ANNUAL REPORT 2013

ARA

FIRE MECHANICAL ELECTRICAL MANUFACTURE SECURITY

ARA ANNUAL REPORT 2013

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FINANCIAL REPORT

01

LETTER FROM THE CHAIRMAN & MANAGING DIRECTOR

LETTER FROM THE CHAIRMAN & MANAGING DIRECTOR

We would like to thank our fellow Directors, Senior Management Team and all of our employees for a very strong effort in a difficult economic environment. Although we did experience a reduction in earnings from the previous financial year, there were many exceptional performances and some accomplishments that make us a very strong company.

In summary, total turnover was $280 million, an increase of $10 million or 3.6% from the prior year. This growth was purely organic and the eleventh time out of ARA's twelve years of business that the turnover was higher than the previous year. EBITDA (earnings before interest, taxes, depreciation and amortisation) was $8.8 million, a reduction of $3.2 million from the prior year. This is only the third time in the twelve year history of ARA that earnings were less than the previous year. Total Comprehensive Income was $3.9 million in the current financial year compared to $6.4 million in financial year 2012.

Despite the decline in earnings there are several good things to take away from financial year 2013. Offsetting a decline in profits at the fire protection business in Queensland of $4.2 million, was an increase in profits of $1 million throughout the rest of the ARA Group. There were significant increases in organic growth in sales and profits in the Security Division, the Mechanical Division and the Electrical Division's high voltage business.

The other very good news of the year just ended was the collective management of working capital.

The long term debt of ARA was reduced by $4.7 million whilst the cash balance increased by $1.5 million. Net debt (cash less interest bearing loans) at 30 June 2013 was $4.6 million, a reduction of $6.2 million of net debt from 30 June 2012. Shareholders' equitywas $53.7 million at 30 June 2013. Consequently, ARA's net debt was only 7% of the capital structure (net debt as a percentage of net debt plus shareholders' equity). All this was accomplished and $0.16 per share was paid as fully franked dividends during the financial year.

We are maintaining our mantra to focus on what we are good at and avoid distractions. The business environment remains challenging, so we have to provide better service to our customers than our competitors.

Operationally, there were other very positive events. Backlog increased 9% to $130.4 million at 30 June 2013 from $119.8 million one year ago. Several major service contracts were renewed by significant customers for periods of three to five years.

ARA has continued to bring innovative ideas to our customers. We have introduced a new and safer way to move cash from place to place. We have also introduced a new form of fire prevention. Both of these systems are actively used in Europe and in both cases, they were the first to be used in Australia.

We have begun a process of rebranding the ARA Group with a new logo. We think that it will be easier for people who do not know ARA to understand the services that we provide.

We have made a commitment to our shareholders that we will really focus on improving our operating margins in 2014. We have also committed that we will not have a business unit lose money in the new year.

Finally, we are maintaining our mantra to *"Focus on what we are good at and avoid distractions."* The business environment remains challenging, so we have to provide better service to our customers than our competitors.

Edward Federman
Managing Director
ARA Group Pty Ltd

Leo Browne
Chairman of the Board of Directors
ARA Group Pty Ltd

02

FINANCIAL YEAR HIGHLIGHTS

RENEWAL OF MAJOR SERVICE CONTRACTS

Our focus at ARA is to listen closely to our customers, *understand* their true needs and build trust through *relationships* and great customer service.

ARA's customers have seen the value in Clarafy, ARA's service delivery system. Clarafy provides a web based portal for our customers to view the inspection, testing and repair work done on their assets.

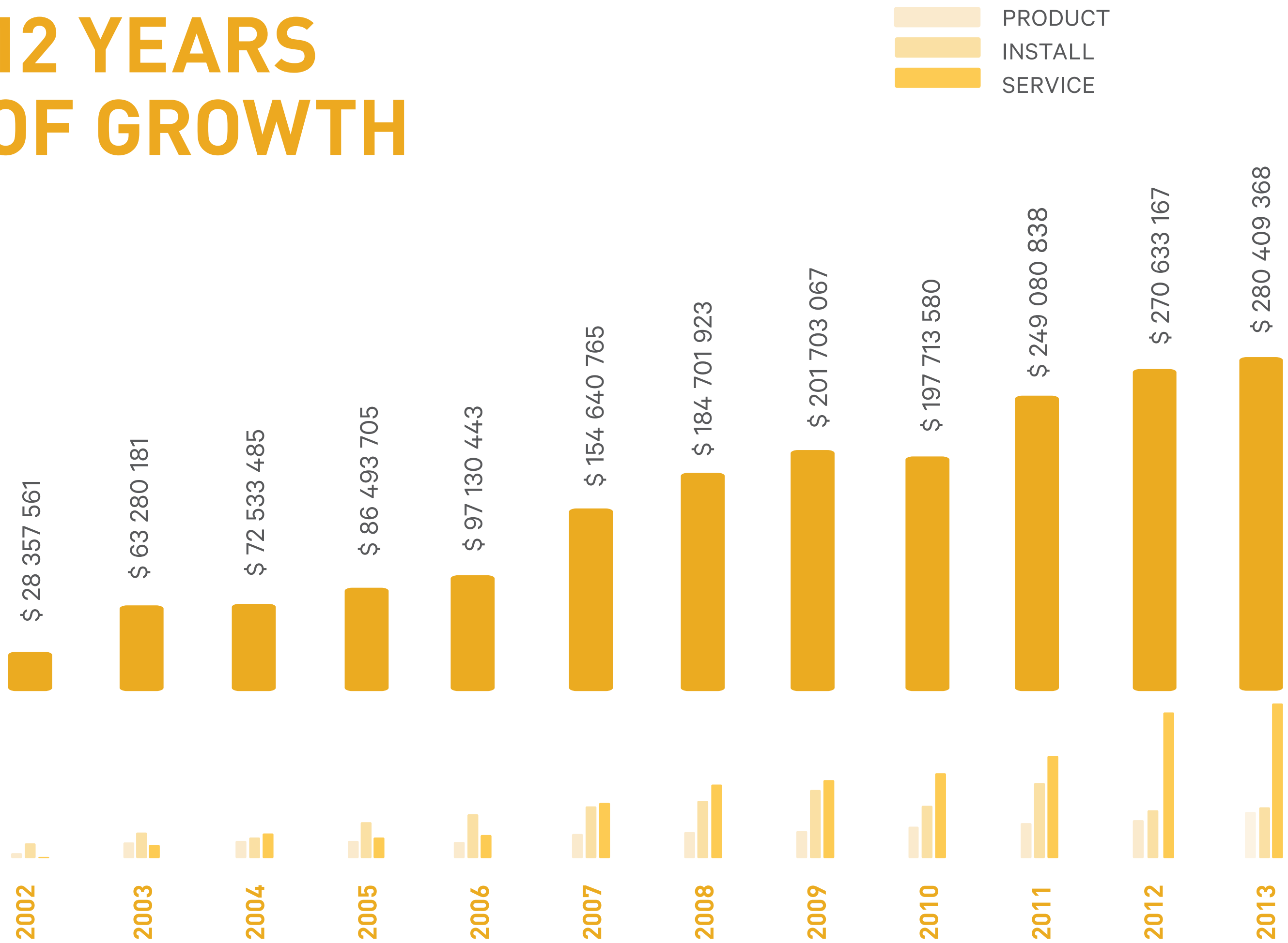
SECURITY

ARA SECURITY RENEWED ITS NATIONWIDE ELECTRONIC SECURITY SERVICE CONTRACTS WITH 2 MAJOR FINANCIAL INSTITUTIONS.

FIRE

THE FIRE DIVISION RENEWED AN INSPECTION AND TESTING CONTRACT WITH ONE OF AUSTRALIA'S LARGEST REAL ESTATE OPERATORS.

12 YEARS OF GROWTH

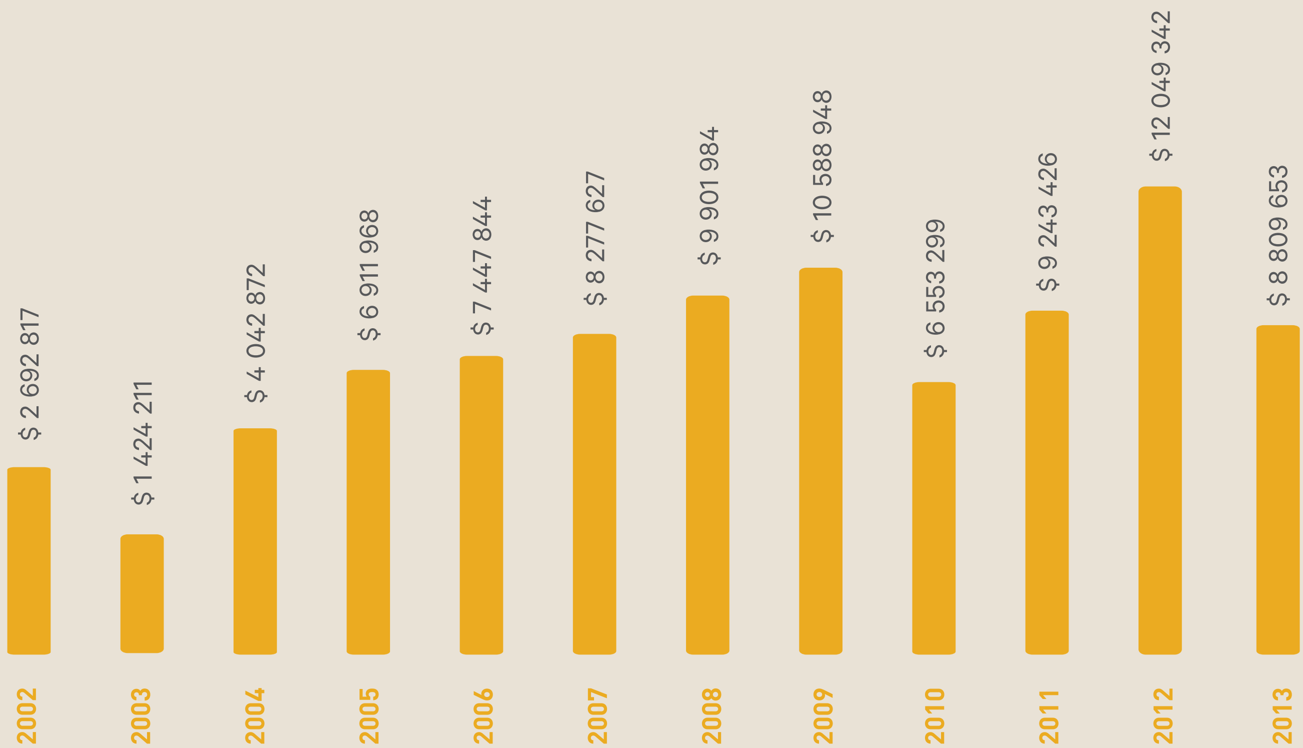


ABOVE
ARA TURNOVER GROWTH FROM THE BEGINNING

ARA has grown consistently since 2001. Our annual turnover has increased each year from the previous year except on one occasion. We have made no major acquisitions during the last three years, yet we have experienced 42% organic growth since 2010. Much of our growth has been fueled by our high voltage & security businesses, while the rest of ARA's services continue to gain market share.

Our sales have grown
42%
organically since 2010

12 YEARS OF PROFITABILITY



ABOVE
ANNUAL EBITDA

ARA continues to achieve its history of strong earnings. Management is focused on improving operating margins in 2014.

SECTION **02**

GROWTH DRIVERS

ARA ELECTRICAL

Transelect, our high voltage electrical company, grew its revenue by 53% from the previous financial year. Growth is coming from energy providers outsourcing service and repairs to contractors such as Transelect.

ARA SECURITY

In 2013, our security division grew its revenue by 27% from the previous financial year. ARA Security has started a new vertical business performing frontline maintenance of ATMs, which is expected to continue to drive growth in 2014.

FAR LEFT: HIGH VOLTAGE
ABOVE: ACCESS CONTROL

STRONG WORKING CAPITAL MANAGEMENT

We continue to work very hard to turn our earnings into cash flow. We have achieved this goal in a significant way during the past two years. As seen in the table, we converted 168% of our EBITDA in 2013 into cash (132% in 2012).

MILLIONS OF DOLLARS	2012	2013
Profit before income tax and acquisition expenses	8.7	5.9
Plus net interest expense	1.2	0.9
Plus depreciation	2.1	2.0
EBITDA	**12.0**	**8.8**
Operating cash (from statement of cash flows)	11.7	12.2
Plus net interest expense	1.2	0.9
Plus income tax paid	2.9	1.7
Operating cash flow	15.8	14.8
OPERATING CASH FLOW AS A % OF EBITDA	**132%**	**168%**

FROM 2012

132%

↓

TO 2013

168%

OPERATING CASH FLOW AS A % OF EBITDA

03

ARA OVERVIEW

ARA'S REVENUE IS COMPROMISED OF

68%	18%	14%
Service	Install	Product

OUR DIVISIONS SERVICE MANY INDUSTRIES

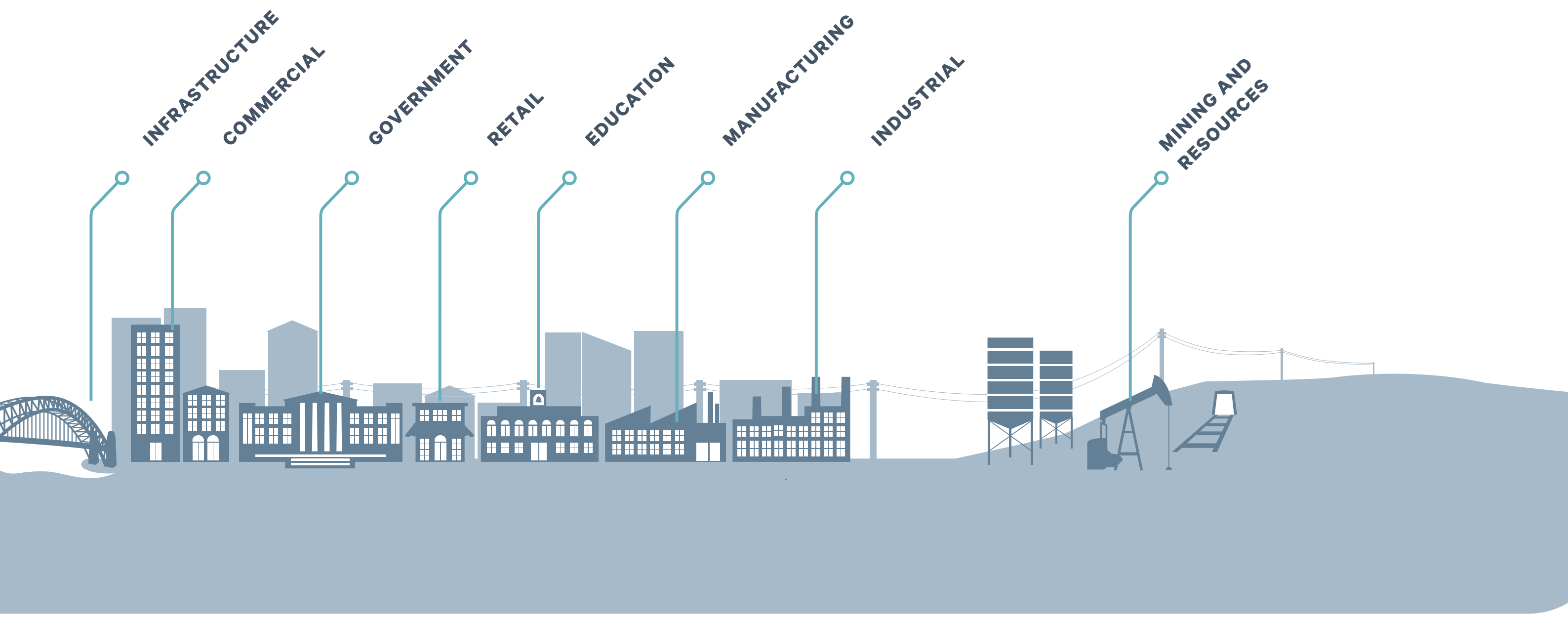
We service a variety of industries essential to supporting our Australian way of life.

A NATIONAL PRESENCE WITH A LOCAL FEEL

KEY

- FIRE
- MECHANICAL
- ELECTRICAL
- MANUFACTURE
- SECURITY

- **CANBERRA**
- **SYDNEY**
- RYDALMERE
- NOWRA
- WOLLONGONG
- NEWCASTLE
- CENTRAL COAST
- DUBBO
- **MELBOURNE**
- **ADELAIDE**
- **BRISBANE**
- GOLD COAST
- BUNDABERG
- **PERTH**



04

ARA DIVISIONS

2013 DIVISIONAL TURNOVER

ARA FIRE	ARA MECHANICAL	ARA ELECTRICAL
$65 million	$55 million	$85 million
All aspects of fire protection	*Energy management of commercial buildings*	*Electrical, high voltage, data and engineering*
Inspection & Testing	HVAC Design	High Voltage Services
Sprinkler Systems	Mechanical Ventilation	Engineering Solutions
Detection & EWIS	Air Conditioning	Installation Services
Passive & Fire Doors	Chiller Plants	Switchboards
Portable Systems	Building Automation	Mobile Switch Rooms
Special Hazards	Energy Management	Data Centres
Oxygen Reduction	Multi Trade Services	Structured Cabling
Pipe Fabrication		

OUR END-TO-END SERVICE

DESIGN → INSTALL → 24 HR SERVICE

$25 million

ARA MANUFACTURE

Aluminium and steel door manufacturer

- Steel Doors
- Bi-Folding Doors
- Counterweight Doors
- Sliding Doors
- Window Systems
- Bio-Containment
- Security Doors & Windows
- Pass Through Units

$50 million

ARA SECURITY

Integration and solutions of electronic security

- Access Control
- CCTV
- ATM Security & Guarding
- ATM Maintenance (FLM)
- Cash In Transit Solutions
- Electronic Security Solutions
- Identification Solutions

MAINTENANCE

UPGRADE

2013 ARA TURNOVER

$280 MILLION

Reliable solutions for your facility and infrastructure

Countless amounts of people around Australia are impacted by the solutions we provide to our clients. Our quality services give us the opportunity to build lasting relationships with our customers. A passion for innovation, efficiency, transparency, and customer support is what brings our clients back.

05

THE BRAND REFRESH

REFRESHING OF THE BRAND

Since ARA began its business in 2001, our companies have evolved at a fast pace.

Through tough economic times and changing landscapes, we have been able to navigate successfully, while staying at the forefront of competition in the marketplace. Providing dependable infrastructure and facility services throughout Australia, we take great pride in the quality of work we perform.

During the past 12 years we have become a very strong company. We feel it is the right time to refresh our brand with something reflective of our growth, character, values and successes.



GROWTH CHARACTER


VALUES & *SUCCESSES*

ARA BRAND TRANSITION

Our logo was created when we launched in 2001 and has been our identity for the past 12 years.

Celebrating the growth we've experienced since the beginning, we want to share our successes with those familiar to the ARA brand. We have refreshed our identity with the Australian values and philosophies that guide us in the fundamental jobs we perform for our clients and the community. Our goal is to maintain the integrity of the original mark, while telling the ARA story that exists in our services.

PREVIOUS LOGO

NEW LOGO

THE CHALLENGES

To be effective and concise in the depiction of the services we offer,our major challenge was not only designing a way to achieve that in the logo, but how that vision could be reflected throughout our entire marketing strategy.

THE OPPORTUNITIES

We have always stood by the work we do as a representation of the high quality services we bring to the marketplace. The brand refresh assists in communicating that belief.

ARA
SECURITY

ARA
MANUFACTURE

ARA
ELECTRICAL

ARA
MECHANICAL

ARA
FIRE

THE DIVISIONS

We defined the five ARA divisions to combine our services into understandable categories.

The values we associate with Australia (camaraderie, integrity, resilience, a sunburnt country and diversity of culture) are represented by the earthy colours in the Australian landscape.

THE SLOGAN

“A REAL AUSTRALIAN”

BEHIND THE NAME: WHAT DOES ARA STAND FOR?

ARA stands for *‘A Real Australian.’* Camaraderie, integrity, resiliency and a celebration of diversity are all a part of the Australian experience.

We are proud to let those values guide our business principles, the relationships we maintain with our clients and our contributions to the community.

Countless amounts of people around Australia are impacted by the solutions we provide to our clients. We are determined to contribute services that keep our communities safe and secure, while integrating the latest advances in technology from around the world. A passion for innovation, efficiency and transparency enables our company to positively contribute to the Australian way of life.

Helping our communities is the Australian way, and we are proud to be *“A Real Australian”*.

ARA OFFICE RENOVATIONS

We have begun renovations of ARA offices around the country. The first renovation of an ARA office was the shared facility in Sydney that is home to ARA Security, Environmental Automation and ARA Building Services.

The fit out for this office was completed in June 2013 and has set a new standard for quality in ARA workplaces. We are currently in the midst of more office renovations in Adelaide, Sydney, Melbourne and Perth.

The goals we sought to achieve by improving our working spaces was to create an open and integrated work experience. We feel that giving our employees the opportunity to see firsthand the struggles and successes of their sister companies is essential to the overall growth and evolution of ARA. We have achieved this by opening up the layouts of our offices and by providing improved furniture and facilities.

As a result, the space in which our employees work is a reflection of the transparency that we, as an essential service provider, strive to give our clients.

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FINANCIAL REPORT

for the year ended
30 June 2013

ARA GROUP PTY LIMITED
& CONTROLLED ENTITIES

ABN 47 074 886 561

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
ABN 47 074 886 561

Directors' Report

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2013.

The names of the directors in office at any time during or since the end of the year are:

Leo Browne	*Brian Davies*
Peter Browne	*Edward Federman*
Brett Chambers	*Norbert Schweizer*

RESULTS OF OPERATIONS

The Total Comprehensive Income of the economic entity for the financial year after providing for income tax and before eliminating outside equity interests amounted to $3,852,966 (2012: Total Comprehensive Income $6,357,911).

The decrease in Total Comprehensive Income was principally due to a significant loss incurred at the Group's fire protection business in Queensland during the financial year. The loss was a result of several poor contracts, a loss on sale of the air conditioning business and redundancy costs incurred to bring the headcount of the business in line with the business conditions in Queensland. The decrease in earnings at the Queensland fire protection business was partially offset by the improvement in operating results at the rest of the Group's businesses.

REVIEW OF OPERATIONS

Sales of the Group's products and services were $280,409,368 in 2013 compared with $270,633,167 in 2012, an increase of 3.6%. The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to $8,809,653 in 2013 (before acquisition expenses) compared with $12,049,342 in 2012, a decrease of 27%. The Group's EBITDA before profit sharing was $11.0 million in 2013 (4% of revenue) and $14.7 million in 2012 (5% of revenue).

The reduction in EBITDA at the Queensland fire protection business in 2013 was $4.2 million when compared to the EBITDA in 2012 (loss of $1.6 million in 2013 compared to EBITDA of $2.6 million in 2012). The increase in EBITDA at the rest of the Group's operations was $1.0 million in 2013 as compared to 2012.

There was one small acquisition of a security products distribution business completed during the year.

Throughout the financial year the operating businesses maintained a strong forward order book. At 30 June 2013 the confirmed forward orders totalled approximately $130 million (30 June 2012: $120 million).

The Group's net debt decreased by $6.2 million from $10.8m at 30 June 2012 to $4.6m at 30 June 2013. Despite the organic sales growth during the financial year, the Group's key working capital performance remained very strong.

The overall operating margin decreased during the 2013 financial year from 4% of sales to 3% of sales. The Group will concentrate on improvements in the operating margin in 2014.

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the financial year were the provision of 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, facilities management and building automation, and the manufacturing of specialised building products such as steel doors, ballistic doors and partitions, steel security and steel fire doors, aluminium security shutters and grilles. There were no significant changes in the nature of the activities of the companies in the economic entity during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

On 4 July 2013 the Group paid $3.6 million to purchase the 33% of outstanding shares of its steel door manufacturing business that it did not previously own. A combination of cash flow from operations and borrowings available under its current loan agreement were the sources of the cash used to make the payment. No other 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.

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
ABN 47 074 886 561

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 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. It is expected the Group will continue to focus on organic growth and improved operating margins in 2014 although appropriate acquisition opportunities will be thoroughly investigated. It remains the goal of the Directors to pay dividends each quarter in 2014. The Group did not make a dividend payment during the third quarter of 2013. The cash saved from not making the dividend payment in the third quarter was used to repay debt during the fourth quarter of 2013.

If the Group identifies appropriate acquisitions in 2014 it will likely use a combination of new equity and bank debt to finance the execution of any acquisitions. In any event, the Directors will ensure that the Group does not become highly leveraged. In the absence of any acquisitions in 2014, the Group has budgeted to reduce debt in the amount of $2.4 million after making the payment for 33% of the outstanding shares of the steel door manufacturing business. The goal of the Group remains that its net debt will not exceed 30% of its total capital structure. At 30 June 2013, net debt was $4.6 million, or 7% of its capital structure ($10.8 million at 30 June 2012 and 17% of its capital structure).

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.

DIVIDENDS

Fully franked dividends amounting to $2,782,606 were declared during the financial year (2012: $4,372,666). At 30 June 2013, dividends in the amount of $457,327 remained unpaid until 1 July 2013.

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 OF OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is, or has been an officer or auditor of the company.

PROCEEDINGS ON BEHALF OF THE COMPANY

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 36 of the financial report.

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

Director Edward Federman

Edward Federman

Dated this 8th day of August 2013

Auditors' independence deceleration

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
ey.com

Building a better working world

Auditor's Independence Declaration to the Directors of ARA Group Pty Limited

In relation to our audit of the financial report of ARA Group Pty Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

E A Lang

E A Lang
Partner
Sydney
8 August 2013

Statement of Comprehensive Income

	Note	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
		$	$	$	$
Revenues	2	**280,409,368**	270,633,167	**17,684,054**	9,457,318
Changes in inventories of finished goods and work in progress		**537,901**	559,971	-	-
Raw materials and consumables used		**(79,463,502)**	(75,606,527)	-	-
Employee benefits expense		**(105,587,283)**	(109,875,488)	-	-
Management and sub contract fees		**(59,833,162)**	(49,692,685)	-	-
Profit sharing expense		**(2,168,294)**	(2,668,984)	-	-
Depreciation and amortisation expenses	3	**(2,020,468)**	(2,124,398)	**(20,340)**	(20,340)
Finance costs	3	**(911,720)**	(1,185,931)	**(911,706)**	(1,184,996)
Other expenses from ordinary activities		**(25,042,407)**	(21,275,328)	**(298,761)**	(386,715)
Acquisition expenses		**(72,399)**	(19,943)	**(72,399)**	(19,943)
Profit before income tax expenses		**5,848,034**	8,743,854	**16,380,848**	7,845,324
Income tax expense	4	**(1,995,068)**	(2,385,943)	**219,909**	232,146
Net profit for the year		**3,852,966**	6,357,911	**16,600,757**	8,077,470
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the year		**3,852,966**	6,357,911	**16,600,757**	8,077,470
Total comprehensive income for the year is attributable to:					
Non-controlling interest	18	**289,940**	538,299	-	-
Owners of the Parent		**3,563,026**	5,819,612	**16,600,757**	8,077,470
		3,852,966	6,357,911	**16,600,757**	8,077,470

The accompanying notes form part of these financial statements.

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
ABN 47 074 886 561
30 June 2013

Statement of Financial Position

		Consolidated		Parent	
	Note	2013	2012	2013	2012
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	6	**7,418,508**	5,920,319	**396,847**	320,950
Trade and other receivables	7	**37,610,162**	45,720,007	**9,153,428**	7,148,330
Inventories and construction work in progress	8	**13,366,000**	9,035,242	**-**	-
Other assets	9	**1,296,212**	432,397	**123,308**	233,929
TOTAL CURRENT ASSETS		**59,690,882**	61,107,965	**9,673,583**	7,703,209
NON-CURRENT ASSETS					
Trade and other receivables	7	**-**	-	**21,082,010**	19,246,064
Other financial assets	10	**237,747**	295,219	**52,378,842**	49,378,842
Property, plant and equipment	12	**5,804,317**	5,632,004	**-**	-
Deferred tax assets		**3,915,760**	3,816,768	**9,393**	-
Goodwill and intangible assets	13	**51,082,796**	50,455,317	**5,679**	5,679
TOTAL NON-CURRENT ASSETS		**61,040,620**	60,199,308	**73,475,924**	68,630,585
TOTAL ASSETS		**120,731,502**	121,307,273	**83,149,507**	76,333,794
CURRENT LIABILITIES					
Trade and other payables	14	**43,100,439**	41,120,718	**513,943**	530,221
Income tax payable		**-**	55,863	**-**	-
Employee benefits	16	**8,103,126**	7,744,083	**-**	-
TOTAL CURRENT LIABILITIES		**51,203,565**	48,920,664	**513,943**	530,221
NON-CURRENT LIABILITIES					
Interest bearing loans and borrowings	15	**12,000,000**	16,700,000	**31,924,765**	38,910,925
Deferred tax liabilities		**2,507,321**	1,468,703	**-**	-
Employee benefits	16	**1,341,606**	1,361,256	**-**	-
TOTAL NON-CURRENT LIABILITIES		**15,848,927**	19,529,959	**31,924,765**	38,910,925
TOTAL LIABILITIES		**67,052,492**	68,450,623	**32,438,708**	39,441,146
NET ASSETS		**53,679,010**	52,856,650	**50,710,799**	36,892,648
EQUITY					
Contributed equity	17	**33,680,511**	33,680,511	**33,680,511**	33,680,511
Retained profits		**18,836,760**	18,056,340	**17,030,288**	3,212,137
Non-controlling interests	18	**1,161,739**	1,119,799	**-**	-
TOTAL EQUITY		**53,679,010**	52,856,650	**50,710,799**	36,892,648

The accompanying notes form part of these financial statements.

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
ABN 47 074 886 561
30 June 2013

Statement of Changes in Equity

Consolidated	Note	Share Capital $	Retained Earnings $	Minority Interest $	Total Equity $
Balance at 1 July 2011		33,680,511	16,609,394	941,700	51,231,605
Profit for the year		-	5,819,612	538,299	6,357,911
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	5,819,612	538,299	6,357,911
Transactions with owners in their capacity as owners:					
Shares issued during the year		-	-	-	-
Dividends paid or provided for		-	(4,372,666)	(360,200)	(4,732,866)
Balance at 30 June 2012	17	33,680,511	18,056,340	1,119,799	52,856,650
Profit for the year		-	**3,563,026**	**289,940**	**3,852,966**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	**3,563,026**	**289,940**	**3,852,966**
Transactions with owners in their capacity as owners:					
Shares issued during the year		-	-	-	-
Dividends paid or provided for		-	**(2,782,606)**	**(248,000)**	**(3,030,606)**
Balance at 30 June 2013	17	**33,680,511**	**18,836,760**	**1,161,739**	**53,679,010**

Parent	Note	Share Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011		33,680,511	(492,667)	33,187,844
Profit for the year		-	8,077,470	8,077,470
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	8,077,470	8,077,470
Transactions with owners in their capacity as owners:				
Shares issued during the year		-	-	-
Dividends paid or provided for		-	(4,372,666)	(4,372,666)
Balance at 30 June 2012	17	33,680,511	3,212,137	36,892,648
Profit for the year		-	**16,600,757**	**16,600,757**
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	**16,600,757**	**16,600,757**
Transactions with owners in their capacity as owners:				
Shares issued during the year		-	-	-
Dividends paid or provided for		-	**(2,782,606)**	**(2,782,606)**
Balance at 30 June 2013	17	**33,680,511**	**17,030,288**	**50,710,799**

The accompanying notes form part of these financial statements.

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
ABN 47 074 886 561
30 June 2013

Statement of Cash Flows

	Note	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		317,545,793	295,561,125	-	-
Payments to suppliers and employees		(302,767,764)	(279,774,223)	(536,604)	(447,949)
Dividends received		-	-	17,677,500	9,445,400
Interest received		42,968	24,784	6,554	11,918
Borrowing costs paid		(911,720)	(1,185,931)	(911,706)	(1,184,996)
Income tax paid		(1,718,269)	(2,894,763)	(1,051,190)	(2,110,714)
Net cash flows from operating activities	22b	12,191,008	11,730,992	15,184,554	5,713,659
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(2,312,404)	(2,832,535)	-	-
Proceeds from sale of property, plant and equipment		185,366	537,914	-	-
Payment for investments and businesses acquired	22d	(884,086)	(4,960,369)	(884,086)	(5,060,805)
Payment for intangibles		(10,901)	-	-	-
Repayments received from/(to) related parties		-	-	(6,801,777)	793,672
Net cash flows from investing activities		(3,022,025)	(7,254,990)	(7,685,863)	(4,267,133)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings		45,300,000	54,650,000	45,300,000	54,650,000
Repayment of borrowings		(50,000,000)	(51,650,000)	(50,000,000)	(51,650,000)
Proceeds from issued capital		-	-	-	-
Dividends paid - Owners of the parent entity		(2,722,794)	(4,395,151)	(2,722,794)	(4,395,151)
Dividends paid - Non-controlling interest		(248,000)	(360,200)	-	-
Net cash flows from financing activities		(7,670,794)	(1,755,351)	(7,422,794)	(1,395,151)
Net increase / (decrease) in cash and cash equivalents		1,498,189	2,720,651	75,897	51,375
Cash at beginning of year		5,920,319	3,199,668	320,950	269,575
Cash and cash equivalents at end of year	22a	7,418,508	5,920,319	396,847	320,950

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This special purpose financial report has been prepared for distribution to the members to fulfill the directors' financial reporting requirements under the Corporations Act 2001. The accounting policies used in the preparation of this financial report are consistent with the previous years, and are, in the opinion of the directors, appropriate to meet the needs of members:

(i) The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.

(ii) The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs.

Accordingly, the financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and Interpretations and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1031 'Materiality' and AASB 1048 'Interpretation of Standards'.

The directors have determined that in order for the financial report to give a true and fair view of the Company's and the Group's performance, cash flows and financial position, the requirements of Australian Accounting Standards and other financial reporting requirements in Australia relating to the measurement of assets, liabilities, revenues, expenses and equity should be complied with.

ARA Group Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

The report is also prepared in Australian Dollars.

The financial report was authorised by the Board on the 8th August 2013.

<u>New accounting standards and interpretations</u>

The accounting policies adopted are consistent with those of the previous financial year except that the company has adopted the following new or amended standard which became applicable on 1 July 2012.

Adoption of this Standard did not have a material effect on the financial position of the Company.

- *AASB101: Presentation of Financial Statements:* This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. This has not had any impact on the Company's financial statements.

Certain Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2013. The directors have carried out an assessment of these new standards and the potential impact on the financial statements and have concluded there is no significant impact on the financial statements.

The following significant accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

a. 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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of consolidation (continued)

The financial statements of the Subsidiaries are prepared for the same reporting period as ARA Group Pty 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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. 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.

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.

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 acquire are assigned to those units.

Non-controlling interests are allocated their share of net profit after tax in the statement of 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.

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's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

b. 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 disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

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 credited in the statement of 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 FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Income 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 Pty 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. Trade and Other Receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at that value less an allowance for impairment. Due to their short-term nature they are not discounted.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment.

d. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

e. Construction Contracts and Work in Progress

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

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

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Property, Plant and Equipment

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

Plant and Equipment
The carrying amount of property, plant and equipment is reviewed 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 which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation
The depreciable amount of all fixed assets including buildings and capitalised leased assets are depreciated on a straight line basis over their estimated useful lives to the company 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%*

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.

g. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period, to achieve a constant interest rate on the outstanding liability.

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

h. Goodwill

Goodwill acquired and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for a controlling interest in an entity exceeds the fair value attributed to its net tangible and identified intangible assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment

The carrying value of all assets are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of all assets is the higher of fair value less costs to sell and value in use. 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which it belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of the asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

j. 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.

k. 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.

l. Interest Bearing Loans and Borrowings

All loans and borrowings are recognised at the fair value of the consideration received. Fees paid on the establishment of loan facilities are amortised over the term of the loans.

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.

m. 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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are expensed when incurred.

o. Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either 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 Statement of Comprehensive Income.

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 conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

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 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

p. Investments in Subsidiaries

Investments in subsidiaries are measured at cost.

q. Research and Development Expenditure

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 measure reliably 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.

r. Cash and Cash Equivalents

For the purposes of the 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 two months and net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Revenue

Revenue from the sale of goods is recognised upon the transfer of title to customers.
Revenue from construction contracts is recognised in accordance with the accounting policy set out in the note 1(e).
Interest revenue is recognised as interest accrues using the effective interest method.
Dividend revenue is recognised when the right to receive a dividend has been established.
Revenue from the rendering of a service is recognised upon the performance of the service to the customers.

t. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. 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

ii. For receivables and payables which are recognised inclusive of GST.

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 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 operating cash flows.

u. Financial Instruments

Recognition and Initial Measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of consideration paid, including the transfer of non cash assets or liabilities assumed, is recognised in profit or loss.

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial Instruments (continued)

Classification and Subsequent Measurement

i. *Financial assets at fair value through profit or loss*
Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. *Financial Liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

v. 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.

Key Estimates - Impairment
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.

Key Estimates - Long service leave
As discussed in Note 1(m), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Key Estimates - Estimation of useful life of assets
The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), leased terms (for leasehold improvements) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Depreciation charges are included in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Critical Accounting Estimates and Judgements (continued)

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.

Key Estimates - Impairment of Goodwill with Indefinite Useful Life
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, 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.

w. Comparative Financial Information

Where appropriate, comparative financial information has been restated to comply with the current year's presentation.

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: REVENUE

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Sale of goods	38,184,863	44,350,793	-	-
Dividends	-	-	17,677,500	9,445,400
Interest	42,968	24,784	6,554	11,918
Rendering of service	190,939,406	170,699,278	-	-
Construction revenue	50,848,675	55,117,283	-	-
Profit on disposal of property, plant and equipment	64,504	701	-	-
Other income	328,952	440,328	-	-
	280,409,368	270,633,167	17,684,054	9,457,318

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expense has been determined after:

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Finance costs	911,720	1,185,931	911,706	1,184,996
Depreciation of non-current assets				
— leasehold improvements	284,122	292,489	-	-
— plant and equipment	709,999	845,018	-	-
— office furniture and equipment	83,611	101,679	-	-
— computer equipment and software	684,692	637,795	-	-
— motor vehicles	189,901	181,835	-	-
Total depreciation	1,952,325	2,058,816	-	-
Amortisation of borrowing costs	20,340	20,340	20,340	20,340
Amortisation of development costs	47,803	45,242	-	-
Total depreciation and amortisation expenses	2,020,468	2,124,398	20,340	20,340
Bad and doubtful debts				
— trade debtors	969,715	636,277	-	-
Remuneration of auditor				
— audit	215,000	208,793	-	-
— other services	55,122	55,236	-	-
	270,122	264,029	-	-
Rental expense on operating leases	7,124,380	6,755,923	-	-
Loss on disposal of plant and equipment	23,938	9,095	-	-

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: INCOME TAX EXPENSE

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Prima facie tax payable on operating profit before income tax at 30%	**1,754,410**	2,623,156	**4,914,254**	2,353,597
Add:				
Tax effect of:				
— non-allowable items	**149,150**	97,610	**20,287**	31,757
— derecognition of temporary differences	-	-	-	-
— under / (over) provision in prior year	**91,508**	(284,823)	-	-
	1,995,068	2,435,943	**4,934,541**	2,385,354
Less:				
Tax effect of:				
— research and development tax concessions	-	(50,000)	-	-
— dividends received from wholly owned subsidiaries	-	-	**(5,154,450)**	(2,617,500)
Income tax expense/(benefit) attributable to profit from ordinary activities	**1,995,068**	2,385,943	**(219,909)**	(232,146)
Current tax expense /(benefit)	**1,055,442**	1,887,346	**(210,516)**	(232,299)
Deferred tax expense / (benefit)	**939,626**	498,597	**(9,393)**	153
	1,995,068	2,385,943	**(219,909)**	(232,146)

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: DIVIDENDS

	2013		2012	
	Cents per share	$	Cents per share	$
Dividends declared (all franked to 30%)				
Quarter 1				
— Fully paid, Ordinary class (19,575,757 shares) (2012: 19,525,757 shares)	**3.5000**	**685,151**	5.0000	976,288
— Fully paid, A class (300,000 shares) (2012: 350,000 shares)	**3.5000**	**10,500**	5.0000	17,500
Quarter 2				
— Fully paid, Ordinary class (19,575,757 shares) (2012: 19,525,757 shares)	**5.5000**	**1,076,667**	6.0000	1,171,545
— Fully paid, A class (300,000 shares) (2012: 350,000 shares)	**5.5000**	**16,500**	6.0000	21,000
Quarter 3				
— Fully paid, Ordinary class (19,575,757 shares) (2012: 19,525,757 shares)	**5.0000**	**978,788**	4.0000	781,030
— Fully paid, A class (300,000 shares) (2012: 350,000 shares)	**5.0000**	**15,000**	4.0000	14,000
Quarter 4				
— Fully paid, Ordinary class (19,575,757 shares) (2012: 19,525,757 shares)	**0.0000**	-	5.0000	976,288
— Fully paid, A class (300,000 shares) (2012: 350,000 shares)	**0.0000**	-	5.0000	17,500
— Fully paid, Ordinary class (19,575,757 shares) (2012: 19,575,757 shares)	**0.0000**	-	2.0000	391,515
— Fully paid, A class (300,000 shares) (2012: 300,000 shares)	**0.0000**	-	2.0000	6,000
		2,782,606		4,372,666

	2013 $	2012 $
Dividends payable brought forward	**397,515**	420,000
Dividends declared during the year	**2,782,606**	4,372,666
Dividends paid during the year	**(2,722,794)**	(4,395,151)
Dividends payable carried forward	**457,327**	397,515

FRANKING CREDIT BALANCE

	Parent	
	2013 $	2012 $
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30% (2012: 30%)	**9,914,144**	9,826,657
Franking (debits)/credits that will arise from the refund/payment of income tax refundable/payable as at the end of the financial year	**(606,686)**	(179,635)
Franking debits that will arise from the payment of dividends as at the end of the financial year	**(195,997)**	(170,364)
	9,111,461	9,476,658

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
NOTE 6: CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	**7,418,508**	5,920,319	**396,847**	320,950
	7,418,508	5,920,319	**396,847**	320,950

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
CURRENT				
Trade debtors	**37,639,660**	45,111,374	**-**	-
Provision for doubtful debts	**(991,777)**	(636,340)	**-**	-
	36,647,883	44,475,034	**-**	-
Retentions	**553,262**	667,065	**-**	-
Other debtors	**409,017**	577,908	**-**	-
Amounts receivable from controlled entities	**-**	-	**6,789,671**	5,348,330
Loans receivable from controlled entities	**-**	-	**2,363,757**	1,800,000
	37,610,162	45,720,007	**9,153,428**	7,148,330
NON-CURRENT				
Loans receivable from controlled entities	**-**	-	**21,082,010**	19,246,064
	-	-	**21,082,010**	19,246,064

NOTE 8: INVENTORIES AND CONSTRUCTION WORK IN PROGRESS

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
CURRENT				
Inventories				
At cost				
Raw materials and stores	**1,177,856**	1,225,356	**-**	-
Work in progress	**334,136**	299,663	**-**	-
Finished goods	**4,115,732**	3,420,251	**-**	-
Less provision for obsolescence	**(16,495)**	-	**-**	-
	5,611,229	4,945,270	**-**	-
Construction work in progress				
Unbilled revenue	**7,754,771**	4,089,972	**-**	-
	7,754,771	4,089,972	**-**	-
	13,366,000	9,035,242	**-**	-

NOTE 9: OTHER ASSETS

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
CURRENT				
Prepayments	**664,123**	432,397	**123,308**	54,294
Income tax refundable	**632,089**	-	**-**	179,635
	1,296,212	432,397	**123,308**	233,929

NOTE 10: OTHER FINANCIAL ASSETS

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Shares in controlled entities - at cost (refer note 11)	**-**	-	**50,013,842**	47,013,842
Preference capital in controlled entity - at cost	**-**	-	**2,300,000**	2,300,000
Other	**237,747**	295,219	**65,000**	65,000
	237,747	295,219	**52,378,842**	49,378,842

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest 2013	2012
Parent Entity		%	%
ARA Group Pty Limited	Australia		
Controlled Entities			
Air Conditioning Engineering Services Pty Limited	Australia	100%	100%
ARA Building Services Pty Limited	Australia	100%	100%
ARA Corporate Services Pty Limited	Australia	100%	100%
ARA Electrical Engineering Services Pty Limited	Australia	100%	100%
ARA Security Services Pty Limited	Australia	100%	100%
Asset Fire Security & Mechancial Services Pty Limited	Australia	100%	100%
Automatic Fire Protection Design Pty Limited	Australia	100%	100%
Barrington Crimewatch Pty Limited (a)	Australia	0%	86%
Bass Electrical Pty Limited (b)	Australia	0%	100%
Crimewatch Pty Limited (c)	Australia	0%	100%
Crimewatch Video Pty Limited	Australia	100%	100%
Datatech Australia Pty Limited	Australia	100%	100%
Environmental Automation Pty Limited	Australia	100%	100%
Excell Control Pty Limited	Australia	100%	100%
ID Supplies Pty Limited (d)	Australia	100%	100%
International Security Control Solutions Pty Limited	Australia	100%	100%
Monarch Group Pty Limited	Australia	100%	100%
Parking Guidance Australia Pty Limited	Australia	50%	50%
Sealeck Pty Limited (e)	Australia	67%	67%
Secure Transport Systems Pty Limited (f)	Australia	0%	100%
Tony Pollard Electrics Pty Limited	Australia	100%	100%
Transelect Pty Limited	Australia	100%	100%

(a) Barrington Crimewatch Pty Limited was deregistered on 13 October 2012.
(b) Bass Electrical Pty Limited was deregistered on 29 August 2012.
(c) Crimewatch Pty Limited was deregistered on 13 October 2012.
(d) ID Supplies Pty Limited was acquired by International Security Control Solutions Pty Limited effective 1 April 2012.
(e) Sealeck Pty Limited became a 100% subsidiary on 4 July 2013.
(f) Secure Transport Systems Pty Limited was deregistered on 29 August 2012.

All wholly owned controlled entities incorporated in Australia are subject to a Deed of Cross Guarantee. See note 24.

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Leasehold improvements at cost	**2,877,509**	2,153,451	-	-
Less accumulated depreciation	**(1,647,306)**	(1,431,879)	-	-
	1,230,203	721,572	-	-
Plant and equipment at cost	**9,145,071**	8,836,777	-	-
Less accumulated depreciation	**(6,261,777)**	(5,961,175)	-	-
	2,883,294	2,875,602	-	-
Office furniture and equipment at cost	**1,374,527**	1,315,166	-	-
Less accumulated depreciation	**(1,138,810)**	(1,082,707)	-	-
	235,717	232,459	-	-
Computer equipment and software at cost	**4,445,697**	4,335,002	-	-
Less accumulated depreciation	**(3,542,930)**	(2,962,743)	-	-
	902,767	1,372,259	-	-
Motor vehicles at cost	**1,161,151**	1,034,173	-	-
Less accumulated depreciation	**(608,815)**	(604,061)	-	-
	552,336	430,112	-	-
Total property, plant and equipment	**5,804,317**	5,632,004	-	-

NOTE 13: INTANGIBLE ASSETS

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Goodwill acquired and on consolidation	**50,877,951**	50,213,570	**5,679**	5,679
Development costs at cost	**326,750**	315,848	-	-
Less accumulated amortisation	**(121,905)**	(74,101)	-	-
	204,845	241,747	-	-
Total intangible assets	**51,082,796**	50,455,317	**5,679**	5,679

NOTE 14: TRADE AND OTHER PAYABLES

CURRENT

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Trade creditors	**33,423,011**	27,796,682	-	16,494
Other creditors and accruals	**8,059,409**	11,515,269	**513,943**	513,727
Contract revenue received in advance	**1,618,019**	1,808,767	-	-
	43,100,439	41,120,718	**513,943**	530,221

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
NOTE 15: INTEREST BEARING LOANS AND BORROWINGS				
NON-CURRENT				
Bank bills and loans secured (15 (a))	**12,000,000**	16,700,000	**12,000,000**	16,700,000
Loans from controlled entities, unsecured and non-interest bearing	**-**	-	**19,924,765**	22,210,925
	12,000,000	16,700,000	**31,924,765**	38,910,925
a. Total current and non-current secured liabilities:				
Bank bills and loans	**12,000,000**	16,700,000	**12,000,000**	16,700,000
	12,000,000	16,700,000	**12,000,000**	16,700,000
b. The carrying amounts of assets pledged as security, the current market value of which exceeds the value of the mortgages are:				
First mortgage over all of the assets of the parent entity and all controlled entities - total assets pledged as security	**120,731,502**	121,307,273	**83,149,507**	76,333,794
	120,731,502	121,307,273	**83,149,507**	76,333,794

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
NOTE 16: EMPLOYEE BENEFITS				
CURRENT				
Employee entitlements	**8,103,126**	7,744,083	**-**	-
	8,103,126	7,744,083	**-**	-
NON-CURRENT				
Employee entitlements	**1,341,606**	1,361,256	**-**	-
	1,341,606	1,361,256	**-**	-
a. Aggregate employee entitlement liability	**9,444,732**	9,105,339	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
NOTE 17: CONTRIBUTED EQUITY				
a. **Fully Paid and Partly Paid Shares**				
Fully paid ordinary shares	**33,247,511**	33,247,511	**33,247,511**	33,247,511
Fully paid A class shares	**433,000**	433,000	**433,000**	433,000
	33,680,511	33,680,511	**33,680,511**	33,680,511

	2013 No	2013 $	2012 No	2012 $
Fully Paid Ordinary Shares				
At beginning of financial year	**19,575,757**	**33,247,511**	19,525,757	33,113,511
Issued during financial year				
- A class shares converted to Ordinary	-	-	50,000	134,000
- capital raising	-	-	-	-
- partly paid shares becoming fully paid	-	-	-	-
At reporting date	**19,575,757**	**33,247,511**	19,575,757	33,247,511
A Class Shares				
At beginning of financial year	**300,000**	**433,000**	350,000	567,000
(Conversion to Ordinary)	-	-	(50,000)	(134,000)
At reporting date	**300,000**	**433,000**	300,000	433,000

At the reporting date issued capital consists of 19,575,757 ordinary shares and 300,000 A class shares. All Ordinary and A class shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each Ordinary and A class share is entitled to one vote per share held when a poll is called, otherwise each shareholder has one vote on a show of hands.

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: NON-CONTROLLING INTEREST

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Outside equity interests in controlled entities comprise:				
Contributed equity	**20,100**	20,100	-	-
Retained earnings	**1,141,639**	1,099,699	-	-
	1,161,739	1,119,799	-	-
Movements during the year:				
At beginning of financial year	**1,119,799**	941,700	-	-
Net earnings	**289,940**	538,299	-	-
Dividends paid	**(248,000)**	(360,200)	-	-
At reporting date	**1,161,739**	1,119,799	-	-

NOTE 19: CAPITAL AND LEASING COMMITMENTS

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable				
— not later than 1 year	**4,242,289**	4,627,502	-	-
— later than 1 year but not later than 5 years	**5,875,825**	5,922,975	-	-
— later than 5 years	**7,509**	-	-	-
	10,125,623	10,550,477	-	-

Operating lease commitments comprise motor vehicle leases and property leases.
The property leases are non-cancellable with terms of up to 5 years, and rent payable monthly in advance. Contingent rental provisions within the lease agreements require that the minimum lease payments shall be increased by either CPI or market. An option exists to renew certain leases at the end of their current term.

NOTE 20: CONTINGENT LIABILITIES

The parent company and all its wholly owned controlled entities 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 is $53,119,000 (2012: $53,919,000). Of these facilities, an amount of $12,000,000 is available for indemnity guarantees and as at 30 June 2013 the economic entity had $8,202,298 of indemnity guarantees outstanding (2012: $10,000,885).

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

On 4 July 2013, $3,600,000 was paid for 33% of the shares in Sealeck Pty Limited. An initial payment of $100,000 had been made on 21 January 2013. Sealeck Pty Limited became a wholly owned subsidiary of the Group post balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
NOTE 22: CASH FLOW INFORMATION				
a. Reconciliation of cash				
Cash at the end of the financial period as shown in the statements of cash flows is reconciled to the				
Cash on hand and at bank	**7,418,508**	5,920,319	**396,847**	320,950
	7,418,508	5,920,319	**396,847**	320,950
b. Reconciliation of cash flow from operations with profit from ordinary activities after income tax				
Profit from ordinary activities after income tax	**3,852,966**	6,357,911	**16,600,757**	8,077,470
Non-cash flows in profit from ordinary activities:				
Depreciation and amortisation	**2,020,468**	2,124,398	**20,340**	20,340
Increase / (decrease) in provision for doubtful debts	**355,437**	(119,987)	-	-
Profit / (Loss) (net) on sale of assets	**16,720**	(29,247)	-	-
Changes in assets and liabilities, net of effects of purchases of businesses:				
Decrease / (increase) in receivables and other financial assets	**7,956,157**	(1,796,464)	**(1,441,341)**	(1,418,269)
Increase in other assets	**(152,065)**	(76,930)	**(89,354)**	(5,119)
Increase in inventories and construction work in progress	**(4,166,750)**	(2,148,975)	-	-
Increase / (decrease) in payables	**1,775,631**	6,940,435	**(76,090)**	(36,172)
Decrease / (increase) in income tax receivable	**(632,089)**	-	**179,635**	-
Increase / (decrease) in income tax payable	**(55,862)**	(1,007,417)	-	(924,744)
Decrease / (increase) in deferred tax	**964,750**	498,597	**(9,393)**	153
Increase in provisions	**255,645**	988,671	-	-
Cash flows from operations	**12,191,008**	11,730,992	**15,184,554**	5,713,659

c. Credit Stand-by Arrangement and Loan Facilities

The company has a bank overdraft, commercial bill, lease, indemnity guarantee and other facilities amounting to $53,119,000 (2012: $53,919,000), of which approximately $32,308,997 remained unutilised at 30 June 2013. These facilities may be terminated if certain covenants are not maintained. All covenants were maintained in 2013. Interest rates charged thereon are variable. Interest bearing loans drawn at 30 June 2013 relate to facilities that expire on 22 July 2014 in the amount of $15,900,000. Other facilities are subject to annual review.

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22: CASH FLOW INFORMATION (Continued)

d. Businesses Acquired

During the financial year one business was acquired for a net cash consideration of $884,086. Details of the consideration, fair value of the net assets acquired and the net cash outflow are as follows.

	Consolidated 2013 $	2012 $
Consideration		
Cash	884,086	4,960,369
	884,086	4,960,369
Fair value of net assets acquired		
Current assets		
Cash	-	-
Receivables	-	170,501
Inventory	164,008	176,267
Other assets	-	-
Non current assets		
Other financial assets	-	-
Property, plant and equipment	14,320	18,126
Deferred tax assets	25,124	-
Goodwill	764,382	1,370,791
Current liabilities		
Payables and other liabilities	(43,883)	3,230,437
Non current liabilities		
Payables and other liabilities	(39,865)	(5,753)
Net assets	884,086	4,960,369
Net cash outflow on acquisition		
Cash consideration	884,086	4,960,369
Costs on acquisition	-	19,943
	884,086	4,980,312

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23: COMPANY DETAILS

The registered office and principal place of business of the parent entity is 10 Bridge Road, Stanmore, NSW 2048.

NOTE 24: CLOSED GROUP CLASS ORDER

a. Entities subject to class order relief

Pursuant to ASIC Class Order 98/1418, 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 company and each of its subsidiaries enter into a deed of cross guarantee (Deed). Under the Deed the parent company 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 company in full in the event that it is wound up.

The subsidiaries that are party to the Deed are:

Air Conditioning Engineering Services Pty Limited
ARA Building Services Pty Limited
ARA Corporate Services Pty Limited
ARA Electrical Engineering Services Pty Limited
ARA Security Services Pty Limited
Asset Fire Security & Mechancial Services Pty Limited
Automatic Fire Protection Design Pty Limited
Bass Electrical Pty Limited
Crimewatch Pty Limited
Crimewatch Video Pty Limited
Datatech Australia Pty Limited
Environmental Automation Pty Limited
Excell Control Pty Limited
ID Supplies Pty Limited
International Security Control Solutions Pty Limited
Monarch Group Pty Limited
Tony Pollard Electrics Pty Limited
Transelect Pty Limited

b. Consolidated income statement

The consolidated income statement of the parent and above entities (the "Closed Group") is as follows:

	Closed Group	
	2013	2012
	$	$
Profit before tax	**5,223,882**	7,239,809
Income tax expense	**(1,639,638)**	(1,718,039)
Net profit for the period	**3,584,244**	5,521,770
Retained earnings at the beginning of the period	**15,917,639**	14,768,535
Dividends provided for or paid	**(2,782,606)**	(4,372,666)
Retained earnings at the end of the period	**16,719,277**	15,917,639

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24: CLOSED GROUP CLASS ORDER (continued)

c. Consolidated balance sheet

The consolidated balance sheet of the Closed Group is as follows:

	Closed Group	
	2013	2012
	$	$
CURRENT ASSETS		
Cash and cash equivalents	**7,341,399**	5,114,032
Trade and other receivables	**35,319,657**	43,204,240
Inventories	**12,638,663**	8,334,624
Other assets	**1,234,809**	608,763
TOTAL CURRENT ASSETS	**56,534,528**	57,261,659
NON-CURRENT ASSETS		
Other financial assets	**281,838**	339,310
Property, plant and equipment	**4,085,829**	3,919,978
Deferred tax assets	**3,676,953**	3,583,729
Goodwill and intangible assets	**49,883,383**	49,255,904
TOTAL NON-CURRENT ASSETS	**57,928,003**	57,098,921
TOTAL ASSETS	**114,462,531**	114,360,580
CURRENT LIABILITIES		
Trade and other payables	**40,802,561**	38,209,271
Other financial liabilities		
Income tax payable	**-**	-
Employee benefits	**7,586,437**	7,164,330
TOTAL CURRENT LIABILITIES	**48,388,998**	45,373,601
NON-CURRENT LIABILITIES		
Trade and other payables		
Other financial liabilities	**12,000,000**	16,700,000
Deferred tax liabilities	**2,507,321**	1,468,703
Employee benefits	**1,166,424**	1,220,125
TOTAL NON-CURRENT LIABILITIES	**15,673,745**	19,388,828
TOTAL LIABILITIES	**64,062,743**	64,762,429
NET ASSETS	**50,399,788**	49,598,151
EQUITY		
Contributed equity	**33,680,511**	33,680,512
Retained profits	**16,719,277**	15,917,639
TOTAL EQUITY	**50,399,788**	49,598,151

ARA GROUP PTY LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' DECLARATION

The directors of the company declare that:

1 The company is not a reporting entity as defined in the Australian Accounting Standards.

2 The financial statements and notes, as set out on pages 37 to 62, are in accordance with the Corporations Act 2001 and:

a. comply with Accounting Standards and the Corporations Regulations 2001; and
b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the Company and the Economic Entity.

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

4 In the opinion of the Directors, 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 be subject, by virtue of the Deed of Cross Guarantee.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.295(5) of the Corporations Act 2001.

Director Edward Federman

Edward Federman

Dated this 8th day of August 2013

Independant audit report

Building a better working world

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

We have audited the accompanying financial report, being a special purpose financial report of ARA Group Pty Limited, which comprises the statements of financial position as at 30 June 2013, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal controls as the directors determine are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the financial report.

Auditor's Opinion

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

a. giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2013 and of their performance for the year ended on that date; and

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

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Ernst & Young

Ernst & Young

E A Lang

E A Lang
Partner
Sydney
8 August 2013

ARA

ANNUAL REPORT 2013

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