, support, and maintenance – ARA Fire & Security complements each project with a 24-hour, 7 day a week national help desk.

Feature businesses

ARA FIRE | ARA SECURITY | ARA MARINE
ARA LOCKSMITHS | ARA | Servcore

arafire.com.au | 1300 272 347 • arasec.com.au | AUS 1300 303 325 NZ 0508 272 732 • aramarine.com.au | 1800 003 473

What we do

Fire Protection	Electronic Security	Marine Services
Inspection and testing	Access control	Fire fighting systems and equipment
Sprinkler systems	Intrusion systems	Hyperbaric/breathing air systems
Detection and EWIS systems	CCTV	Pressure vessels, relief valves and mechanical equipment
Passive and fire doors	ATM security	Ships boats and davits
Portable systems	Electronic security solutions	Lifeboats and davits
Special hazards	Safes, vaults and teller units	Ship repair and underwater services
Fire suppression systems	Locksmith services	Marine electrical and automation

Our Partner

ARA INDIGENOUS SERVICES

$56.8 Million

ARA Indigenous Services 2023 revenue in conjunction with ARA Fire & Security

ARA FIRE & SECURITY
$276 Million

ARA PROPERTY SERVICES

Who we are

Cleaning, building maintenance & repairs, commercial air-conditioning services and building automation.

ARA Property Services offers a comprehensive range of cleaning, building and maintenance services, and commercial air-conditioning services for commercial, industrial, healthcare, education, government and food manufacturing facilities across Australia and New Zealand.

Feature businesses

ARA BUILDING SERVICES
ARA MECHANICAL
Environmental Automation
ARA PROPERTY SERVICES | complexsolutions
ARA | THERMOSCAN FOR ASSET, FOR LIFE

arapropertyservices.com.au | 1300 889 210 • arabuildingservices.com.au | 1300 660 573 • aramechanical.com.au | 1300 332 237

What we do

Cleaning Services	Building Services	Mechanical Services
Commercial cleaning	Remedial building repairs	HVAC design
Healthcare cleaning	Insurance building repairs	Mechanical ventilation
Food processing cleaning	24/7 Emergency service	Air conditioning and chiller plants
Grounds maintenance	Exterior and interior design	Building automation
Waste management and recycling	Fit outs of interior spaces	Energy management and metering
	Multi-trade services	
	Thermal imaging	
	Building maintenance	

Our Partner

ARA INDIGENOUS SERVICES

$7.6 Million

ARA Indigenous Services 2023 revenue in conjunction with ARA Property services

ARA PROPERTY SERVICES **$264 Million**

ARA INDIGENOUS SERVICES

Who we are

ARA Indigenous Services provides meaningful Indigenous engagement in Australia working in partnership with the ARA Group.

ARA is in partnership with ARA Indigenous Services. Founded in 2015 by Michael O'Loughlin and Paul McCann, ARA Indigenous Services is a cleaning and property maintenance service business. In 2017 ARA Indigenous Services partnered with ARA.

In conjunction with ARA

Many of our customers are looking for meaningful Indigenous engagement in Australia. The ARA Indigenous Services business provides that vehicle. During the past four years we have worked to integrate the various ARA service and installation capabilities with ARA Indigenous Services. To date ARA Indigenous Services has delivered many major contracts in conjunction with ARA Divisions. These contracts include:

Major Fire Protection maintenance contracts	**in conjunction with ARA Fire**
Delivery of major fire sprinkler installation	**in conjunction with ARA Fire**
Installation of electronic security system in government building	**in conjunction with ARA Security**
Collaboration on major infrastructure projects	**in conjunction with ARA Security**
Collaboration on major infrastructure projects	**in conjunction with ARA Mechanical**
Upgrade of New South Wales School	**in conjunction with ARA Mechanical**
Multi-services installation projects	**in conjunction with ARA Electrical**

The ARA Group and ARA Indigenous Services takes very seriously our role in providing meaningful opportunities for Indigenous and Torres Strait Islander Australians. We are serious in meeting our goals for reconciliation in Australia.

araindigenous.com.au | 1300 889 210

What we do

Cleaning Services	Essential Services	In conjunction with
Cleaning of commercial and industrial facilities	Fire protection installation and maintenance	ARA Fire
Window cleaning	Electrical installation and service	ARA Electrical
Floor cleaning	Security systems installation and service	ARA Security
Mechanical scrubbing	Commercial air-conditioning and HVAC solutions	ARA Mechanical
Pressure washing		
Upholstery cleaning		
Waste management		
Hygiene and sanitary services		
Washroom consumables and procurement		
Waste management and recycling		

wiimali

The Wiimali program is a key initiative of the ARA Group's Reconciliation Action Plan (RAP) which was first launched in 2018. The innovative program is an employee recruitment, mentoring and community engagement program for all internal staff who identify as Aboriginal or Torres Strait Islander.

Wiimali is managed by a leadership team of ARA Indigenous Services employees who work nationally to support and encourage our Indigenous staff to succeed as recognised and valued members of the business.

“The ARA philosophy is to decentralise the responsibility to the Senior Management Team for the business they manage as if it is their own business.”

Edward Federman Chief Executive Officer, Executive Chair

Photograph
Installation of switchrooms
Dubbo Regional Rail project

Senior Management

The leadership behind our Divisions

A competitive advantage and a key to the success of ARA is the continuity of the ARA Leadership Team. There are ten team members of the Senior Management Team. Three team members have worked together at ARA for the entire 22 years (Edward Federman, Co-Founder and CEO, Tony Franov, Managing Director Fire and Security and Mark Pamula, Managing Director Manufacture). Five team members have been together at ARA for a range of 13 to 19 years. The final two team members have been a part of ARA since the acquisition of the cleaning business six years ago. Importantly, Paul McCann has been with his cleaning business that he sold to ARA for almost 30 years.

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

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

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

Allison McCann
Chief Financial Officer
ARA Group
Director ARA Group
13 years with ARA

Tony Franov
Managing Director
ARA Fire & Security
Director ARA Group
22 years with ARA

Mark Pamula
Managing Director
ARA Manufacture
22 years with ARA

Tony Murr
Managing Director
ARA Building Services
19 years with ARA

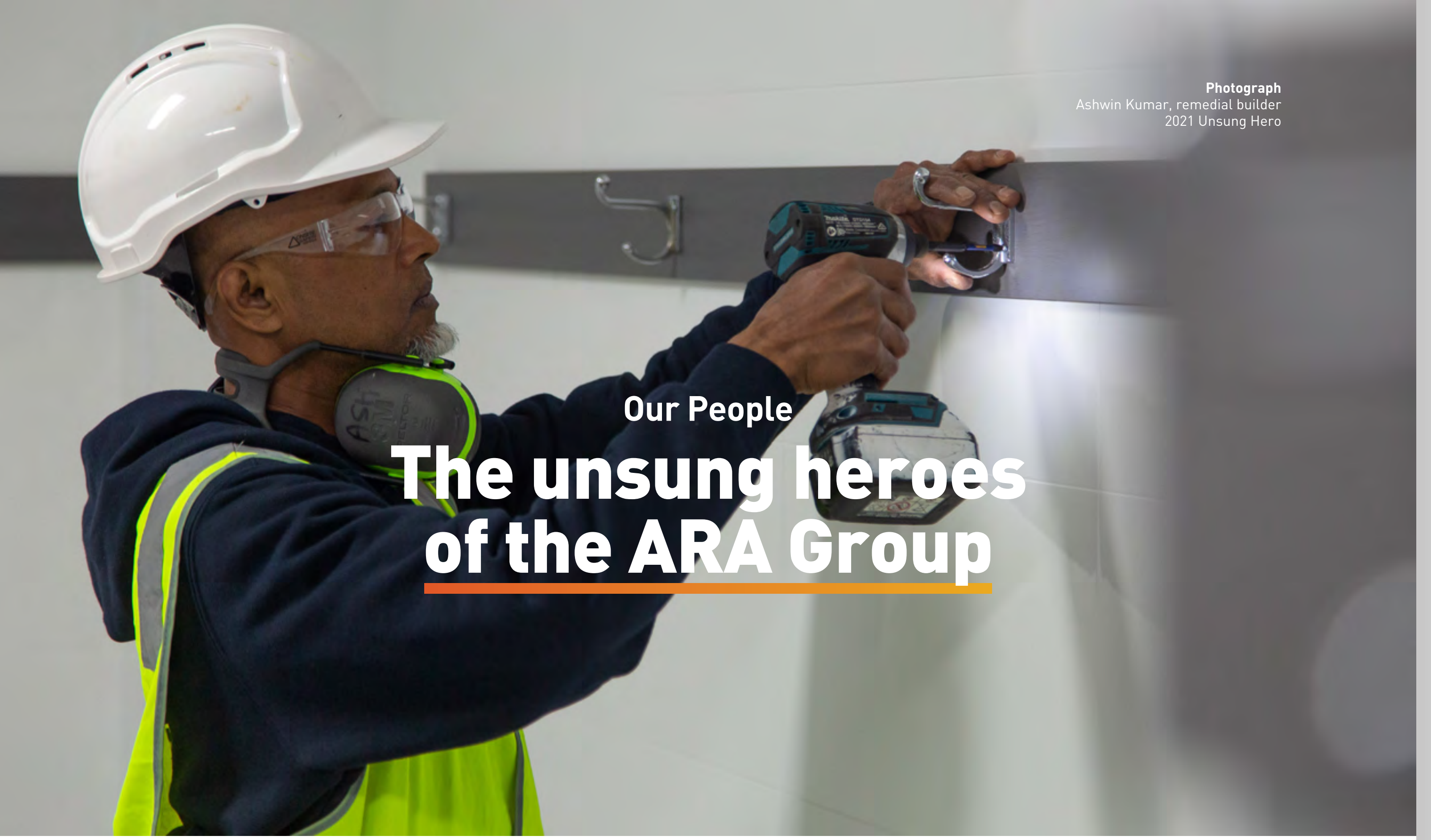
Phil Harding
Managing Director
ARA Mechanical
17 years with ARA

Stuart Harmer
Managing Director
ARA Products
14 years with ARA

Jason Moore
Managing Director
ARA Electrical
13 years with ARA

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

Michael O'Loughlin
Managing Director
ARA Indigenous Services
6 years with ARA



Photograph
Ashwin Kumar, remedial builder
2021 Unsung Hero

Our People

The unsung heroes of the ARA Group

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

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

Name: Adam Llanos
Job Title: Apprentice Mechanical Fitter & EAHL License Holder
Division: ARA Marine
Location: Henderson, WA

"Adam is in his final semester of his 3-year apprenticeship. Adam recently completed his EAHL certification and has stepped up to take the lead with our Halon related services for our Defence customers."

Glenn Harris, General Manager
ARA Marine

Name: Alex Stengle
Job Title: Indigenous Engagement Manager
Division: ARA Indigenous Services
Location: Milton, QLD

"Alex has helped employ and mentor countless Indigenous People at ARA and is a huge reason why ARA has one of the largest Indigenous workforces in the country."

Michael O'Loughlin, Managing Director
ARA Indigenous Services

Name: Alexander Abella
Job Title: Stock Control Co-ordinator
Division: ARA Security
Location: Bella Vista, NSW

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

Jamie McNaughton, Managing Director
ARA Security

Name: Alistair Grant
Job Title: Senior Technician
Division: ARA Manufacture
Location: Wellington, NZ

"With over 33 years of experience, Alistair is a great all-rounder with extensive knowledge over all our product range. He is always ready to go the extra mile for our customers. A great team player and an integral part of our Wellington team. "

Mark Pamula, Managing Director
ARA Manufacture

Name: AnnLouise Michels
Job Title: HSEQ Manager
Division: ARA Building Services
Location: Kingsgrove, NSW

"AnnLouise has developed and monitored our health and safety programs and polices. Through engaging with employees throughout the safety process, she has cultivated a culture of safety and is always offering a helping hand to all staff around her."

Anthony Murr, Managing Director
ARA Building Services

Name: Astrid Hardingham
Job Title: Senior Accounts Administrator
Division: ARA | Servcore
Location: Bella Vista, NSW

"Astrid, a devoted and indispensable team member, sets a shining example with her meticulous attention to detail and unwavering commitment to the business. Respected by her peers, she truly embodies excellence."

Nathan Clegg, General Manager
ARA | Servcore

Name: Brendan Fouracre
Job Title: Project Manager
Division: ARA Electrical
Location: Heatherbrae, NSW

"Brendan continually goes above and beyond and works tirelessly to satisfy his customers in often very difficult situations. He is a reliable, trustworthy team member who leads by example and always gives 100% effort."

Jason Moore, Managing Director
ARA Electrical

Name: Brijesh Dasour
Job Title: Operations Manager
Division: ARA Property Services | Complex Solutions
Location: North Parramatta, NSW

"Brijesh Dasour is an accomplished professional with a strong focus on the healthcare industry. Brijesh's ability to build strong rapport with clients has not only secured renewals but also opened doors to additional sites within their organizations."

Paul McCann, Managing Director
ARA Property Services

Name: Caleb Buhren
Job Title: Lead Fire Alarm Technician
Division: ARA Fire
Location: Regency Park, SA

"Caleb is responsible for assisting with quoting, technical issues, and has overview of large complex sites such as power stations and portable electrical switch room fit-outs."

Keith Slaughter, Operations Manager
ARA Fire

Name: Chad Rozario
Job Title: Fire Alarm Manager
Division: ARA Fire
Location: Loganholme, QLD

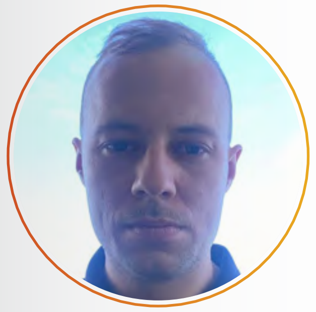
"Chad oversees the Brisbane fire alarm service division, which includes 8 technicians. He is responsible for quoting, scheduling, invoicing and client relations."

Brett Hendry, General Manager QLD
ARA Fire

Name: Chris Lette
Job Title: Manager | Client Services
Division: ARA | Servcore
Location: Bella Vista, NSW

"Chris is a highly valued team member whose unwavering commitment to detail and client satisfaction is exemplary. With consistent positivity, he uplifts the team and ensures exceptional results for our valued clients."

Nathan Clegg, General Manager
ARA | Servcore



Name: Chris Vinson
Job Title: Sprinkler Fitter – Leading Hand
Division: ARA Fire
Location: Balcatta, WA

"Chris started with ARA Fire (WA) in our service division testing fire equipment and has progressed through the business completing his Sprinkler Fitter apprenticeship. Chris goes above and beyond for the business."

Joe Armitage, General Manager WA
ARA Fire

Name: Cloe Glassock
Job Title: Art Director
Division: ARA | Creative Team
Location: Sydney, NSW

"Cloe's design experience, creative flair and strong work ethic has led to a consistently stronger ARA brand over the past seven years. A vital part of the creative team, she inspires her teammates around her, helping lift the standard of marketing across the entire Group."

Paul Dieckmann, Creative Director
ARA Group

Name: Daniel Brown
Job Title: Sales Manager
Division: ARA Manufacture
Location: Derrimut, VIC

"Dan is instrumental in winning projects and managing work. From ballistic doors and windows for banks, to attack rated cell doors and windows for correctional facilities, Dan is someone that clients can rely on to provide cost effective, high security solutions."

Mark Pamula, Managing Director
ARA Manufacture

Name: Dean Johnston
Job Title: Leading Hand / Project Manager
Division: ARA | CES
Location: Tullamarine, VIC

"Dean has been employed with the business for just over 11 years. He always goes well above and beyond what is required in his everyday works and on projects and is a valuable member of the ARA | CES team."

Dean Gatenby, General Manager
ARA | CES

Name: Duane Hall
Job Title: Business Development Manager
Division: ARA Building Services
Location: Auckland, NZ

"Duane has consistently gone above and beyond, demonstrating unwavering dedication to the brand and the team. His strategic thinking, innovative approach and unwavering commitment to the team's success is truly commendable."

Chris Booth, General Manager
ARA Group NZ

Name: Dulal Kabir
Job Title: Operations Manager
Division: ARA Property Services | Complex Solutions
Location: North Parramatta, NSW

"Dulal Kabir is a highly accomplished professional who excels in managing a commercial portfolio. With a focus on delivering exceptional service, Dulal has been entrusted with overseeing the majority of the commercial accounts."

Paul McCann, Managing Director
ARA Property Services

Name: Geoff Robinson
Job Title: Fire Alarm Manager
Division: ARA Fire
Location: Derrimut, VIC

"Geoff oversees the Melbourne fire alarm service division, which includes the management of twelve technicians. He is responsible for quoting, scheduling, invoicing and client relations."

Shaun Polidano, Services Manager
ARA Fire

Name: Greg Geeves
Job Title: HSEQ Co-ordinator
Division: ARA Electrical
Location: Unanderra, NSW

"Greg is an extremely dedicated and hardworking individual. He is always willing to lend a helping hand and works tirelessly to do what he can to make the operation run as smoothly as possible. He has a great rapport with all levels of the business and is well respected by all of our clients."

Jason Moore, Managing Director
ARA Electrical

Name: Isaac Capra
Job Title: Service Coordinator
Division: ARA Locksmiths
Location: Kingsgrove, NSW

"Isaac is a diligent and dedicated member of the locksmith team. As the NSW Service Coordinator, Isaac is focused on ensuring our technicians are allocated work and service levels are achieved, making sure the customer's needs and expectations are realized."

Daniel Paul, General Manager
ARA Locksmiths

Name: Jeremy Xu
Job Title: Project Engineer
Division: ARA Security
Location: South Melbourne, VIC

"Jeremy has been instrumental in multiple success stories across our corporate client portfolios nationally. His calm approach to problem solving and can-do attitude has established him as one of the most sought-after technical specialists across the industry. "

Steve Ballas, Head of Operations
ARA Security

Name: Katt Schaeffers
Job Title: Service Coordinator Team Leader
Division: ARA | Servcore
Location: Hamilton, NZ

"Often referred to as 'the glue', Katt coordinates our Hamilton and Auckland Field Services teams. Katt is responsible for administrative tasks, scheduling, invoicing, logistics, KPI management and finding the resource to deliver first class service to customers."

Chris Booth, General Manager
ARA Group NZ

Name: Ketan Chauhan
Job Title: Business Integration Manager
Division: ARA Mechanical
Location: Kingsgrove, NSW

"Ketan's vision and work ethic to improve business processes, efficiencies and culture are second to none. He truly believes that with the right tools, Environmental Automation can outperform in the years to come for the benefit of the ARA Group."

Phil Harding, Managing Director
ARA Mechanical

Name: Leanne Van De Lustgraaf
Job Title: National Service Manager
Division: ARA Building Services
Location: Kingsgrove, NSW

"Leanne is an amazing team member who dedicates long hours to ensure that she manages and supports all her team of service coordinators. Leanne is great at communicating with clients and providing terrific support 24/7."

Anthony Murr, Managing Director
ARA Building Services

Name: Martin Baxter
Job Title: Senior Electrical Engineer
Division: ARA Electrical
Location: Ingleburn, NSW

"Martin is a diligent hard working employee who is committed to providing exceptional service to his customers. He is always willing to assist and mentor his fellow employees and finding solutions to complex situations."

Jason Moore, Managing Director
ARA Electrical

Name: Massimo Smarrelli
Job Title: Business Performance Manager
Division: ARA Property Services
Location: Hawthorn, VIC

"Massimo's knowledge of operations and transitions is second to none. As a long-standing staff member, his dedication and contribution to the business set the standard amongst his peers, nothing is ever too much trouble."

Paul McCann, Managing Director
ARA Property Services

Name: Michael Paparella
Job Title: Projects Coordinator
Division: ARA Manufacture
Location: Regency Park, SA

"Michael has been with ARA Manufacture for 7 years and is a talented tradesman. He manages our large building sites installation in a highly professional manner. Michael always gives 110% to his highly demanding role."

Mark Pamula, Managing Director
ARA Manufacture

Name: Nicole Glynn
Job Title: Contracts and Reporting Lead
Division: ARA Indigenous Services
Location: Kingsgrove, NSW

"Nicole stared her career at ARA as a cleaner. She then progressed to site supervisor, client retention manager, Indigenous portfolio manager and now contracts and reporting lead. Nicole is an integral part of the ARA Indigenous Services team."

Michael O'Loughlin, Managing Director
ARA Indigenous Services

Name: Penny Partington
Job Title: Senior Service Administrator
Division: ARA | Servcore
Location: Bella Vista, NSW

"Penny has a remarkably collaborative spirit, effective communication skills, an infectious positivity, and an unwavering reliability. She is an indispensable asset to the team."

Nathan Clegg, General Manager
ARA | Servcore

Name: Peter Berry
Job Title: Technical Sales
Division: ARA Manufacture | Leda
Location: Derrimut, VIC

"Peter has dramatically increased sales for Leda VIC since moving from his installation role to a sales role. His experience, product knowledge and high work ethic combine to improve the operating results of Leda. Peter's efforts help Leda remain a market leader."

Mark Pamula, Managing Director
ARA Manufacture

Name: Rohit Chatterjee
Job Title: Senior Security Technician
Division: ARA Security
Location: Auckland, NZ

"Rohit's exceptional skills, dedication, and remarkable ability to ensure the safety and security of our prestigious clients' premises, make him a deserving candidate for this recognition. His performance, professionalism, and commitment to excellence is outstanding."

Chris Booth, General Manager
ARA Group NZ

Name: Shane Rhodes
Job Title: Lead Installation Technician
Division: ARA Manufacture
Location: Auckland, NZ

"A loyal employee with 21 years of installation experience. Shane is an extremely versatile employee, from building doors through to installation. He is never shy to try new challenges and will always meet them head on with a can do attitude."

Mark Pamula, Managing Director
ARA Manufacture

Name: Shilpa Chowdhury
Job Title: Compliance Coordinator
Division: ARA Property Services
Location: Hawthorn, VIC

"Shilpa is dedicated and diligent, known for her unwavering work ethic and commitment to ensuring compliance. She upholds the highest level of compliance, instilling confidence in stakeholders and contributing to ARA's success."

Paul McCann, Managing Director
ARA Property Services

Name: Shobna Sharma
Job Title: Accounting Manager
Division: ARA | JBM Power
Location: Minto, NSW

"Having worked with JBM Power for 20 years, Shobna knows the business from inside out. She has assisted greatly in setting up the ERP system and continues on improving it throughout the years. Shobna's commitment to the business is evident through her commitment to her work."

Mile Belevski, General Manager
ARA | JBM Power

Name: Tim Doodson
Job Title: Switchboard Manufacturing Manager
Division: ARAE | JA Martin
Location: Tomago, NSW

"Tim is an exceptional employee and his commitment to the business and to the client is second to none. He is extremely hardworking and doesn't leave a stone unturned in getting the best outcome for everyone. A true asset to the business."

Phil Lowbridge, General Manager
ARA Electrical | JA Martin

Name: Tom Grant
Job Title: Senior Technician
Division: ARA Fire
Location: Balcatta, WA

"Tom joined us as a trainee, seeking a change after running his successful painting business for a few years. Since then, he has made remarkable progress, climbing the ranks to become a senior technician at Fire Suppression Services."

Ashley Knapp, Group Director WA
ARA Group

Name: Trish Halliday
Job Title: Project Administrator
Division: ARA Mechanical
Location: Kingsgrove, NSW

"Trish has been a team player for all of the 16 plus years that she has been with the ARA Group. Always supporting the project team at ARA Mechanical, the work that Trish delivers is always correct to the dollar and is a vital member of the team."

Phil Harding, Managing Director
ARA Mechanical

Thank you to

The unsung heroes of the ARA Group

ARA Electrical

The Sydney Metro

The Sydney Metro project is a large-scale public transport infrastructure project in Sydney, Australia. This project involves the construction of a new metro system comprising multiple lines and stations. The project is aimed at improving public transport connectivity and reducing traffic congestion in the city.

ARA Electrical has been responsible for the installation of the platform screen doors for the Sydney Metro Northwest line, which is the first stage of the project to be completed. The state-of-the-art doors each weigh 200 kilograms and reach 2.7 metres in height to provide a platform-to-ceiling barrier between the track and underground platforms beneath the city of Sydney. The platform screen doors will also be installed at all southwest stations ensuring safe, reliable, and fast journeys for metro customers.

Platform screen doors are common around the world, but Sydney Metro is the first Australian railway to use them. All 46 metro stations across Sydney's new 113-kilometre metro system will be fitted with platform screen doors. A total of 288 platform screen doors will be installed at Crows Nest, Victoria Cross, Barangaroo, Martin Place, Pitt Street, Central, Waterloo, and Sydenham stations. Following this project, ARA Electrical is also responsible for the installation of opal card gates within each station.

ARA Electrical has provided project management and engineering consulting services to help oversee the project and ensure the highest standards are met. The management services include providing technical expertise and advice on a range of issues, such as systems integration, risk management, and quality assurance.

This project is another of a long line of successful ARA Electrical projects during the past twenty-two years. In ARA's initial year of operations in 2001, a small but successful low voltage electrical contracting and service business in western Sydney was acquired. From that beginning, the ARA Electrical Division has grown to be a business doing more than $157 million of work annually. The work today includes low voltage, high voltage, communications and data cabling, and the manufacture of switchboards and switch rooms with more than 500 skilled employees.

Photographs
All: Installation of platform screen doors

ARA Building Services

The restoration of Saint Sophia's Cathedral

The Greek Orthodox Cathedral of Saint Sophia is a heritage listed church located in Paddington, NSW. Having been consecrated in 1927, the Cathedral has a storied history as one of the first Greek Orthodox Cathedrals in Australia.

The Cathedral had been exposed to multiple elements since it's construction. As a result, there was significant accumulated structural damage. Parts of the building were crumbling, and large cracks had appeared.

The front façade had suffered with large sections of the concrete mix completely saturated, resulting in corrosion of the steel reinforcement. The left and right corners of the upper-level frieze had shifted by up to 20mm and the bedding of the top moulds/corbel had delaminated.

With a strong remedial capability, ARA Building Services was contracted to complete the restoration works on the Cathedral.

Saint Sophia was heritage listed by the NSW Government in 2015, and as such, any work is required to be undertaken in accordance with the Burra Charter principles and standards. This means that no alterations to the façade of the building are allowed, other than to reinstate original features.

The elevated wall and entablature were repaired. A propping system was designed to support the entablature, which is 8 metres above the main entrance portico.

An external waterproofing membrane was applied to waterproof the corbels on the building with properties which resist ageing. The system was then completed with a liquid membrane coating to match the remainder of the church façade.

An external façade and roof membrane was applied to the façade of the Cathedral and carbon fibre crack stitching was also installed to help prevent further cracking in the structure.

To prevent interior damage when removing the roof tiles and installing the sarking, the roof was completed in stages to minimize exposure to the elements and mitigate the risk of internal damage.

The supporting walls, which underpinned the entablature, were supported off a base slab tied into the structure, forming an intricate gravity-based system to support the main wall and entablature.

ARA is also undertaking remedial structural repairs at another Greek Orthodox Church in Surry Hills to restore the aesthetically distinctive facade to its former glory. Additional works on the Church include re-framing and re-leading of the intricate front leadlight windows, and installation of new rooftop waterproofing membranes.

ARA Building Services restores building façades completely, both structurally and aesthetically, with brand new finishes, retaining history through restoring the unique features of heritage buildings and structures.

Photographs
Left: The completed restoration works
Above: Structural damage and cracks from time and exposure to the elements

ARA Group

Recent acquisitions

There were two recent acquisitions that have made a very positive impact this past year and will continue to have a positive impact in the future, on the ARA Group. The positive impact is both strategic and financial.

BM Doors

In May 2022, the BM Doors Group (BM Doors) was acquired as an additional business in the Products Division. Financial year 2023 was the first full year of BM Doors as part of the ARA Group. BM Doors designs, manufactures, and installs a bespoke range of security and fire doors. BM Doors also designs and manufactures high security locks and locking systems. Many of the products have been patented, both in Australia and New Zealand, and in other parts of the world. Many products have also been approved for use in high security applications by the regulatory authorities in Australia. BM Doors has proven to be a great asset to ARA as well as a high performing business.

The BM Doors' products complement the existing door product ranges of ARA. The BM Doors business extends the product line that ARA Products offers its customers. The high security door hardware is distributed through the ARA Hardware channels. BM Doors has become a highly integrated part of the ARA Manufacture business.

Sicada Fire & Safety

The Sicada Fire & Safety business was acquired in early April 2023 by the ARA Fire and Security Division. Sicada is a vehicle suppression fire protection business. This acquisition continues the expansion of the ARA Fire business to specialty fire protection services. Specifically, ARA Fire has expanded its business to include marine services and special hazard fire protection, including vehicle and restaurant fire suppression businesses.

Sicada is strategically located in the mining areas of the Hunter Valley in New South Wales and Central Queensland. Sicada complements the vehicle fire suppression businesses already existing within ARA Fire in Western Australia and in Queensland. The growth of ARA Fire in the special hazard business has been significant and has led to increased margins and introduced mining customers throughout Australia. Sicada and the previous acquisitions in the fire suppression business complement the fixed fire service business of ARA Fire. The business also extends the geographic reach of ARA Fire into many regional areas of Australia.

The overriding purpose of these niche businesses is to make the ARA Group a dominant participant in the product and service businesses already existing within ARA. They add to the Group's capabilities, add to the geographic reach of ARA, and add to the operating margin of ARA. The two acquisitions highlighted herein meet all the criteria of the ARA Group acquisition strategy.

Photographs
Far left: BM Doors manufacturing facility
Above left to right: BM Doors manufacturing capability, on site with Sicada Fire & Safety.

Photograph
The Sydney Writers' Festival 2023

Philanthropy

ARA in the Community

ARA continues to believe that it has a responsibility to assist the communities where we operate. Once ARA becomes committed to an organisation, we remain consistently committed as we attempt to build a meaningful partnership. As an inherent part of the ARA culture, we believe our support for our communities makes us a better company.

Literature

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

ARA is the Principal Partner of the Sydney Writers' Festival. ARA has supported the Sydney Writers' Festival for the past seven years. In 2023 ARA committed to continue as the Principal Partner for the next five years. The Sydney Writers' Festival brings hundreds of authors together each year.

ARA has been the Principal Partner of the Melbourne Writers Festival for the past three years. The Festival brings together tens of thousands of people who have a love of literature.

ARA Endowment Fund

The ARA Endowment Fund was established in 2009. It is the dream of ARA to leave a lasting legacy to the Australian community.

Each year, 100% of the annual earnings of the ARA Endowment Fund is donated to registered Australian charities. The principal balance of the ARA Endowment Fund is currently $3 million. In 2023, this principal balance generated $100,000 which was donated to the three Foundations currently being supported by the ARA Endowment Fund: The GO Foundation, The Indigenous Literary Foundation and The David Lynch Foundation.

Arts and Higher Education

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

Arts and Literature for Children

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

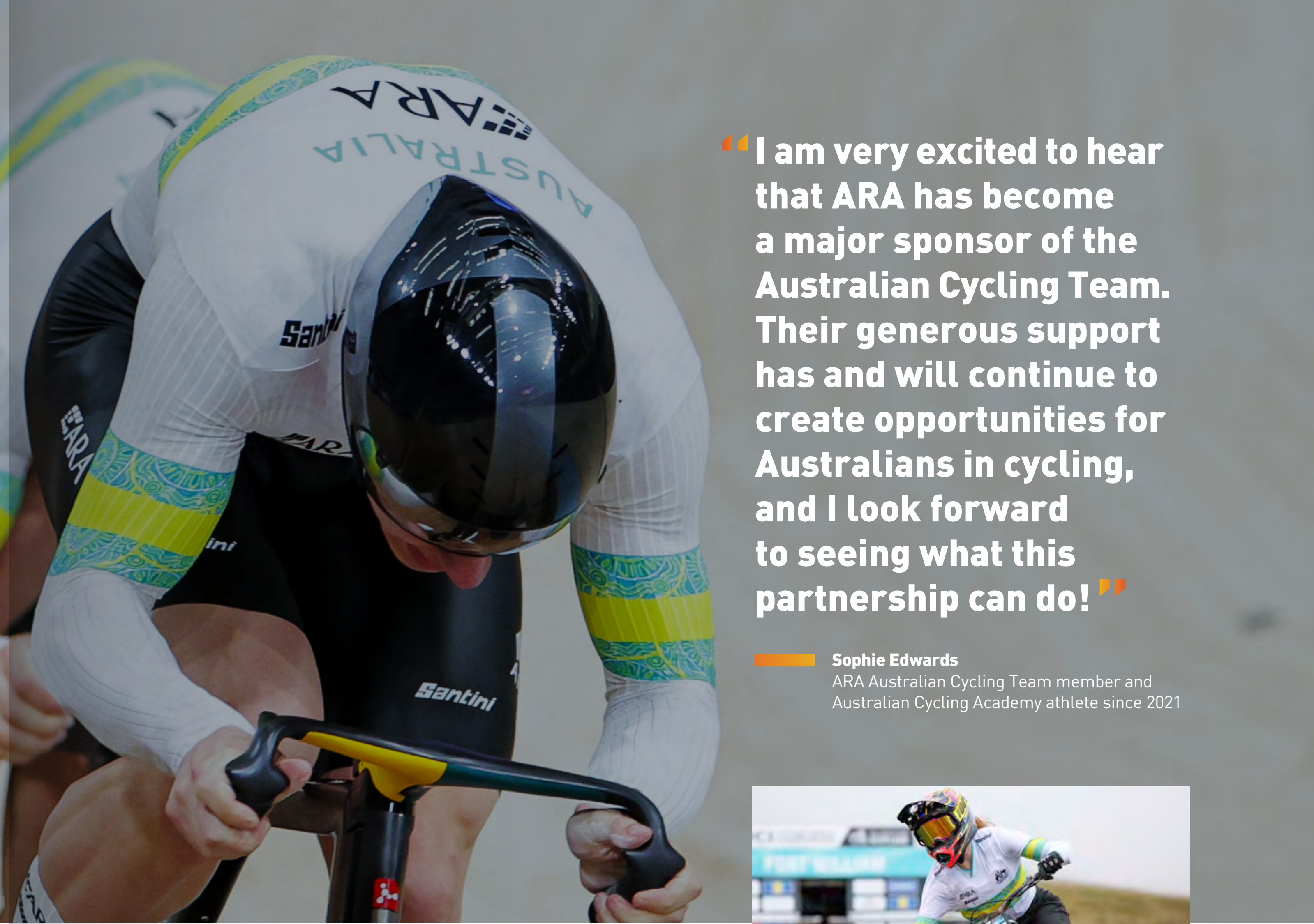
The Monkey Baa Theatre is a preeminent children's theatre company. The Monkey Baa Theatre brings school age children to the theatre and they become immersed in the development of a theatre production. ARA has been the Principal Partner of the Monkey Baa Theatre for the past four years.

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

Conservation

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

> **"Fiction is the great lie that tells truth about how the world lives!"**
>
> **Abraham Verghese**
> The Covenant of Water



"This is an exciting opportunity for ARA to be the most significant corporate sponsor of cycling in Australia."

Edward Federman Chief Executive Officer, Executive Chair

"I am very excited to hear that ARA has become a major sponsor of the Australian Cycling Team. Their generous support has and will continue to create opportunities for Australians in cycling, and I look forward to seeing what this partnership can do!"

Sophie Edwards
ARA Australian Cycling Team member and Australian Cycling Academy athlete since 2021

Photographs
ARA Australian Cycling Team
The UCI Cycling World Championships 2023
Glasgow, Scotland

Australian Cycling Academy

In 2019, Stuart Harmer, Managing Director of ARA Products, recommended that ARA support a newly formed cycling academy on the Sunshine Coast of Queensland. Stuart, who is a keen cyclist himself, had a personal friendship with the founders of the Australian Cycling Academy (ACA). Matt Wilson and Ben Kersten, former professional cyclists themselves, founded the ACA in 2018.

The ACA integrates high-performance training, tertiary study at the University of the Sunshine Coast and professional mentoring. The life balance and hard work combined with the coaching and mentoring has resulted in a lot of success by the young cyclists in the ACA program.

ARA's sponsorship, which began in 2019, has had a very positive impact on the program and its riders. The ACA began in 2018 with an initial roster of 12 male athletes. ARA's sponsorship in 2019 enabled the ACA to launch a dedicated program for female athletes. Since ARA became the major sponsor of the ACA, the racing team program has grown to 27 athletes, both male and female riders.

The success of the ACA is significant:

- The athletes have collectively secured more than 200 race wins, more than 300 podium finishes in 15 countries.
- 7 riders have progressed to WorldTour contracts.
- The men's and women's teams were the number one ranked teams in Australia in 2022.
- The ACA has secured 24 National Championship titles, 9 World Championship titles, 9 Commonwealth Games medals.
- 11 past and present ACA athletes will represent Australia at the World Championships in Glasgow in 2023.

"It's really exciting to see a business that wholeheartedly embraces the sport and that is committed to its growth. The ARA Group has shown a clear belief in not only our program but now the wider cycling community. It's an incredible vote of confidence in cycling and the future of our national team program."

Matt Wilson Chief Executive Officer, ACA

Australian Cycling Team

As a result of the success of the Australian Cycling Academy, where ARA could see the positive impact its sponsorship was having in assisting young men and women athletes achieve their best as both athletes and young adults, ARA expanded its support of cycling in Australia.

In 2020, AusCycling was formed to amalgamate all the cycling disciplines into one organisation:

• Road • Track • BMX Freestyle • BMX Racing • Cyclo-cross • Esports • Mountain Bike • Para-Cycling

There is now one organisation in Australia that represents cycling. ARA became the naming sponsor of the Australian Cycling Team in 2023. A five-year agreement was signed by ARA and AusCycling with a right of renewal for an additional five years that will see ARA's sponsorship of our Australian national teams across all disciplines including abled and para disciplines through to the Brisbane Olympics in 2032. ARA is the first naming rights sponsor of the Australian Cycling Team since 2016. ARA will have its logo displayed on the national team kit across all cycling disciplines beginning with Glasgow World Championships in 2023. 130 Australian athletes will represent the ARA Australian Cycling Team across nine disciplines.

"We're delighted that ARA Group is partnering with the Australian Cycling Team to support our athletes to achieve their full potential. As a young organisation that represents all cycling disciplines, securing our first major partner is a crucial step towards Brisbane 2032. We're excited to be working with like-minded partners on the journey towards Olympic and Paralympic Games. ARA's commitment to social responsibility strongly resonates with AusCycling's values. I'm looking forward to all the opportunities this partnership will bring."

Marne Fechner Chief Executive Officer, AusCycling

ARA 2023

Audited financial statements

Photograph
CCTV camera maintenance

Directors' report

Your directors submit their report on ARA Group Limited (the "Company") and its controlled entities (collectively the "Group") for the year ended 30 June 2023.

The results reported in this report are before the impact of AASB 16 *Leases*. A reconciliation from the amounts reported in this report to the statutory accounts is set out in the table disclosed on page 45.

Directors

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

Edward Federman (Executive Director and Executive Chair)

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

Leo Browne (Non-Executive Director)

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

James Marshall (Non-Executive Director)

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

Brett Chambers (Non-Executive Director)

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

Norbert Schweizer OAM (Non-Executive Director)

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

Allison McCann (Executive Director and Company Secretary)

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

Tony Franov (Executive Director)

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

Other officers

David Sefton (Company Secretary)

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

Directors' report (continued)

Directors' meetings

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

Directors	Number of Board meetings held	Number of Board meetings attended	Number of compensation committee meetings held	Number of compensation committee meetings attended
Edward Federman	8	8	2	2
Leo Browne	8	7	2	2
Allison McCann	8	8	2	2
James Marshall	8	8	-	-
Brett Chambers	8	8	-	-
Norbert Schweizer OAM	8	8	-	-
Tony Franov	8	8	-	-

Results of operations

Net profit for the year of the economic entity for the financial year after providing for income tax prepared on a consistent basis with the prior year (i.e. excluding the impact of AASB 16) amounted to $33,807,208 (2022: $26,530,388). The net profit for the year increased by 27% from the previous year.

The increase in net profit was principally due to a strong performance across the whole Group.

Review of operations

Total sales of the Group’s products and services were $884,900,078 in 2023 compared with $721,422,469 in 2022, an increase of $163,477,609, or 23%. The increase in revenue is due to organic growth (13%) and from acquisitions made during the year (10%). The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to $67,033,326 in 2023 compared with $50,492,544 in 2022, an increase of $16,540,782, or 33%. The increase in EBITDA is due to organic growth (16%) and from acquisitions made during the year (17%). The Group's EBITDA before profit sharing expense was $79,411,263 in 2023 (9% of revenue) and $60,166,559 in 2022 (8% of revenue), an increase of $ 19,244,704 or 32%.

The cash flow during the financial year was strong. 63% of the EBITDA was converted into operating cash flow in the financial year (2022:103%). Free cash flow in 2023 was $30.2 million as compared to free cash flow in 2022 of $33.8 million.

Directors' report (continued)

Review of operations (continued)

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

	2023 (Prior to adjusting for AASB 16) $	2022 (Prior to adjusting for AASB 16) $	Impact of AASB 16 in 2023 $	Impact of AASB 16 in 2022 $	2023 Statutory result $	2022 Statutory result $
EBITDA before profit sharing expense	79,411,263	60,166,559	16,546,033	14,908,185	95,957,296	75,074,744
Profit sharing expense	(12,377,937)	(9,674,015)	-	-	(12,377,937)	(9,674,015)
EBITDA	**67,033,326**	**50,492,544**	**16,546,033**	**14,908,185**	**83,579,359**	**65,400,729**
Depreciation and amortisation expense	(10,255,115)	(8,980,225)	(15,995,352)	(12,978,877)	(26,250,467)	(21,959,102)
EBIT (Earnings before interest and tax)	**56,778,211**	**41,512,319**	**550,681**	**1,929,308**	**57,328,892**	**43,441,627**
Borrowing costs	(8,320,566)	(3,455,103)	(1,857,123)	(1,594,681)	(10,177,689)	(5,049,784)
Interest income	3,473	414	-	-	3,473	414
Profit before income tax	**48,461,118**	**38,057,630**	**(1,306,442)**	**334,627**	**47,154,676**	**38,392,257**
Income tax expense	(14,653,910)	(11,527,242)	393,888	(100,387)	(14,260,022)	(11,627,629)
Profit after income tax	**33,807,208**	**26,530,388**	**(912,554)**	**234,240**	**32,894,654**	**26,764,628**
Balance sheet						
Current assets	214,469,753	192,816,450	-	-	214,469,753	192,816,450
Non-current assets	314,323,972	285,258,835	41,554,627	43,495,518	355,878,599	328,754,353
Current liabilities	189,215,519	172,694,937	14,656,889	12,308,538	203,872,408	185,003,475
Non-current liabilities	164,551,150	143,453,904	28,792,046	32,162,217	193,343,196	175,616,121
Net assets	**175,027,056**	**161,926,444**	**(1,894,308)**	**(975,237)**	**173,132,748**	**160,951,207**

The Group made a number of acquisitions during the financial year. Two of the largest acquisitions include a low voltage electrical business based in the Hunter Region of NSW, and a fire vehicle suppression service business based in Queensland and New South Wales. There were also a number of smaller acquisitions made during the year in both Australia and New Zealand.

During the financial year, the forward order book grew significantly. At 30 June 2023 the confirmed forward orders totalled approximately $421 million. The backlog remains strong across all divisions.

The Group's net senior bank debt (senior bank debt less cash) increased by $34 million from $85 million at 30 June 2022 to $119 million at 30 June 2023. The increase in net senior bank debt, is primarily due to acquisitions made during the year.

The overall EBITDA operating margin was 8% of sales (30 June 2022: 7% of sales).

ARA Group Limited and Controlled Entities

Directors' report (continued)

Principal activities

The principal activities of the economic entity during the financial year were the provision of essential building services (installation and service), fire protection and life safety systems services, electrical engineering and high voltage services, electronic security services and products, air conditioning, building fit out and building repairs, building automation, cleaning services, security product distribution, door hardware distribution and the manufacturing of specialised building products such as steel doors, ballistic doors and partitions, steel security doors and steel and timber fire doors, aluminium security shutters and grilles, door locking systems and electrical switch boards and switch rooms. The acquisitions in 2023 increased the activities of the companies in the economic entity during the year.

Significant changes in the state of affairs

The consolidated financial statements have been prepared based upon conditions existing at 30 June 2023 and considering events up to the date of this report.

During the year, the Group issued 1,510,691 new shares, increasing the number of shares issued from 44,655,137 at 30 June 2022 to 46,165,828 at 30 June 2023. This increased contributed equity by $9,819,493 from $114,545,826 at 30 June 2022 to $124,365,319 at 30 June 2023. The issue of new shares relate to:

- 543,924 new shares issued as purchase consideration for businesses acquired, and
- 966,767 newly issued shares to new and existing shareholders.

On 15 December 2022, the Group entered into an Amended Facility Agreement with its banks (Westpac Banking Corporation and Commonwealth Bank of Australia). The total Facility is $221 million, an increase of $25 million from 30 June 2022. The Facility is principally a revolving cash advance facility to assist the Group to fund organic growth and strategic acquisitions. The Facility runs to 31 July 2025.

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

Significant events after the reporting period

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

Future developments

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

The Group's acquisition strategy will remain consistent in its approach to examine opportunities that complement its current services and products. One element of the Group's acquisition strategy is to acquire companies that increase the overall operating margin of the Group. It is expected the Group will continue to focus on organic growth and improved operating margins in 2024, although appropriate acquisition opportunities will be thoroughly investigated. It remains the goal of the Directors to pay fully franked dividends during the financial year 2024.

If the Group identifies appropriate acquisitions in 2024 it will likely use a combination of new equity, cash flow from operations, and borrowings to finance the execution of any acquisitions, as it did in 2023. In any event, the Directors will endeavour to ensure that the Group does not become highly leveraged.

At 30 June 2023, net debt was $119 million ($85 million at 30 June 2022). The increase in net debt was principally due to funding for business acquisitions during the year. At 30 June 2023, the leverage ratio (total net senior bank debt (excluding bank guarantees) divided by the trailing twelve months EBITDA, adjusted for acquisitions made during the year) was 1.89 (30 June 2022: 1.61). Net interest expense increased by $4,862,404, due to higher interest rates and an increase in debt during the year to fund acquisitions (2022: an increase of $431,228). The Group’s interest cover ratio (EBIT divided by interest expense) was 7 times in 30 June 2023 (12 times at 30 June 2022).

Directors' report (continued)

Environmental regulations

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

Dividends

The Group paid $0.55 per share in 2023 (2022: $0.395) of which $0.125 per share relates to dividends declared at 30 June 2022. Fully franked dividends amounting to $28,660,447, or $0.625 per share, were declared by ARA Group Limited during the financial year (2022: $18,616,956, or $0.42 per share). Of the total amount declared in 2023, $6,924,876, or $0.15 per share, was paid on 4 July 2023 and a further $2,308,291, or $0.05, was paid on 1 August 2023. The dividend payment was provided for at 30 June 2023.

In addition to dividends paid by ARA Group Limited, ARA Indigenous Services Pty Ltd declared total dividends of $2,578,169 in 2023 to its shareholders (2022: $1,548,907). $1,314,866 related to shareholders outside the Group (2022: $789,943).

Share options

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

Indemnification and insurance of directors and officers

Insurance premiums of $58,564 (2022: $51,360) were paid during the financial year for Directors and Officers Liability Insurance.

Indemnification of auditor

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

Proceedings on behalf of the Group

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

Auditor's independence declaration

The auditor's independence declaration is included on page 48 of the financial report.

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

Edward Federman

Edward Federman
Executive Director
Sydney
8 August 2023

Building a better working world

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

As lead auditor for the audit of the financial report of ARA Group Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

Ernst & Young

Greg Logue

Gregory J Logue
Partner
8 August 2023

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Notes	2023 $	2022 $
Revenue from contracts with customers	4.1	884,900,078	721,422,469
Other income	5.1	147,614	105,012
Changes in inventories of finished goods and work in progress		(4,275,015)	(10,467,401)
Raw materials and consumables used		(280,556,547)	(221,259,960)
Employee benefits expense		(299,350,341)	(251,944,070)
Management and subcontract fees		(153,979,918)	(124,310,064)
Profit sharing expense		(12,377,937)	(9,674,015)
Depreciation of property, plant and equipment	5.3	(5,322,806)	(4,985,003)
Depreciation of right-of-use assets	5.4	(15,995,352)	(12,978,877)
Amortisation expense	5.5	(4,932,309)	(3,995,222)
Other expenses from ordinary activities	5.7	(49,581,762)	(38,039,540)
Acquisition expenses		(1,343,340)	(431,288)
Finance costs	5.2	(8,320,566)	(3,455,103)
Finance costs - interest on payments for right-of-use assets		(1,857,123)	(1,594,681)
Profit before income tax expenses		**47,154,676**	**38,392,257**
Income tax expense	6	(14,260,022)	(11,627,629)
Net profit for the year		**32,894,654**	**26,764,628**
Net profit for the year is attributable to:			
Owners of the Parent		31,859,777	25,784,142
Non-controlling interests		1,034,877	980,486
		32,894,654	**26,764,628**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	20.2	(557,293)	(324,097)
Net unrealised gain on cash flow hedges, net of tax	20.2	-	69,929
Net other unrealised comprehensive loss to be reclassified to profit or loss in subsequent periods		**(557,293)**	**(254,168)**
Other comprehensive loss for the year		**(557,293)**	**(254,168)**
Total comprehensive income for the year		**32,337,361**	**26,510,460**
Total comprehensive income for the year is attributable to:			
Owners of the Parent		31,302,484	25,529,974
Non-controlling interests		1,034,877	980,486
		32,337,361	**26,510,460**

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2023

	Notes	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	8	38,154,452	47,213,443
Trade and other receivables	9	138,241,879	113,541,928
Inventories	10	33,100,082	28,825,067
Prepayments		4,973,340	3,236,012
Total current assets		214,469,753	192,816,450
Non-current assets			
Other receivables	9	169,850	169,850
Property, plant and equipment	12	19,171,604	17,492,190
Right-of-use assets	13	40,742,780	43,077,559
Goodwill and intangible assets	14	281,955,618	255,605,400
Deferred tax assets	6	13,838,747	12,409,354
Total non-current assets		355,878,599	328,754,353
Total assets		**570,348,352**	**521,570,803**
Liabilities			
Current liabilities			
Trade payables	15	69,903,313	72,260,255
Other payables	15	56,342,485	47,981,630
Deferred acquisition purchase consideration	16	13,238,433	5,762,249
Contract liabilities	17	12,047,417	12,382,765
Lease liabilities related to right-of-use assets	13	14,677,070	12,408,936
Interest-bearing loans and borrowings	18	4,000,000	3,375,000
Employee benefits liabilities	19	28,964,611	25,465,107
Income tax payable		4,699,079	5,367,533
Total current liabilities		203,872,408	185,003,475
Non-current liabilities			
Deferred acquisition purchase consideration	16	500,000	5,416,800
Lease liabilities related to right-of-use assets	13	28,792,046	32,162,217
Interest-bearing loans and borrowings	18	153,650,000	128,550,000
Employee benefits liabilities	19	4,196,136	3,399,589
Deferred tax liabilities	6	6,205,014	6,087,515
Total non-current liabilities		193,343,196	175,616,121
Total liabilities		**397,215,604**	**360,619,596**
Net assets		**173,132,748**	**160,951,207**
Equity			
Contributed equity	20.1	124,365,319	114,545,826
Other reserves	20.2	(3,856,119)	(3,298,826)
Retained earnings		52,088,759	48,889,429
Equity attributable to equity holders of the Parent		**172,597,959**	**160,136,429**
Non-controlling interests		534,789	814,778
Total equity		**173,132,748**	**160,951,207**

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Contributed equity (Note 20.1) $	Retained earnings (Note 7) $	Other reserves (Note 20.2) $	Non-controlling interests $	Total equity $
At 1 July 2021	**100,555,584**	**41,722,243**	**(3,044,658)**	**624,235**	**139,857,404**
Profit for the year	-	25,784,142	-	980,486	26,764,628
Other comprehensive loss	-	-	(254,168)	-	(254,168)
Total comprehensive income/(loss) for the year	-	25,784,142	(254,168)	980,486	26,510,460
Transactions with owners in their capacity as owners:					
Shares issued during the year	13,990,242	-	-	-	13,990,242
Dividends paid or provided for	-	(18,616,956)	-	(789,943)	(19,406,899)
At 30 June 2022	**114,545,826**	**48,889,429**	**(3,298,826)**	**814,778**	**160,951,207**
At 1 July 2022	**114,545,826**	**48,889,429**	**(3,298,826)**	**814,778**	**160,951,207**
Profit for the year	-	31,859,777	-	1,034,877	32,894,654
Other comprehensive loss	-	-	(557,293)	-	(557,293)
Total comprehensive income/(loss) for the year	-	31,859,777	(557,293)	1,034,877	32,337,361
Transactions with owners in their capacity as owners:					
Shares issued during the year	9,819,493	-	-	-	9,819,493
Dividends paid or provided for	-	(28,660,447)	-	(1,314,866)	(29,975,313)
At 30 June 2023	**124,365,319**	**52,088,759**	**(3,856,119)**	**534,789**	**173,132,748**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2023

	Notes	2023 $	2022 $
Operating activities			
Receipts from customers		953,002,547	780,327,972
Payments to suppliers and employees		(894,027,628)	(713,198,088)
Interest received		3,473	414
Borrowing costs paid		(10,177,689)	(5,049,784)
Income tax paid		(17,266,758)	(14,403,758)
Net cash flows from operating activities		**31,533,945**	**47,676,756**
Investing activities			
Purchase of plant and equipment		(4,943,654)	(5,310,769)
Proceeds from sale of plant and equipment		316,964	320,564
Payment for investments and businesses acquired	3	(26,844,951)	(55,441,666)
Net cash flows used in investing activities		**(31,471,641)**	**(60,431,871)**
Financing activities			
Proceeds from borrowings		59,100,000	66,000,000
Repayment of borrowings		(33,375,000)	(12,900,000)
Payment of lease liabilities		(15,076,680)	(13,778,480)
Proceeds from issued capital		4,950,586	9,483,578
Dividends paid - owners of the parent entity	7	(23,676,054)	(17,273,184)
Dividends paid to non-controlling interest		(1,044,147)	(789,943)
Net cash flows (used in)/from financing activities		**(9,121,295)**	**30,741,971**
Net (decrease)/increase in cash and cash equivalents		(9,058,991)	17,986,856
Cash and cash equivalents at 1 July		47,213,443	29,226,587
Cash and cash equivalents at 30 June	8	**38,154,452**	**47,213,443**

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2023

1. Corporate information

The consolidated financial statements of ARA Group Limited and its controlled entities (the "Group") for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 8 August 2023.

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

The registered office and principal place of business of the Parent Entity is G 83 Alexander Street, Crows Nest, NSW 2065.

The nature of the operations and principal activities of the Group are described in the directors' report. Information on the Group's structure is provided in Note 11. Information on the Group's related party relationships is provided in Note 21.

2. Significant accounting policies

2.1 Basis of preparation

These general purpose financial statements have been prepared in compliance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standards - Simplified Disclosures*. The Group is a for-profit, private sector entity for the purposes of preparing these consolidated financial statements.

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

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

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

Several other amendments and interpretations of accounting standards apply for the first time in 2023, but do not have an impact on the consolidated financial statements of the Group.

Standards issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting year ended 30 June 2023. The Group intends to adopt these new or amended standards or interpretations, if applicable, when they become effective.

2.3 Basis of consolidation

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.3 Basis of consolidation (continued)

If the Group loses control over a subsidiary, it:

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

2.4 Summary of significant accounting policies

a) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

b) Taxes

Income tax

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

Deferred tax

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

b) Taxes (continued)

Deferred tax (continued)

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

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

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

c) Inventories

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

d) Property, plant and equipment

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

Plant and equipment

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

Depreciation

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

d) Property, plant and equipment (continued)

Derecognition and disposal

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

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

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

e) Leases

Group as a lessee

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

(i) Right-of-use assets

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

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

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

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

(ii) Lease liabilities

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

e) Leases (continued)

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

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

f) Impairment of non-financial assets

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

g) Foreign currency transactions and balances

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

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

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

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

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

h) Borrowing costs

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

i) Employee entitlements

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

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

j) Contributed equity

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

k) Dividend to equity holders of the Parent Entity

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

l) Business combinations and goodwill

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

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

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

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

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

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

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

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

m) Intangible assets

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

m) Intangible assets (continued)

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

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

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

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

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

Research and development costs

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

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

n) Cash and cash equivalents

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

o) Revenue from contracts with customers

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

Sale of goods

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

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

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

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

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

Rendering of services

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

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

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

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

ARA Group Limited and Controlled Entities

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

o) Revenue from contracts with customers (continued)

Construction revenue

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

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

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

Defect liability periods are typically 12 months from practical completion.

Infrastructure revenue

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

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

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

Defect liability periods are typically 12 months from practical completion.

Contract balances

Contract liabilities

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

p) Other income

Interest income

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

Dividend income

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

q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

q) Goods and services tax (GST) (continued)

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

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

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

r) Financial instruments - initial recognition and subsequent measurement

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

(i) Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

r) Financial instruments - initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

Derecognition

A financial asset is primarily derecognised when:

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

Impairment of financial assets

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

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

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

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

(ii) Financial liabilities

Initial recognition and measurement

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

r) Financial instruments - initial recognition and subsequent measurement (continued)

(ii) Financial liabilities (continued)

Subsequent measurement

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

Loans and borrowings

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

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

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

Trade and other payables

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

Derecognition

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

s) Fair value measurement

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

s) Fair value measurement (continued)

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

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

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

t) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation of assets and liabilities but resulting in no impact to the over all profit for the year.

u) Critical accounting estimates and judgements

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

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

Key estimates - Impairment of goodwill and other intangible assets with indefinite useful life
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

u) Critical accounting estimates and judgements (continued)

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

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

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

Leases - Estimating the incremental borrowing rate

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

3. Business combinations

Acquisitions in 2023

Effective 1 July 2022, the Group acquired the assets of J.A. Martin Electrical Pty Limited (J.A. Martin) for $6,010,883, including an initial consideration of $4,260,883 and estimated deferred consideration of $1,750,000. The deferred consideration was based on the first year's earnings of the business. The actual deferred consideration payable as at 30 June 2023 is $941,191 and is recorded as a liability at the date of this report. The liability will be paid in the first quarter of financial year 2024. J.A. Martin is a low voltage electrical project business based in the Hunter Region of New South Wales.

Effective 3 April 2023, the Group acquired the shares of Sicada Holdings Pty Limited and its two subsidiaries (Sicada) for total consideration of $8,667,083. Included in the purchase consideration, includes cash payment of $7,472,097, the issuance of shares to the value of $390,000 and a deferred component of $1,000,000, which will be paid in the next two financial years. Sicada is a fire suppression services company based in Queensland and New South Wales.

A number of other acquisitions were completed during the year. Total consideration of all other acquisitions was $17,215,386, including the issuance of shares to the value of $2,130,500. There is $5,247,188 due as deferred consideration for other acquisitions at 30 June 2023.

The assets acquired were measured at fair value.

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

All acquisitions have been provisionally accounted for at 30 June 2023.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

3. Business combinations (continued)

Acquisitions in 2023 (continued)

Assets acquired and liabilities assumed

The below table discloses the fair values of the identifiable assets and liabilities of acquisitions in 2023 as at the date of acquisition:

Fair value recognised on acquisition

	J.A. Martin	Sicada	Others	Total
	$	$	$	$
Assets				
Receivables	-	3,044,990	1,223,804	4,268,794
Inventories	544,339	1,572,852	654,782	2,771,973
Other assets	19,335	106,204	231,368	356,907
Property, plant and equipment (Note 12)	699,302	718,314	800,533	2,218,149
Deferred tax assets	552,269	-	216,467	768,736
Total assets	**1,815,245**	**5,442,360**	**3,126,954**	**10,384,559**
Liabilities				
Payables and other liabilities	218,452	2,195,101	1,814,281	4,227,834
Employee provisions	1,840,897	549,746	721,558	3,112,201
Contract revenue received in advance	-	-	40,960	40,960
Deferred tax liabilities	169,822	524,990	1,033,074	1,727,886
Income tax payable	-	290,830	97,680	388,510
Total liabilities	**2,229,171**	**3,560,667**	**3,707,553**	**9,497,391**
Total identifiable net (liabilities)/assets at fair value	**(413,926)**	**1,881,693**	**(580,599)**	**887,168**
Goodwill and intangible assets (Note 14)	6,424,809	6,785,390	17,795,985	31,006,184
Purchase consideration transferred	**6,010,883**	**8,667,083**	**17,215,386**	**31,893,352**

	J.A Martin	Sicada	Others	Total
Purchase consideration				
Cash	4,260,883	7,472,097	11,255,705	22,988,685
Cash (deferred consideration)	1,750,000	1,000,000	5,247,188	7,997,188
Shares issued (Note 20.1)	-	390,000	2,130,500	2,520,500
Less: Cash acquired	-	(195,014)	(1,418,007)	(1,613,021)
Total consideration	**6,010,883**	**8,667,083**	**17,215,386**	**31,893,352**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

3. Business combinations (continued)

Acquisitions in 2023 (continued)

	J.A Martin	Sicada	Others	Total
Net cash outflow on acquisition				
Cash consideration	4,260,883	7,472,097	11,255,705	22,988,685
Deferred consideration paid during the year for prior acquisitions	-	-	4,821,243	4,821,243
Deferred consideration paid during the year for current year acquisitions	-	-	354,500	354,500
Costs on acquisition	37,629	71,330	184,585	293,544
Less: Cash acquired	-	(195,014)	(1,418,007)	(1,613,021)
Total cash consideration	**4,298,512**	**7,348,413**	**15,198,026**	**26,844,951**

Acquisitions in 2022

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

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

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

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

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

The assets acquired were measured at fair value.

All acquisitions had been provisionally accounted for at 30 June 2022. These were finalised during the 30 June 2023 financial year.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

3. Business combinations (continued)

Acquisitions in 2022 (continued)

Acquisitions acquired and liabilities assumed

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

	Final	Provisional
	$	$
Assets		
Receivables	6,419,585	6,419,585
Inventories	4,321,709	4,321,709
Other assets	181,745	181,745
Property, plant and equipment	2,705,445	2,705,445
Deferred tax assets	570,581	392,168
	14,199,065	**14,020,652**
Liabilities		
Payables and other liabilities	4,995,414	4,756,426
Employee provisions	1,569,948	1,569,948
Contract revenue received in advance	10,913	10,913
Deferred tax liabilities	2,213,243	2,213,243
Income tax payable	512,310	512,310
Total liabilities	**9,301,828**	**9,062,840**
Total identifiable net assets at fair value	**4,897,237**	**4,957,812**
Goodwill and intangible assets	62,198,884	62,138,309
Purchase consideration transferred	**67,096,121**	**67,096,121**
Purchase consideration		
Shares issued	4,506,664	4,506,664
Cash	56,611,254	56,611,254
Less: Cash acquired	(3,718,376)	(3,718,376)
Cash (deferred consideration)	9,696,579	9,696,579
Total consideration	**67,096,121**	**67,096,121**
Net cash outflow on acquisition		
Cash consideration	56,611,254	56,611,254
Deferred consideration paid during the year for current year acquisitions	850,000	850,000
Deferred consideration paid during the year for prior acquisitions	1,267,500	1,267,500
Costs on acquisition	431,288	431,288
Less: Cash acquired	(3,718,376)	(3,718,376)
	55,441,666	**55,441,666**

ARA Group Limited and Controlled Entities

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

4. Revenue from contracts with customers

4.1 Disaggregated revenue information

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

	2023	2022
	$	$
Type of goods or service		
Sale of goods	178,626,982	152,857,379
Rendering of services	528,686,906	405,775,161
Construction revenue	130,797,777	104,940,799
Infrastructure revenue	46,788,413	57,849,130
Total revenue from contracts with customers	**884,900,078**	**721,422,469**
Geographical markets		
Australia	808,903,587	679,790,589
New Zealand	75,996,491	41,631,880
Total revenue from contracts with customers	**884,900,078**	**721,422,469**
Timing of revenue recognition		
Goods transferred at a point in time	178,626,982	152,857,379
Services transferred over time	706,273,096	568,565,090
Total revenue from contracts with customers	**884,900,078**	**721,422,469**

4.2 Performance obligations

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

Sale of goods

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

Rendering of services, construction revenue and infrastructure revenue

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

5. Other income and expenses

5.1 Other income

	2023	2022
	$	$
Gain on disposal of property, plant and equipment	142,960	103,371
Other income	4,654	1,641
	147,614	**105,012**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

5. Other income and expenses (continued)

5.2 Finance costs

	2023	2022
	$	$
Borrowing costs:		
External interest paid	**8,320,566**	**3,455,103**

5.3 Depreciation of property, plant and equipment

	2023	2022
	$	$
Leasehold improvements (Note 12)	1,153,287	1,039,075
Plant and machinery (Note 12)	1,704,946	1,716,241
Office furniture and equipment (Note 12)	279,882	257,074
Computer equipment and software (Note 12)	742,846	683,699
Motor vehicles (Note 12)	1,441,845	1,288,914
	5,322,806	**4,985,003**

5.4 Depreciation of right-of-use assets

	2023	2022
	$	$
Right-of-use assets (Note 13)	**15,995,352**	**12,978,877**

5.5 Amortisation expense

	2023	2022
	$	$
Amortisation of borrowing costs	230,195	274,327
Amortisation of customer contracts (Note 14)	4,599,072	3,651,087
Amortisation of development costs (Note 14)	32,720	-
Amortisation of intellectual property (Note 14)	70,322	69,808
	4,932,309	**3,995,222**

5.6 Superannuation expense

	2023	2022
	$	$
Included in employee benefits expense:		
Superannuation expense	**22,570,727**	**17,737,748**

ARA Group Limited and Controlled Entities

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

5. Other income and expenses (continued)

5.7 Other expenses from ordinary activities

	2023	2022
	$	$
Rent and outgoings	15,656,646	12,572,251
Leasing costs	6,867,374	6,285,964
Lease adjustment (AASB 16)	(16,546,033)	(14,908,185)
	5,977,987	3,950,030
Motor vehicle expenses	10,043,841	6,748,060
Consultants	3,134,748	3,708,352
Communication	2,591,331	2,451,989
Insurances	4,566,281	4,170,055
Repairs and maintenance	1,477,541	1,025,663
Computer expenses	4,774,661	3,687,983
Travel	3,578,515	1,728,457
Other staff expenses	4,004,401	3,411,841
Expected credit losses	172,891	1,228,110
Advertising, marketing and sponsorship expenses	2,115,428	1,603,791
Legal fees	559,969	641,743
Bank guarantees and surety fees	223,899	135,366
Other expenses	6,360,269	3,548,100
	43,603,775	34,089,510
	49,581,762	**38,039,540**

6. Income tax

The major components of income tax expense for the years ended 30 June 2023 and 30 June 2022 are:

Consolidated statement of profit or loss	2023	2022
	$	$
Current income tax:		
Current income tax expense	16,549,671	12,692,327
Adjustments in respect of current income tax of previous year	167,821	108,892
Deferred tax:		
Relating to origination and reversal of temporary differences	(2,457,470)	(1,173,590)
Income tax expense reported in the consolidated statement of profit or loss	**14,260,022**	**11,627,629**

Consolidated statement of other comprehensive income

Deferred tax on net unrealised loss on cash flow hedges (Note 20.2)	**-**	**(29,970)**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

6. Income tax (continued)

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

	2023 $	2022 $
Accounting profit before income tax	**47,154,676**	**38,392,257**
At Australia's statutory income tax rate of 30% (2022: 30%)	14,146,403	11,517,677
Difference in tax rates	41,771	32,462
Non-allowable items	917,770	351,046
Tax offsets	(541,416)	(325,270)
Prior year adjustments	(256,461)	91,099
Other	(48,045)	(39,385)
Income tax expense attributable to profit from ordinary activities	**14,260,022**	**11,627,629**

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position 2023 $	Consolidated statement of financial position 2022 $	Consolidated statement of profit or loss 2023 $	Consolidated statement of profit or loss 2022 $
Expected credit losses	418,843	473,523	54,680	(188,749)
Other provisions and accruals	2,423,142	2,308,054	(115,088)	(276,227)
Employee leave provisions	9,530,927	8,272,356	(489,835)	(930,335)
Fixed assets	(1,855,501)	(1,656,531)	198,970	684,773
Work in progress	1,323,292	1,252,679	(246,203)	5,894
Retentions	(1,083,063)	(759,252)	323,811	373,912
Intangible asset	(3,819,287)	(3,468,602)	(1,388,038)	(1,558,875)
Leases	695,380	(100,388)	(795,767)	716,017
Deferred tax benefit			**(2,457,470)**	**(1,173,590)**
Net deferred tax assets	**7,633,733**	**6,321,839**		
Reflected in the consolidated statement of financial position as follows:				
Deferred tax assets	13,838,747	12,409,354		
Deferred tax liabilities	(6,205,014)	(6,087,515)		
Deferred tax assets, net	**7,633,733**	**6,321,839**		

	2023 $	2022 $
Reconciliation of deferred tax assets, net		
As of 1 July	**6,321,839**	**7,012,150**
Tax income during the period recognised in profit or loss	2,457,470	1,173,590
Deferred taxes recognised on prior year business combinations	(186,426)	(42,826)
Deferred taxes acquired in current year business combinations	(959,150)	(1,821,075)
As at 30 June	**7,633,733**	**6,321,839**

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

7. Dividends

	2023 Per share $	2023 $	2022 Per share $	2022 $
Dividends declared (all franked to 30%)				
Quarter 1				
— Fully paid, Ordinary class (45,221,121 shares) (2022: 44,154,112 shares)	0.125	5,652,640	0.055	2,428,476
Quarter 2				
— Fully paid, Ordinary class (45,842,989 shares) (2022: 44,154,112 shares)	0.150	6,876,448	0.120	5,298,494
Quarter 3				
— Fully paid, Ordinary class (45,987,949 shares) (2022: 44,234,112 shares)	0.150	6,898,192	0.120	5,308,093
Quarter 4				
— Declared and not paid, Ordinary Class (46,165,828 shares) (2022: 44,234,112 shares)	0.200	9,233,167	0.125	5,581,893
Total	**0.625**	**28,660,447**	**0.42**	**18,616,956**

	2023 $	2022 $
Dividends payable brought forward	5,581,893	4,238,121
Dividends declared during the year	28,660,447	18,616,956
Dividends reinvested during the year	(1,333,119)	-
Dividends paid during the year	(23,676,054)	(17,273,184)
Dividends payable carried forward (Note 15)	**9,233,167**	**5,581,893**

	2023 $	2022 $
Total dividends declared by ARA Indigenous	2,578,169	1,548,907
Dividends declared by ARA Indigenous to shareholders outside the Group	1,314,866	789,943

	2023 $	2022 $
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the start of the financial year at 30% (2022: 30%)	37,707,433	31,026,960
Franking credits from payment of income taxes payable as at the end of the financial year	16,212,539	14,747,084
Franking debits from payment of dividends	(11,595,652)	(8,066,611)
	42,324,320	**37,707,433**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

8. Cash and cash equivalents

	2023 $	2022 $
Cash at bank and on hand	**38,154,452**	**47,213,443**

	2023 $	2022 $
a) Cash flow reconciliation		
Reconciliation of net profit after tax to net cash flows from operations:		
Profit for the year	32,894,654	26,764,628
Adjustments for:		
Acquisition costs	293,544	431,288
Depreciation and amortisation	10,255,115	8,980,225
Increase in provision for expected credit losses	(53,539)	600,080
Depreciation of right-of-use assets	15,995,352	12,978,877
Profit (net) on sale of assets	(142,960)	(103,371)
Changes in assets and liabilities:		
Increase in trade and other receivables and other financial assets	(19,899,069)	(17,843,956)
Increase in inventories	(1,503,042)	(6,145,692)
(Increase)/decrease in prepayments	(1,788,784)	1,045,390
Increase in deferred tax assets - net	(2,092,631)	(1,173,590)
(Decrease)/increase in trade and other payables	(1,347,261)	16,307,149
Decrease in income tax payable	(1,056,964)	(1,602,539)
Increase in employee benefits	1,183,850	3,200,281
(Decrease)/increase in contract liabilities	(647,027)	4,492,154
Increase/(decrease) in other reserves	(557,293)	(254,168)
Net cash flows from operating activities	**31,533,945**	**47,676,756**

Credit stand-by arrangement and loan facilities

The Group has a syndicated bank facility with Westpac Banking Corporation and Commonwealth Bank of Australia. An updated variation and accession deed dated 15 December 2022 was signed during the year and the total facility available to the Group increased to $221,000,000 (2022: $196,000,000). Of these facilities, $163,904,028 was utilised at 30 June 2023 (2022: $138,197,911). All bank covenants were satisfied during the year.

The Group has a $30,000,000 term loan and is required to repay principal of $4,000,000 (2022: $4,000,000) each financial year under its bank facility agreement, if the term loan is fully drawn. At 30 June 2023, there was no available headroom on the term loan facility (2022: $625,000). At 30 June 2023, the term loan had amortised by $15,750,000, reducing the total facility available to the Group to $205,250,000.

In addition, the Group has a separate credit card facility with Westpac Banking Corporation of $3,480,620 (2022: $3,480,620). $1,519,137 was utilised at 30 June 2023 (2022: $1,198,042).

ARA Group Limited and Controlled Entities

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

9. Trade and other receivables

	2023 $	2022 $
Current		
Trade receivables	133,306,205	108,867,356
Provision for expected credit losses	(1,587,545)	(1,641,084)
	131,718,660	**107,226,272**
Retentions	4,616,371	4,074,980
Other receivables	1,906,848	2,240,676
	138,241,879	**113,541,928**
Non-current		
Other receivables	**169,850**	**169,850**

10. Inventories

	2023 $	2022 $
Raw materials and stores	7,975,688	8,203,804
Work in progress	6,508,391	7,048,803
Finished goods	19,713,884	14,783,075
Provision for obsolescence	(1,097,881)	(1,210,615)
	33,100,082	**28,825,067**

11. Controlled entities

Subsidiaries

		% Equity interest	
Name	**Principal Activities**	**2023**	**2022**
Allen & Newton Pty Ltd	Property	100	100
Allen & Newton Queensland Pty Ltd	Property	100	100
ARA Building Services Pty Limited	Property	100	100
ARA Building Services (Qld) Pty Ltd	Property	100	100
ARA Building Services (NSW) Pty Ltd	Property	100	100
ARA Corporate Services Pty Limited	Corporate	100	100
ARA Electrical Engineering Services Pty Limited	Electrical	100	100
ARA Electrical High Voltage Services Pty Ltd	Electrical	100	100
ARA Electrical Major Projects Division Pty Ltd	Electrical	100	100
ARA Fire Protection Services Pty Limited	Fire	100	100
ARA Indigenous Services Pty Ltd	Property	49	49
ARA Manufacture Pty Ltd	Product	100	100
ARA Marine Limited (formerly Marine Fire Services Limited) (c)	Fire	100	-
ARA Mechanical Services Pty Limited	Mechanical	100	100
ARA Property Services Pty Ltd the trustee for CMC Unit Trust	Property	100	100
ARA Security Services Pty Limited	Security	100	100
Asset Fire Security & Mechanical Services Pty Ltd	Fire	100	100
Australasian Vaulting Industries Pty Ltd	Security	100	100

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

11. Controlled entities (continued)

Subsidiaries (continued)

Name	Principal Activities	% Equity interest 2023	2022
Austratronics Pty Ltd	Fire	100	100
CMC Cleaning Services Pty Ltd	Property	100	100
CMC ECRM Pty Ltd	Property	100	100
CMC Maintenance Pty Ltd	Property	100	100
CMC Property Services (Aust) Pty. Ltd.	Property	100	100
CMC Rapid Response Pty Ltd	Property	100	100
Complex Solutions (Aust) Pty Ltd	Property	100	100
Crimewatch Video Pty. Ltd.	Security	100	100
Construction Electrical Services Pty Ltd	Electrical	100	100
Dynamic Facilities Maintenance Group Pty Limited	Property	100	100
Environmental Automation Pty Limited	Mechanical	100	100
Excell Control Pty Limited	Electrical	100	100
Fire Suppression Services Pty Ltd	Fire	100	100
Secureme Group Pty Ltd (b)	Security	100	-
HUD Electronic Security Pty Ltd	Security	100	100
HUD Security Pty Ltd	Security	100	100
Hunter Power Pty Limited	Electrical	100	100
ID Supplies Pty Ltd	Product	100	100
Interactive Cabling Pty Ltd	Electrical	100	100
International Security Control Solutions Pty Ltd	Product	100	100
JBM Power Pty Ltd	Electrical	100	100
KDB Intellectual Pty Ltd (e)	Product	100	-
Leda Export Pty Ltd	Product	100	100
Leda Group (Australia) Pty Ltd	Product	100	100
Leda International Pty. Limited	Product	100	100
Leda Security Exports Pty Ltd	Product	100	100
Leda Security Products Pty Ltd	Product	100	100
Leda Trading Pty Limited	Product	100	100
Leda Security Products (Ningbo) Co Ltd	Product	100	100
Ningbo Fenghua Leda Security Manufacturing Co., Ltd	Product	100	100
Marine Fire Services Limited (formerly Aaron Marine Offshore NZ Limited) (c)	Fire	100	-
Monarch Group Pty Limited	Product	100	100
Multidoors Pty Ltd	Product	100	100
Multidoors Manufacturing Pty Ltd	Product	100	100
National Construction Solutions Pty Ltd	Product	100	100
OAS Data Cabling Pty Ltd (a)	Security	100	-
Oceanlink Marine Services Pty Ltd	Fire	100	100
Parking Guidance Australia Pty Limited	Product	100	100
Sherry Services & Maintenance Pty Ltd	Electrical	100	100
Sicada Fire & Safety Pty Ltd (d)	Fire	100	-
Sicada Fire & Safety (NSW) Pty Ltd (d)	Fire	100	-
Sicada Holdings Pty Ltd (d)	Fire	100	-
Servcore Pty Limited	Security	100	100
TALV Pty Limited	Property	100	100
Thermoscan Inspection Services Pty Ltd	Property	100	100
Transelect Pty Ltd	Electrical	100	100
Web ID Pty Ltd	Mechanical	100	100
ARA Marine Pty Ltd (formerly Wiltrading Stace Pty Ltd)	Fire	100	100
ARA Group NZ Limited	Security	100	100
Servcore NZ Limited	Product	100	100

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

11. Controlled entities (continued)

Subsidiaries (continued)

Name	Principal Activities	% Equity interest 2023	2022
ARA Group Hardware Limited	Product	100	100
ARA Hardware LP	Product	100	100

(a) OAS Data Cabling Pty Ltd was acquired on 1 July 2022.

(b) Secureme Group Pty Ltd was acquired on 1 September 2022.

(c) Marine Fire Services Limited and Aaron Marine Offshore NZ Limited were acquired on 1 February 2023. Subsequently, the entities names were changed to ARA Marine Limited and Marine Fire Services Limited respectively.

(d) Sicada Fire & Safety Pty Ltd, Sicada Fire & Safety (NSW) Pty Ltd and Sicada Holdings Pty Ltd were acquired on 3 April 2023.

(e) KDB Intellectual Pty Ltd was acquired on 16 June 2023.

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

12. Property, plant and equipment

	Leasehold improvements	Plant and machinery	Office furniture and equipment	Computer equipment and software	Motor Vehicles	Total
	$	$	$	$	$	$
Cost						
At 1 July 2022	10,225,111	24,398,500	3,039,968	8,468,002	6,844,580	52,976,161
Additions	963,440	2,396,262	147,811	1,312,365	123,776	4,943,654
Acquisition of a subsidiary (Note 3)	88,300	405,504	39,597	98,814	1,585,934	2,218,149
Disposals	(1,180)	(62,170)	-	(351)	(276,799)	(340,500)
At 30 June 2023	**11,275,671**	**27,138,096**	**3,227,376**	**9,878,830**	**8,277,491**	**59,797,464**
Accumulated depreciation						
At 1 July 2022	6,366,406	16,056,554	2,298,326	7,303,331	3,459,354	35,483,971
Depreciation charge for the year	1,153,287	1,704,946	279,882	742,846	1,441,845	5,322,806
Disposals	(486)	(25,969)	-	(153)	(154,309)	(180,917)
At 30 June 2023	**7,519,207**	**17,735,531**	**2,578,208**	**8,046,024**	**4,746,890**	**40,625,860**
Net book value						
At 30 June 2022	3,858,705	8,341,946	741,642	1,164,671	3,385,226	17,492,190
At 30 June 2023	**3,756,464**	**9,402,565**	**649,168**	**1,832,806**	**3,530,601**	**19,171,604**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

13. Leases

Group as a lessee

The Group has lease contracts for various items of property leases, plant, machinery, vehicles and other equipment used in its operations. Leases of property, plant & equipment generally have lease terms between 2 & 11 years, while motor vehicles have lease terms between 3 & 8 years. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

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

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

	Property leases	Plant and equipment	Motor vehicles	Total
	$	$	$	$
As at 30 June 2022	**31,578,174**	**90,907**	**11,408,478**	**43,077,559**
Additions	5,352,294	371,412	4,584,855	10,308,561
Modifications	1,894,373	10,513	2,121,137	4,026,023
Disposals	(674,011)	-	-	(674,011)
Depreciation expense	(10,067,485)	(86,407)	(5,841,460)	(15,995,352)
As at 30 June 2023	**28,083,345**	**386,425**	**12,273,010**	**40,742,780**

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

	2023	2022
	$	$
Current	14,677,070	12,408,936
Non-current	28,792,046	32,162,217

Presented below is a maturity analysis of undiscounted future lease payments:

	2023	2022
	$	$
Within one year	15,352,613	14,254,662
After one year but not more than five years	27,669,840	31,108,893
More than five years	3,108,313	5,633,426
	46,130,766	**50,996,981**

The amount of expense relating to short-term leases and leases of low-value assets recognised in profit or loss during the year ended 30 June 2023 was $1,036,936 (2022: $1,184,695).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

14. Goodwill and intangible assets

	Goodwill	Development costs	Brand name	Customer contracts	Intellectual property	Total
	$	$	$	$	$	$
Cost						
At 1 July 2022	235,782,250	347,363	6,472,056	22,378,888	674,598	265,655,155
Finalisation of prior year acquisitions	60,575	-	-	-	-	60,575
Acquisition of a subsidiary (Note 3)	24,708,819	500,194	-	5,797,171	-	31,006,184
Net disposals	-	-	-	-	(14,427)	(14,427)
At 30 June 2023	**260,551,644**	**847,557**	**6,472,056**	**28,176,059**	**660,171**	**296,707,487**
Accumulated amortisation						
At 1 July 2022	-	326,750	-	9,187,006	535,999	10,049,755
Amortisation	-	32,720	-	4,599,072	70,322	4,702,114
At 30 June 2023	**-**	**359,470**	**-**	**13,786,078**	**606,321**	**14,751,869**
Net book value						
At 30 June 2022	235,782,250	20,613	6,472,056	13,191,882	138,599	255,605,400
At 30 June 2023	**260,551,644**	**488,087**	**6,472,056**	**14,389,981**	**53,850**	**281,955,618**

ARA Group Limited and Controlled Entities

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

15. Trade and other payables

	2023	2022
	$	$
Current		
Trade payables	69,903,313	72,260,255
Other payables		
Trade creditors accruals	8,019,188	9,562,601
Profit sharing accruals	12,491,034	10,350,454
Statutory payments	13,014,476	10,838,039
Other creditors and accruals	13,584,620	11,648,643
Dividends payable (Note 7)	9,233,167	5,581,893
	56,342,485	**47,981,630**
	126,245,798	**120,241,885**

16. Deferred acquisition purchase consideration

	2023	2022
	$	$
Current		
Deferred acquisition purchase consideration	**13,238,433**	**5,762,249**
Non-current		
Deferred acquisition purchase consideration	**500,000**	**5,416,800**

$5,659,225 (2022: $8,429,049) worth of deferred purchase consideration for acquisitions is related to current year acquisitions, refer to Note 3 for further details. The remaining $8,079,208 (2022: $2,750,000) is related to prior year acquisitions.

17. Contract liabilities

	2023	2022
	$	$
Short-term advances for services	**12,047,417**	**12,382,765**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

18. Interest-bearing loans and borrowings

	Interest rate %	Maturity Financial years	2023 $	2022 $
Current				
Bank bills and loans secured (Note 22.2) (a) (b)	6.32	1 year	4,000,000	3,375,000
Non-current				
Bank bills and loans secured (Note 22.2) (a) (b)	2.83-6.52	1 - 2 years	153,650,000	128,550,000

(a) Total secured liabilities

	2023 $	2022 $
Bank bills and loans	157,650,000	131,925,000

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

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

	2023 $	2022 $
First mortgage over all of the assets of the parent entity and all controlled entities - total assets pledged as security	570,348,352	521,570,803

19. Employee benefits liabilities

	2023 $	2022 $
Current		
Annual leave	19,693,518	17,697,839
Long service leave	9,271,093	7,767,268
	28,964,611	25,465,107
Non-current		
Long service leave	4,196,136	3,399,589
Aggregate employee entitlement liability	33,160,747	28,864,696

ARA Group Limited and Controlled Entities

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

20. Contributed equity and reserves

20.1 Contributed equity

	2023 $	2022 $
Fully paid shares		
Fully paid ordinary shares	124,365,319	114,545,826

	2023 Number	2023 $
Fully paid ordinary shares		
At beginning of financial year	44,655,137	114,545,826
Issued during financial year	966,767	6,283,987
Issued during financial year		
- acquisitions in prior year	156,155	1,015,006
- acquisitions in 2023	387,769	2,520,500
At reporting date	46,165,828	124,365,319

The Group issued 966,767 ordinary shares at $6.50 per share during the year to new and existing shareholders increasing equity by $6,283,987. The Group issued 543,924 ordinary shares at $6.50 per share as purchase consideration to the vendors of several acquisitions. This increased equity by $3,535,506.

20.2 Other reserves

a) Movement

Year ended 30 June 2023	Other reserve $	Hedge reserve $	Foreign currency translation reserve $	Total $
Balance at the start of the financial year	(2,839,864)	-	(458,962)	(3,298,826)
Currency translation differences	-	-	(557,293)	(557,293)
	(2,839,864)	-	(1,016,255)	(3,856,119)

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

b) Nature and purpose of reserve

Other reserve

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

20. Contributed equity and reserves (continued)

20.2 Other reserves (continued)

b) Nature and purpose of reserve (continued)

Hedge reserve

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

Foreign currency translation reserve

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

21. Related party disclosure

Transaction with key management personnel

Rental property paid to Directors

The Group rented certain properties that are controlled by members of the Group's key management personnel. The total rental paid during the year amounted to $930,686 (2022: $872,008).

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

Compensation of key management personnel of the Group

Total compensation paid to key management personnel during the year amounted to $10,470,710 (2022: $9,753,770).

Directors fees

Total directors fees paid during the year amounted to $350,000 (2022: $218,265).

Bank Guarantees

The Group issued one bank guarantees totalling $87,725 (2022: $187,725) on behalf of one of the Group's key management personnel. All fees in relation to the bank guarantee have been reimbursed to the Group.

As at 30 June 2023 and 2022, there were no outstanding balances owing or payable to related parties for services provided to related parties.

22. Commitments and contingencies

22.1 Commitments

There are no commitments as at the reporting date not otherwise disclosed, which would have a material effect on the Group's consolidated financial statements as at 30 June 2023 (2022: $nil).

22.2 Contingent liabilities

The Parent Entity and all its wholly owned controlled entities with the exception of ARA Building Services (Qld) Pty Ltd and ARA Building Services (NSW) Pty Ltd, are subject to a Cross Deed of Guarantee in respect of finance facilities provided to its ultimate parent entity and other entities controlled thereby. All assets of the Company are pledged as security in respect of this facility with a registered charge being in place. The total facility available to the Group from Westpac Banking Corporation and Commonwealth Bank of Australia is $221,000,000 (2022: $196,000,000). Of these facilities, an amount of $11,000,000 (2022: $11,000,000) is available for indemnity guarantees, and as at 30 June 2023 $6,254,028 (2022: $6,272,911) of indemnity guarantees were outstanding.

In addition the Group has a separate credit card facility with Westpac Banking Corporation of $3,480,620 (2022: $3,480,620). $1,519,137 was utilised at 30 June 2023 (2022: $1,198,042).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

22. Commitments and contingencies (continued)

22.2 Contingent liabilities (continued)

The Group has a surety bond facility with Liberty Mutual Insurance Company of $50,000,000 (2022: $50,000,000). At 30 June 2023, the Group had $43,927,752 (2022: $35,364,123) of surety bonds outstanding with Liberty Mutual Insurance Company.

23. Events after the reporting period

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

24. Closed group class order

24.1 Entities subject to class order relief

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

24. Closed group class order (continued)

24.1 Entities subject to class order relief (continued)

The subsidiaries that are party to the Deed are:

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

24. Closed group class order (continued)

24.1 Entities subject to class order relief (continued)

Sicada Fire & Safety (NSW) Pty Ltd
Sicada Holdings Pty Ltd
TALV Pty Limited
Servcore Pty Limited
Thermoscan Inspection Services Pty Ltd
Transelect Pty Ltd
Web ID Pty Ltd
Wiltrading Stace Pty Ltd

24.2 Consolidated statement of profit or loss and other comprehensive income

	Closed group	
	2023	2022
	$	$
Profit before income tax expense	36,858,088	30,547,887
Income tax expense	(11,245,810)	(9,127,259)
Net profit for the period	**25,612,278**	**21,420,628**
Retained earnings at the beginning of the period	40,627,280	37,365,391
Dividends provided for or paid	(28,393,666)	(18,158,740)
Retained earnings at the end of the period	**37,845,892**	**40,627,279**

24.3 Consolidated statement of financial position

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

	Closed group	
	2023	2022
	$	$
Current assets		
Cash and cash equivalents	29,016,946	40,341,801
Trade and other receivables	111,077,409	94,562,359
Inventories	23,956,410	21,179,360
Other assets	6,091,068	6,146,302
Total current assets	**170,141,833**	**162,229,822**
Non-current assets		
Other financial assets	27,191,082	22,704,815
Other debtors	169,850	169,850
Property, plant and equipment	16,036,758	14,958,161
Right-of-use assets	35,088,732	33,877,187
Deferred tax assets	12,958,009	11,709,429
Goodwill and intangible assets	248,116,733	226,663,747
Total non-current assets	**339,561,164**	**310,083,189**
Total assets	**509,702,997**	**472,313,011**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

24. Closed group class order (continued)

24.3 Consolidated statement of financial position (continued)

	Closed group 2023 $	2022 $
Current liabilities		
Trade payables	52,287,798	63,032,315
Other payables	63,012,919	48,079,429
Contract liabilities	12,496,086	11,991,421
Lease liabilities related to right-of-use assets	12,562,048	9,929,987
Income tax payable	3,029,038	3,949,085
Employee benefits	26,788,486	23,503,519
Other financial liabilities	4,000,000	3,375,000
Total current liabilities	**174,176,375**	**163,860,756**
Non-current liabilities		
Lease liabilities related to right-of-use assets	25,160,363	25,219,574
Other creditors	500,000	4,485,500
Employee benefits	4,007,769	3,248,766
Other financial liabilities	153,650,000	128,550,000
Deferred tax liabilities	6,156,893	6,059,642
Total non-current liabilities	**189,475,025**	**167,563,482**
Total liabilities	**363,651,400**	**331,424,238**
Net assets	**146,051,597**	**140,888,773**
Equity		
Share capital	111,045,569	103,101,451
Retained earnings	37,845,892	40,627,279
Other reserves	(2,839,864)	(2,839,957)
Total equity	**146,051,597**	**140,888,773**

ARA Group Limited and Controlled Entities

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

25. Information relating to parent ARA Group Limited

	2023 $	2022 $
Current assets	91,680,266	77,716,861
Non-current assets	458,919,098	402,874,190
Total assets	**550,599,364**	**480,591,051**
Current liabilities	30,538,713	17,614,509
Non-current liabilities	523,894,365	452,096,382
Total liabilities	**554,433,078**	**469,710,891**
Net (liabilities)/assets	**(3,833,714)**	**10,880,160**
Contributed equity	124,365,319	114,545,826
Accumulated losses	(128,199,033)	(103,665,666)
	(3,833,714)	**10,880,160**
Loss for the year	(4,709,397)	(4,459,745)

26. Auditor's remuneration

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

	2023 $	2022 $
Amounts received or due and receivable by Ernst & Young (Australia) audit firm for:		
Ernst & Young audit	653,670	621,200
Ernst & Young other services - taxation and accounts preparation	166,700	164,038
	820,370	**785,238**

Directors' declaration

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

In the opinion of the directors:

(a) the consolidated financial statements and notes of ARA Group Limited and Controlled Entities for the financial year ended 30 June 2023 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the year ended on that date; and

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

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

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

On behalf of the board

Edward Federman
Executive Director
Sydney
8 August 2023

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Building a better working world

Independent auditor's report to the members of ARA Group Limited

Opinion

We have audited the financial report of ARA Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards – Simplified Disclosures and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

Gregory J Logue
Partner
Sydney
8 August 2023

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ARA Group

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araproducts.com.au

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Balcatta
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Bayswater North
Bella Vista
Belmont
Beresfield
Berrimah
Bundaberg
Bungalow
Caringbah
Chatswood
Cheltenham
Crows Nest
Dandenong South
Derrimut
Dubbo
Eagle Farm
Eastwood
Frenchs Forest
Fyshwick
Gap Ridge correct
Gladstone Central
Hawthorn
Heatherbrae
Ingleburn
Kings Park
Kingsgrove
Loganholme
Mackay Harbour
Mayfield
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Minto
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Murarrie
Narrabri
North Parramatta
Orange
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Pegs Creek
Penrith
Piccadilly
Port Melbourne
Portsmith
Queanbeyan East
Regency Park
Rydalmere
Singleton
South Kalgoorlie
South Melbourne
Springwood
Tingalpa
Tomago
Tuggerah
Tullamarine
Two Wells
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