Adrad Holdings Limited

ABN 51121033396

Annual Report - 30 June 2022

Directors	Mr. Glenn Davis Mr. Donald McGurk Mr. Gary Washington
Chief Executive Office	Mr. Don Cormack
Company Secretaries	Ms Kaitlin Smith and Mr. Christopher Newman
Registered office	Adrad Holdings Limited 26 Howards Road Beverley, SA, 5009
Principal place of business	Adrad Holdings Limited 26 Howards Road Beverley, SA, 5009
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne, VIC 3008

Adrad Holdings Limited
Directors' report
30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Adrad Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Adrad Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Gary Washington (Executive Director)
Glenn Davis (Non-Executive Director) - Appointed 17 January 2022
Donald McGurk (Non-Executive Director) - Appointed 23 March 2022
Don Cormack - Resigned 19 April 2022
Karen Washington - Resigned 19 April 2022

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of the design and manufacture of heat transfer solutions for OE customers globally and the manufacture, importation and distribution of automotive parts for the aftermarket.

There was no significant change in the nature of these activities during the year other than ceasing of activities that related to Harrop Engineering Australia Pty Limited and HCT Management Pty Limited, which were divested during the year.

Dividends

Dividends of $2,000,000 were declared and paid during the current financial year.

Review of operations

Adrad Holdings Limited operating entities integrate to form two major segments servicing all aspects of the engine cooling market:

- **Aftermarket**- Australian manufacturer, importer and distributor of radiators and other heat exchange products for the Australian and New Zealand automotive and industrial aftermarket, and
- **Original Equipment Market (OEM)-** designer and manufacturer of OEM industrial radiator and cooling systems across a broad range of market sectors.

Both segments of the business continue to trade profitably during the year despite the challenges associated with the COVID-19 pandemic and the global supply chain disruptions.

The operations of the consolidated entity for the year ended 30 June 2022 resulted in a profit of $ 7,060,636 (30 June 2021: $13,719,592). The net assets of the consolidated entity increased to $72,026,499 at 30 June 2022 (30 June 2021: $64,288,419). The consolidated entity had net cash outflows from operating activities for the year ended 30 June 2022 of $8,060,625 (30 June 2021: $11,691,331).

Significant changes in the state of affairs

On 31 October 2021, Adrad Holdings Limited (and its wholly owned subsidiaries) sold 100% of its shareholdings in Harrop Engineering (Australia) Pty Ltd and HCT Management Pty Ltd to Adcore Holdings (Trustee for the Gary Washington Family Trust) for a consideration of $4,920,000.

On 31 October 2021 Adrad Holdings Limited (and its wholly owned subsidiaries) collectively purchased the remaining 34% of the shares in Air Radiators (Thailand) Ltd for a consideration of $5,786,000. This resulted in Adrad Holdings Limited now owning 100% of the shareholdings of Air Radiators (Thailand) Ltd.

On 31 October 2021 Adrad Holdings Limited (and its wholly owned subsidiaries) completed a common control acquisition of Adcore Holdings Pty Ltd (Trustee for the Gary Washington Family Trust) for a consideration of $16,101,000. The business operations acquired consists of the manufacture and importation of radiators and other automotive products for the Australian aftermarket.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Environmental regulation

The Consolidated Entity complies with all environmental regulations under Australian Commonwealth or State law.

Information on directors

Name:	Glenn Davis
Title:	Chair and Independent Non-Executive Director
Qualifications:	LLB, BEc, GDLP, FAICD
Experience and expertise:	Mr Davis is a lawyer with more than 30 years' experience advising public and private entities throughout Australia on a full range of corporate and business law issues, including capital raisings, listings, mergers by acquisition and schemes of arrangement, ASIC, ASX and legislative compliance, capital reductions and other securities issues and transaction
Other current directorships:	Beach Energy Limited (ASX:BPT); iTech Minerals Ltd (ASX:ITM); and SkyCity Entertainment Group (ASX:SKC)
Former directorships (last 3 years):	None

Name:	Donald McGurk
Title:	Independent Non-Executive Director
Qualifications:	HNC, Mech Eng, MBA, FAICD
Experience and expertise:	Mr McGurk has an extensive background in change management applied to manufacturing operations and has held senior manufacturing management positions in several industries.
Other current directorships:	Aerometrex Limited (ASX:AMX)
Former directorships (last 3 years):	Codan Limited (ASX:CDA) (resigned in March 2022)

Name:	Gary Washington
Title:	Executive Director
Experience and expertise:	Mr Washington and his wife, Karen Washington, founded Adrad in 1985. Mr Washington was Chair of the Company from its establishment until the appointment of Mr Davis to the role in January 2022. Mr Washington has successfully led significant growth in the Company's business since its establishment, both organically and by way of acquisition, including the acquisition of the Natra group of companies in 2006. Mr Washington has over 50 years' experience in the industrial and automotive heat exchange industries and in manufacturing in Australia. In addition to his role as a Director on the Board, Mr Washington also acts in an executive capacity.
Other current directorships:	None
Former directorships (last 3 years):	None

Name:	Karen Washington
Title:	Executive Director (resigned on 19 April 2022)
Experience and expertise:	Mrs Washington and her husband, Gary Washington, founded Adrad in 1985. Mrs Washington is now Relationships Manager for Adrad Holdings Limited, where she continue to provide support to the Consolidated Entity which includes:

- assisting in monitoring and nurturing key internal and external relationships, including key customers (including franchisee and independent relationships) and seeking feedback on satisfaction with the Company's service,
- providing assistant duties to Mr Washington in his capacity as Executive Director, and,
- arranging internal and external events, functions and conferences.

Name:	Don Cormack
Title:	Executive Director (resigned on 19 April 2022)
Qualifications:	Mr Cormack holds a Bachelor of Economics Degree (Adelaide University)
Experience and expertise:	Mr Cormack is CEO for Adrad Holdings Limited Consolidated Entity and has over 40 years' experience as a senior executive and as a business, tax and audit adviser. Mr Cormack was a Partner in Ernst & Young for over 20 years, prior to his appointment as the Chief Executive Officer of the Company in 2006, following Adrad's acquisition of the Natra Group of Companies. His experience and professional affiliations include: a) Director and Treasurer of the Australian Automotive Aftermarket Association, b) Fellow of the Institute of Chartered Accountants in Australia, c) Member of CPA Australia, d) Member of the Australian Institute of Company Directors and e) Member of the Institute of Taxation in Australia

Company secretary

Mr. Christopher Newman

Mr Newman was appointed to the role of Chief Financial Officer of the Company in 2011. Prior to his appointment, Mr Newman was employed as the Company's accountant since 2000.

Before joining Adrad, Mr Newman served as company accountant of Baker Hydraulics Pty Ltd for 12 years.

Mr Newman is an affiliated member of the Governance Institute of Australia Ltd.

Ms. Kaitlin Smith

Ms Kaitlin Smith CA, FGIA, B.Com (Acc), was appointed to the position of Company Secretary on 24 March 2022. Kaitlin provides company secretarial and accounting services to various public and proprietary companies. She is a Chartered Accountant, a fellow member of the Governance Institute of Australia and holds a Bachelor of Commerce (Accounting).

The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the effective functioning of the Board. All directors have direct access to the Company Secretary.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board		**Audit and Risk Committee**	
	Attended	**Held**	**Attended**	**Held**
Gary Washington	12	12	1	1
Donald McGurk**	6	6	1	1
Glenn Davis*	7	7	1	1
Karen Washington***	8	8	-	-
Don Cormack***	8	8	-	-

Held: represents the number of meetings held during the time the director held office.

* *Appointed on 17 January 2022*
** *Appointed on 23 March 2022*
*** *Resigned on 19 April 2022*

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Adrad Holdings Limited
Directors' report
30 June 2022

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Auditor's independence declaration
A copy of the auditor's independence declaration is included on page 7 of this financial report and forms part of this Directors' Report.

This report is made in accordance with a resolution of directors.

On behalf of the directors

Glenn Davis
Director

Gary Washington
Director

26 September 2022

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Auditor's Independence Declaration

To the Directors of Adrad Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Adrad Holdings Limited for the year ended 30 June 2022, I declare that, 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; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Michael Climpson
Partner – Audit & Assurance

Melbourne, 26 September 2022

Adrad Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 30 June 2022 $	30 June 2021 $
Revenue			
Sales revenues		122,833,267	87,095,421
Other income	5	1,363,341	4,301,223
Expenses			
Raw materials and consumables expenses		(58,097,600)	(42,480,223)
Employee expenses		(33,828,721)	(22,626,846)
Depreciation and amortisation expenses	6	(5,673,732)	(2,503,650)
Other expenses	7	(13,967,018)	(9,352,588)
Operating profit		12,629,537	14,433,337
Finance income		38,829	644
Finance costs	8	(5,075,228)	(717,628)
Net finance cost		(5,036,399)	(716,984)
Profit before income tax expense from continuing operations		7,593,138	13,716,353
Income tax expense	9	(3,197,152)	(3,646,489)
Profit after income tax expense from continuing operations		4,395,986	10,069,864
Profit after income tax expense from discontinued operations	10	2,664,650	3,649,728
Profit after income tax expense for the year		7,060,636	13,719,592
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(551,130)	39,154
Other comprehensive income for the year, net of tax		(551,130)	39,154
Total comprehensive income for the year		6,509,506	13,758,746
Profit for the year is attributable to:			
Non-controlling interest		287,856	855,165
Owners of Adrad Holdings Limited		6,772,780	12,864,427
		7,060,636	13,719,592
Earnings per share for profit from continuing operations attributable to the owners of Adrad Holdings Limited			
Basic earnings per share	35	177	1,006,986,400
Diluted earnings per share	35	177	1,006,986,400
		Cents	**Cents**
Earnings per share for profit attributable to the owners of Adrad Holdings Limited			
Basic earnings per share	35	272	1,286,442,700
Diluted earnings per share	35	272	1,286,442,700

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Adrad Holdings Limited
Statement of financial position
As at 30 June 2022

	Note	Consolidated 30 June 2022 $	30 June 2021 $
Assets			
Current assets			
Cash and cash equivalents	11	3,477,672	4,842,913
Trade and other receivables	12	18,233,881	16,088,454
Inventories	13	46,724,312	26,635,784
Total current assets		68,435,865	47,567,151
Non-current assets			
Property, plant and equipment	15	13,643,953	12,960,624
Right-of-use assets	14	45,998,016	7,096,823
Intangible assets	16	36,974,869	36,974,869
Deferred tax asset	9	4,357,636	3,048,126
Total non-current assets		100,974,474	60,080,442
Total assets		169,410,339	107,647,593
Liabilities			
Current liabilities			
Trade and other payables	17	13,529,259	16,797,304
Borrowings and interest bearing liabilities	18	26,868,053	10,789,516
Lease liabilities	19	3,089,030	1,117,558
Provisions	20	3,996,624	3,230,943
Total current liabilities		47,482,966	31,935,321
Non-current liabilities			
Borrowings and interest bearing liabilities	18	897,995	1,943,405
Lease liabilities	19	44,400,699	5,921,054
Provisions	20	4,602,180	3,559,394
Total non-current liabilities		49,900,874	11,423,853
Total liabilities		97,383,840	43,359,174
Net assets		72,026,499	64,288,419
Equity			
Contributed equity	21	3,750,761	1
Reserves	22	(2,880,789)	(1,807,473)
Retained profits		71,156,527	64,149,664
Equity attributable to the owners of Adrad Holdings Limited		72,026,499	62,342,192
Non-controlling interest	23	-	1,946,227
Total equity		72,026,499	64,288,419

The above statement of financial position should be read in conjunction with the accompanying notes

Adrad Holdings Limited
Statement of changes in equity
For the year ended 30 June 2022

Consolidated	Contributed Equity $	Foreign Currency Translation Reserve $	Common Control Acquisition Reserve $	Acquisition of Non-Controlling Reserve $	Retained profits $	Non-controlling Interest $	Total equity $
Balance at 1 July 2020	1	(1,877,171)	-	-	51,285,237	1,121,606	50,529,673
Profit after income tax expense for the year	-	-	-	-	12,864,427	855,165	13,719,592
Other comprehensive income for the year, net of tax	-	69,698	-	-	-	(30,544)	39,154
Total comprehensive income for the year	-	69,698	-	-	12,864,427	824,621	13,758,746
Balance at 30 June 2021	1	(1,807,473)	-	-	64,149,664	1,946,227	64,288,419

Consolidated	Contributed Equity $	Foreign Currency Translation Reserve $	Common Control Acquisition Reserve $	Acquisition of Non-Controlling Reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2021	1	(1,807,473)	-	-	64,149,664	1,946,227	64,288,419
Profit after income tax expense for the year	-	-	-	-	6,772,780	287,856	7,060,636
Other comprehensive income for the year, net of tax	-	(551,130)	-	-	104,809	(104,809)	(551,130)
Total comprehensive income for the year	-	(551,130)	-	-	6,877,589	183,047	6,509,506
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs (note 21)	3,750,760	-	-	-	-	-	3,750,760
Discount on Purchase of Net Assets from Adcore Holdings Pty Ltd	-	-	4,804,650	-	-	-	4,804,650
Purchase of Air Radiators (Thailand) Ltd	-	-	-	(5,326,836)	2,129,274	(2,129,274)	(5,326,836)
Dividends declared	-	-	-	-	(2,000,000)	-	(2,000,000)
Balance at 30 June 2022	3,750,761	(2,358,603)	4,804,650	(5,326,836)	71,156,527	-	72,026,499

The above statement of changes in equity should be read in conjunction with the accompanying notes

Adrad Holdings Limited
Statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated 30 June 2022 $	30 June 2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		146,029,940	124,215,363
Payments to suppliers, employees and others (inclusive of GST)		(132,806,939)	(106,570,188)
Finance cost		(1,705,053)	(1,103,619)
Income tax paid		(3,457,323)	(4,850,225)
Net cash from operating activities	33	8,060,625	11,691,331
Cash flows from investing activities			
Payments for property, plant & equipment		(4,177,292)	(3,175,248)
Proceeds from disposal of shares, net of cash held	10	4,434,881	-
Acquisition of shares, net of cash received	22	(5,326,836)	-
Acquisition of business operations, net of cash received	30	(15,539,584)	-
Net cash used in investing activities		(20,608,831)	(3,175,248)
Cash flows from financing activities			
Proceeds from issue of shares	21	3,750,760	-
Proceeds from convertible notes		20,000,000	-
Payments to related parties		(9,882,355)	(6,479,862)
Dividends paid		(2,000,000)	-
Proceeds from borrowings		3,328,124	1,006,170
Repayment of lease liabilities		(4,013,564)	(1,928,844)
Net cash from/(used in) financing activities		11,182,965	(7,402,536)
Net increase/(decrease) in cash and cash equivalents		(1,365,241)	1,113,547
Cash and cash equivalents at the beginning of the financial year		4,842,913	3,729,366
Cash and cash equivalents at the end of the financial year	11	3,477,672	4,842,913

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Adrad Holdings Limited as a consolidated entity consisting of Adrad Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Adrad Holdings Limited's functional and presentation currency.

Adrad Holdings Limited is a Company limited by shares, incorporated and domiciled in Australia. The principal activities of the Company during the year ended 30 June 2022 were the design and manufacture of heat transfer solutions for OE customers globally and the manufacture, importation and distribution of automotive parts for the aftermarket.

The registered office and principal place of business of Adrad Holdings Limited is located at 26 Howards Road, Beverley SA 5009.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 September 2022. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
The financial statements have been prepared in accordance with 'Accounting Standards (including Australian Accounting Interpretations)' issued by the Australian Accounting Standards Board and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The comparative information presented in the consolidated financial statements transitioned to general purpose financial statements Tier 1 according to AASB 1. In 2021 the company prepared stand-alone special purpose financial statements because neither the company nor the group was a reporting entity and the directors decided not to apply AASB 10 Consolidated Financial Statements. The net assets were reported as $71,896,905 in the 30 June 2021 stand-alone financials. The 30 June 2021 net assets in these consolidated financial statements are $70,419,865, the difference due to applying consolidation for the first time.

The financial statements are presented in Australian dollars, which is also the consolidated entity’s functional currency.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adrad Holdings Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Adrad Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Note 2. Significant accounting policies (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Revenue recognition

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods- aftermarket
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. The customers also have the right to return faulty parts for repair or replacement dependant on the type of fault, during goods' warranty period. An estimated cost for returns is recognised in the consolidated entity's provisions and expense account and is based on past experience and projections.

Sale of goods – OEM (Original Equipment).
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Revenue from the manufacture of power generation products is recognised using the percentage of completion method based on the actual cost of material and labour as a portion of the total materials and labour to be performed. The customers also have the right to return faulty parts for repair or replacement dependant on the type of fault, during goods' warranty period. An estimated cost for returns is recognised in the consolidated entity's provisions and expense account and is based on past experience and projections.

Construction revenue
The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Due to the high degree of independence between the various elements of these projects, they are accounted for as a single performance obligation. Contracted revenue is recognised over time by comparing costs incurred in total estimated costs required to deliver the project to measure progress. Estimated costs are reviewed on a monthly basis. The requirements of over time measurement are met as the construction creates assets with no alternative use to the Group and there is an enforceable right to payment for performance completed.

Contract variations are assessed to determine whether they represent a separate contract with the customer or are modifications to the original contract.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Note 2. Significant accounting policies (continued)

Interest
Interest revenue 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 expected life of the financial asset to the net carrying amount of the financial asset.

Other income
Other income is recognised when it is received or when the right to receive payment is established.

Income tax
The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability 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 that at the time of the transaction did not affect either 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 recognised in profit or loss except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse changes will occur in income taxation legislation and the anticipation that the consolidated 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.

Adrad Holdings Limited and its wholly owned subsidiaries are consolidated for tax purposes under the Tax Consolidation System. Adrad Holdings Limited is responsible for recognising the current tax assets and liabilities of the consolidated entity. The consolidated entity notified the Australian Taxation Office on 5 December 2007 that it had formed an income tax consolidated entity to apply from the date of incorporation of the company. The tax consolidated entity has entered into tax sharing and tax funding agreements whereby each company in the consolidated entity contributes to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated entity.

Discontinued operations
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested half-yearly for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Business Combinations/Asset Acquisitions
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.
On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.
Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.
The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.
Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 2. Significant accounting policies (continued)

Opening balance sheet 1 July 2020
Total Assets: $94,220,476
Total Liabilities: $43,690,803
Net Assets: $50,529,673

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the directors of the company to make judgements, estimates and assumptions that affect the application of accounting policies and the report amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. All significant judgements, estimates and assumptions made during the year have been considered for significance. No significant critical judgement or accounting estimates have been made during the period, with the exception of the following:

Impacts of Covid-19
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Below is the rates used for calculation depreciation:

Asset Categories	**Straight Line Depreciation Rates**
Land & Buildings	2.5%-5.0%
Fixtures & Fittings	7.5%-33.3%
Leasehold Improvements	7.0%-33.0%
Plant & Equipment	5.0%-33.3%
Motor Vehicle	5.0%-25.0%
Office Equipment	33.3%-50.0%
Office Furniture	7.5%-12.0%

Recognition of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences and carried forward losses, only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Provision for impairment of inventories
Inventory is valued at the lower of net realisable value and cost. There is a significant amount of judgement involved in determining a fair provision for obsolescence with respect to slow moving stock.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Provision for warranty
A provision is taken up for expected future warranty claims, usually based on past claims. This involves significant judgement, particularly with respect to newly acquired entities or changes in the trading conditions of existing entities.

Note 4. Operating segments

Identification of reportable operating segments
The Consolidated Entity is organised into two operating segments based on differences in products and services provided: automotive aftermarket parts and original equipment manufacturing. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services
The principal products and services of each of these operating segments are as follows:

Aftermarket	Automotive aftermarket parts
OEM	Original equipment manufacturing

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 30 June 2022	Aftermarket $	OEM $	Unallocated/ Head Office $	Total $
Revenue				
Sales to external customers	53,519,271	69,313,996	-	122,833,267
Total segment revenue	53,519,271	69,313,996	-	122,833,267
Unallocated revenue:				
Discontinued operations revenue				9,064,514
Total revenue				131,897,781
EBITDA	7,008,739	13,249,190	(1,954,660)	18,303,269
Discontinued operations EBITDA	-	-	3,588,496	3,588,496
Depreciation and amortisation	-	-	(5,899,760)	(5,899,762)
Interest revenue	-	-	38,829	38,829
Finance costs	-	-	(5,152,186)	(5,152,186)
Profit/(loss) before income tax expense	7,008,739	13,249,190	(9,379,281)	10,878,646
Income tax expense				(3,818,010)
Profit after income tax expense				7,060,636
Assets				
Segment assets	41,516,507	34,507,200	(1,546,326)	74,477,381
Discontinued operations assets				1,987,418
Unallocated assets:				
Cash and cash equivalents				3,477,672
Right-of-use assets				45,998,016
Land and buildings				2,137,347
Intangible assets				36,974,869
Deferred tax asset				4,357,636
Total assets				169,410,339
Liabilities				
Segment liabilities	7,496,045	9,992,076	2,078,583	19,566,704
Unallocated liabilities:				
Lease liabilities				47,489,729
Provision for income tax				2,561,359
Convertible notes				23,408,304
Bank loans				4,357,744
Total liabilities				97,383,840

Note 4. Operating segments (continued)

Consolidated - 30 June 2021	Aftermarket $	OEM $	Unallocated/ Head office $	Total $
Revenue				
Sales to external customers	31,436,739	55,658,682	-	87,095,421
Total segment revenue	31,436,739	55,658,682	-	87,095,421
Unallocated revenue:				
Discontinued operations revenue				24,731,728
Total revenue				111,827,149
EBITDA	4,014,168	12,814,187	1,871	16,830,226
Discontinued operations EBITDA	-	-	6,537,773	6,537,773
Depreciation and amortisation	-	-	(3,643,448)	(3,643,448)
Finance income	-	-	644	644
Finance costs	-	-	(856,955)	(856,955)
Profit before income tax expense	4,014,168	12,814,187	2,039,885	18,868,240
Income tax expense				(5,148,648)
Profit after income tax expense				13,719,592
Assets				
Segment assets	4,817,203	32,064,364	919,242	37,800,809
Discontinued operations assets				15,790,111
Unallocated assets:				
Cash and cash equivalents				4,842,913
Right-of-use assets				7,096,823
Land and buildings				2,093,930
Intangible assets				36,974,881
Deferred tax asset				3,048,126
Total assets				107,647,593
Liabilities				
Segment liabilities	9,883,420	16,479,742	2,036,967	28,400,129
Discontinued operations liabilities				4,762,332
Unallocated liabilities:				
Lease liabilities				7,038,611
Provision for income tax				707,534
Bank loans				2,450,568
Total liabilities				43,359,174

Accounting policy for operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Other income

	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
Profit from disposal of property, plant and equipment	51,129	996
Grant income	6,200	1,803,166
Management fees	370,297	757,965
Foreign exchanges gains*	-	1,307,454
Other income	935,715	431,642
Other income	1,363,341	4,301,223

* The prior year value primarily relates to a foreign exchange adjustment in respect of Air Radiators (Thailand) Ltd.

Note 6. Depreciation

	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
Depreciation expenses	1,531,131	1,222,542
Depreciation expense on right-of-use assets	4,142,601	1,281,108
	5,673,732	2,503,650

Note 7. Other expenses

	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
Advertising Expenses	396,207	196,343
IT & Communications	1,269,549	848,253
Freight Expenses	4,145,268	551,222
Motor Vehicle Expenses	371,851	139,363
Professional Fees	1,653,871	1,172,624
Insurance expenses	959,969	574,486
Repairs & maintenance to assets	254,125	162,618
Occupancy expenses	178,267	69,327
Energy Costs	280,405	81,714
Foreign exchange loss	599,835	-
IPO Related- expenses	2,330,433	-
Other Expenses	1,527,238	5,556,638
	13,967,018	9,352,588

Note 8. Finance costs

	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
Interest and finance charges paid	435,640	610,867
Interest and finance charges paid on lease liabilities	1,231,283	106,761
Finance costs - convertible notes	3,408,305	-
	5,075,228	717,628

Note 9. Income tax expense

	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
Income tax expense		
Current tax	5,127,520	5,190,050
Deferred tax	(1,309,510)	(41,402)
Aggregate income tax expense	3,818,010	5,148,648
Income tax expense is attributable to:		
Profit from continuing operations	3,197,152	3,646,489
Profit from discontinued operations	620,858	1,502,159
Aggregate income tax expense	3,818,010	5,148,648
Numerical reconciliation of income tax expense and tax at the statutory rate for the relevant jurisdictions.		
Profit before income tax expense from continuing operations	7,593,138	13,716,353
Profit before income tax expense from discontinued operations	3,285,508	5,151,887
	10,878,646	18,868,240
Tax at the statutory tax rate of 30% (2021: 30%)	3,263,594	5,660,472
Convertible note non-deductible interest	1,022,491	-
Non-assessable / non-deductible items	(468,075)	(511,824)
Income tax expense	3,818,010	5,148,648

	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
Deferred tax assets recognised		
Deferred tax assets recognised comprises temporary differences attributable to:		
Allowance for expected credit losses	6,341	4,810
Employee benefits	2,245,699	1,743,854
Leases	447,514	34,034
Provision for warranties	123,352	98,247
Accrued expenses	1,206,859	1,312,485
Plant and equipment	(79,895)	(145,304)
Blackhole S40 880 expenses	407,766	-
Total deferred tax assets recognised	4,357,636	3,048,126

Note 10. Discontinued operations

Description
On 31 October 2021, the Consolidated Entity sold its shares in Harrop Engineering Australia Pty Ltd and HCT Management Pty Ltd to a related party for $4,920,000. The gain on disposal is included in the profit from discontinued operations.

Note 10. Discontinued operations (continued)

Financial performance information

	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
Revenue	9,064,514	24,731,728
Other revenue	67,250	155,505
Total revenue	9,131,764	24,887,233
Expenses	(7,034,655)	(19,735,346)
Total expenses	(7,034,655)	(19,735,346)
Profit before income tax expense	2,097,109	5,151,887
Income tax expense	(620,858)	(1,502,159)
Profit after income tax expense	1,476,251	3,649,728
Profit from sale	1,188,399	-
Income tax expense	-	-
Gain on disposal after income tax expense	1,188,399	-
Profit after income tax expense from discontinued operations	2,664,650	3,649,728

Carrying amounts of assets and liabilities disposed

	Consolidated 31 Oct 2021 $
Cash and cash equivalents	682,512
Trade and other receivables	4,376,549
Inventories	9,090,927
Property, plant and equipment	5,017,846
Intangibles	12
Right-of-use assets	4,550
Deferred tax asset	186,746
Total assets	19,359,142
Trade and other payables	12,767,097
Interest-bearing liabilities	1,454,047
Provisions	1,305,453
Lease liabilities	97,826
Current Tax Liabilities	3,118
Other Liabilities	-
Total liabilities	15,627,541
Net assets	**3,731,601**

Note 10. Discontinued operations (continued)

	Consolidated 30 June 2022 $
Sale proceeds	4,920,000
Carrying amount of net assets disposed	(3,731,601)
Gain on disposal before income tax	1,188,399

Accounting policy for discontinued operations
A discontinued operation is a component of the Consolidated Entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Note 11. Cash and cash equivalents

	Consolidated 30 June 2022 $	30 June 2021 $
Cash on hand	12,108	11,565
Cash at bank	3,465,564	4,831,348
	3,477,672	4,842,913

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 12. Trade and other receivables

	Consolidated 30 June 2022 $	30 June 2021 $
Current		
Trade debtors	16,031,003	13,554,963
Less: Allowance for expected credit losses	(24,490)	(46,514)
	16,006,513	13,508,449
Other receivables	834,547	1,502,828
Security deposit	750,000	-
Prepayments	642,821	677,177
Amounts receivable from related entities	-	400,000
	2,227,368	2,580,005
	18,233,881	16,088,454

Note 12. Trade and other receivables (continued)

Allowance for expected credit losses
The Consolidated Entity has recognised a loss of $24,490 (2021: $46,514) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	**30 June 2022 %**	**30 June 2021 %**	**30 June 2022 $**	**30 June 2021 $**	**30 June 2022 $**	**30 June 2021 $**
Not overdue	-	-	6,411,435	7,538,353	-	-
0 to 3 months overdue	0.21%	0.79%	9,213,100	5,625,880	19,591	44,355
3 to 6 months overdue	1.95%	0.53%	253,475	390,818	4,899	2,159
Over 6 months overdue	-	-	152,993	(88)	-	-
			16,031,003	13,554,963	24,490	46,514

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30-60 days.

The Consolidated Entity makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical approach, the Consolidated Entity uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 13. Inventories

	Consolidated	
	30 June 2022 $	**30 June 2021 $**
Current		
Raw materials	15,178,513	7,737,884
Finished goods	20,634,035	8,663,699
Work in progress	5,392,346	9,018,601
Less: Provision for impairment	(982,832)	(1,302,638)
Stock in transit - at cost	6,502,250	2,518,238
	46,724,312	26,635,784

$20.1M increase in stock on hand and stock in transit relates to investment in new and existing ranges as well as stock holdings to mitigate global supply chain disruption risks.

Accounting policy for inventories
Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Note 14. Right-of-use assets

	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
Non-current assets		
Land and buildings - right-of-use	51,059,650	8,874,931
Less: Accumulated depreciation	(5,175,515)	(1,794,983)
	45,884,135	7,079,948
Plant and equipment - right-of-use	130,164	28,835
Less: Accumulated depreciation	(16,283)	(11,960)
	113,881	16,875
	45,998,016	7,096,823

The Consolidated Entity leases land and buildings for its offices, warehouses and retail outlets under agreements of between 1 to 15 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Consolidated Entity also leases plant and equipment under agreements of between 1 to 5 years.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Plant Equipment $	Buildings $	Total $
Balance at 1 July 2021	16,875	7,079,948	7,096,823
Additions	92,850	43,069,636	43,162,486
Additions through common control acquisition (note 30)	17,784	-	17,784
Disposals from shares sales	(5,157)	(100,362)	(105,519)
Revaluation increments	-	878	878
Revaluation decrements	-	(23,364)	(23,364)
Depreciation expense	(8,471)	(4,142,601)	(4,151,072)
Balance at 30 June 2022	113,881	45,884,135	45,998,016

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Consolidated Entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Consolidated Entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 15. Property, plant and equipment

	Consolidated	
	30 June 2022	30 June 2021
	$	$
Non-current		
Land and buildings - at cost	3,049,977	2,934,742
Less: Accumulated depreciation	(912,630)	(840,812)
	2,137,347	2,093,930
Leasehold improvements - at cost	1,067,909	607,052
Less: Accumulated depreciation	(803,971)	(268,406)
	263,938	338,646
Plant and equipment - at cost	16,841,217	24,122,244
Less: Accumulated depreciation	(10,770,698)	(16,420,680)
	6,070,519	7,701,564
Fixtures and fittings - at cost	683,912	145,555
Less: Accumulated depreciation	(303,278)	(86,222)
	380,634	59,333
Motor vehicles - at cost	2,145,451	864,169
Less: Accumulated depreciation	(1,222,837)	(434,595)
	922,614	429,574
Office equipment - at cost	6,458,289	2,018,162
Less: Accumulated depreciation	(5,535,799)	(1,711,725)
	922,490	306,437
Product Development – at Cost	562,991	562,991
Less: Accumulated depreciation	(51,608)	(23,458)
	511,383	539,533
Capital work-in-progress – at Cost	2,435,028	1,491,607
Less: Accumulated depreciation	-	-
	2,435,028	1,491,607
Total property, plant and equipment	13,643,953	12,960,624

Note 15. Property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Land & Buildings $	Leasehold Improvements $	Plant & Equipment $	Office equipment $	Furniture and fittings $	Capital works in progress $	Motor vehicles $	Product Development $	Total $
Balance at 1 July 2021	2,093,930	338,646	7,701,564	306,437	59,333	1,491,607	429,574	539,533	12,960,624
Additions	142,990	222,563	498,381	1,021,437	370,419	945,525	1,154,104	-	4,355,419
Additions from common control acquisition	-	-	3,281,044	-	-	-	-	-	3,281,044
Disposals	-	(233,079)	(4,369,346)	(58,879)	(14,200)	-	(481,261)	-	(5,156,765)
Exchange differences	(19,621)	(92)	(15,010)	(41)	(258)	(2,104)	(2,080)	-	(39,206)
Depreciation expense	(79,952)	(64,100)	(1,026,114)	(346,464)	(34,660)	-	(177,723)	(28,150)	(1,757,163)
Balance at 30 June 2022	2,137,347	263,938	6,070,519	922,490	380,634	2,435,028	922,614	511,383	13,643,953

Note 15. Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives.

Asset Categories	**Straight Line Depreciation Rates**
Land & Buildings	2.5%-5.0%
Fixtures & Fittings	7.5%-33.3%
Leasehold Improvements	7.0%-33.0%
Plant & Equipment	5.0%-33.3%
Motor Vehicle	5.0%-25.0%
Office Equipment	33.3%-50.0%
Office Furniture	7.5%-12.0%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 16. Intangible assets

	Consolidated	
	30 June 2022	**30 June 2021**
	$	**$**
Non-current assets		
Goodwill	36,974,869	36,974,869

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated	
	30 June 2022	**30 June 2021**
	$	**$**
OEM	20,705,927	20,705,927
Aftermarket	16,268,942	16,268,942
	36,974,869	36,974,869

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by management and extrapolated for a further 5 years, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the OEM division:

- Pre-tax discount rate of 14% (post-tax 10%);
- 7% per annum projected Earnings before interest and tax (EBIT) growth rate
- An EBIT multiple of 5 times in calculating the terminal value

The discount rate of 10% pre-tax reflects management’s estimate of the time value of money and the consolidated entity’s weighted average cost of capital adjusted for the OEM division, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 7% EBIT growth rate is prudent and justified, and have no reason to revise this estimation based on current performance.

There were no other key assumptions for the aftermarket.

Based on the above, the recoverable amount of the OEM division exceeded the carrying amount.

The following key assumptions were used in the discounted cash flow model for the Aftermarket division:

- Pre-tax discount rate of 17% (post-tax 12%);
- 12% per annum projected EBIT growth rate
- An EBIT multiple of 5 times in calculating the terminal value

Note 16. Intangible assets (continued)

The discount rate of 12% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the computer distribution division, the risk free rate and the volatility of the share price relative to market movements

Management believes the projected 12% EBIT growth rate is prudent and justified, and have no reason to revise this estimation based on current performance**.**

There were no other key assumptions for the Aftermarket division.

Based on the above, the recoverable amount of the Aftermarket division exceeded the carrying amount.

Sensitivity
As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- A decrease of 10% or less in the EBIT for the Aftermarket division would not result in goodwill needing to be impaired, with all other assumptions remaining constant.
- An increase of 10% or less in the discount rate for the Aftermarket division would not result in goodwill needing to be impaired, with all other assumptions remaining constant
- A decrease of 10% or less in the EBIT for the OEM division would not result in goodwill needing to be impaired, with all other assumptions remaining constant
- An increase of 10% or less in the discount rate for the OEM division would not result in goodwill needing to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of Aftermarket and OEM division's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge for the computer retailing division's goodwill.

Accounting policy for intangible assets
Goodwill
Goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Impairment testing is conducted annually to ascertain whether the carrying value of intangibles exceeds the recoverable amount.

Note 17. Trade and other payables

	Consolidated	
	30 June 2022	**30 June 2021**
	$	**$**
Current		
Trade creditors and accruals	8,818,200	5,841,773
Other creditors	4,711,059	10,955,531
	13,529,259	16,797,304

Payables to related entities are unsecured, non- interest bearing, with no fixed terms for repayment.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

Note 18. Borrowings and interest-bearing liabilities

	Consolidated	
	30 June 2022	**30 June 2021**
	$	**$**
Current liabilities		
Convertible notes at FVPL	23,408,304	-
Trade refinance- secured	3,333,138	285,400
Amounts payable to related parties	-	10,282,354
Equipment finance liability- secured	126,611	221,762
	26,868,053	10,789,516
Non-current liabilities		
Equipment Finance Liability- Secured	897,995	1,943,405

Convertible notes are unsecured and were issued on 15 December 2021 with a maturity date of 1 year from the issue date. The redemption amount and conversion price include the following features:

- 125% of the face value of the notes if redeemed before the maturity date, and 137.5% if redeemed after the maturity date.
- Various conversion prices are adjusted in the event of an IPO or trade sale, including:
  - In the event of an IPO, the lower of the offer price less 20% of that price or $125m
  - In the event of a trade sale, the lower of 80% of the equity value implied or $125m

Convertible notes are measured at fair value through profit or loss. The difference between the consideration received of $20m and its fair value of $25m, is recognised on a straight line basis over the estimated period from initial recognition until expected conversion on IPO.

Equipment finance liabilities are secured over the underlying asset subject to finance.

There is a registered mortgage debenture over the whole of the consolidated entity assets in respect of finance facilities undertaken by the consolidated entity and related entities. Drawn finance facilities are held in related entities and are secured by a first registered mortgage over the assets and undertakings of the entities within the consolidated entity. The bank facilities agreement is subject to covenant clauses, whereby the consolidated entity is required to meet certain key financial ratios. During the year, management was compliant with all covenant clauses.

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 19. Lease liabilities

	Consolidated	
	30 June 2022	**30 June 2021**
	$	**$**
Current liabilities		
Lease liability	3,089,030	1,117,558
Non-current liabilities		
Lease liability	44,400,699	5,921,054

The following leases were entered into during the year for the increase in lease liabilities.

Lease	Commencement Date	Lease Term
4 Barnett Place, Molendinar, QLD	1 October 2021	5 years *
Unit 1 231 Collier Rd, Bayswater, WA	1 July 2021	5 years *
Unit 2 231 Collier Rd, Bayswater, WA	1 July 2021	5 years *
Unit 3 231 Collier Rd, Bayswater, WA	1 July 2021	5 years *
Unit 4 231 Collier Rd, Bayswater, WA	1 July 2021	5 years *
26-50 Howards Rd, Beverley, SA	1 July 2021	5 years *
41-51 Howards Road, Beverley, SA	1 July 2021	5 years *
45 Heales Road, Lara, VIC	1 July 2021	5 years *
70 Long Street Smithfield NSW	1 July 2021	5 years *
Unit 1, 26 Expo Court, Ashmore, QLD	14 October 2021	3 years
Unit 2, 230 Gilgandra Road, Dubbo NSW	1 March 2022	5 years
35-41 Walls Road, Penrose Auckland New Zealand	1 June 2022	1 year
15 Fulcrum Road, Richlands, QLD	21 September 2021	10 years

* All leases are with related parties. The remaining leases are with external parties.

The following leases were terminated during the year due to the disposal of Harrop:

Lease	Termination Date
96 Bell St, Preston, VIC	31 October 2021
96A Bell St, Preston, VIC	31 October 2021

Note 20. Provisions

	Consolidated	
	30 June 2022 $	**30 June 2021 $**
Current		
Employee benefits	3,422,926	2,593,997
Warranty	566,346	540,561
Other provisions	7,352	96,385
	3,996,624	3,230,943
Non-current		
Employee benefits	4,602,180	3,559,394

Warranties
The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Accounting policy for provisions
Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits
Termination benefits are recognised when a detailed plan of termination has been communicated to affected employees. They are measured as short-term employee benefits when expected to be settled wholly within 12 months of the reporting date or as long-term benefits when not expected to be settled within 12 months of the reporting date.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 21. Contributed equity

	Consolidated			
	30 June 2022 Shares	**30 June 2021 Shares**	**30 June 2022 $**	**30 June 2021 $**
Ordinary shares - fully paid	3,750,761	1	3,750,761	1

Note 22. Contributed equity (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2021	1		1
Issued of shares	1 November 2021	3,750,760	$1.00	3,750,760
Balance	30 June 2022	3,750,761		3,750,761

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management
The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 22. Reserves

	Consolidated	
	30 June 2022	30 June 2021
	$	$
Foreign currency translation reserve	(2,358,603)	(1,807,473)
Acquisition of non-controlling interest reserve	(5,326,836)	-
Common control acquisition reserve	4,804,650	-
	(2,880,789)	(1,807,473)

The foreign currency translation is used to record unrealised gains/losses on the conversion of the transactions of the wholly owned foreign subsidiaries to Australian dollars.

The acquisition of non-controlling interest reserve is used to record the difference in the capital purchase of the remaining 34% shareholding of Air Radiators Thailand Ltd, which amounts to $5,326,836.

Common control acquisition reserve is to record the purchase of Adcore Holdings Pty Ltd ATF the Gary Washington Family Trust’s Assets where the purchase price was less than the fair value of assets and liabilities acquired by the amount of $4,804,650. Refer to Note 30 for the acquisition details.

Note 23. Non-controlling interest

	Consolidated	
	30 June 2022	30 June 2021
	$	$
Non-controlling interest	-	1,946,227

The Consolidated Entity held 66% (34% non-controlling interested) in Air Radiators (Thailand) Limited prior to 1 November 2021. The remaining 34% shares were purchased on 31 October 2021.

Note 24. Key management personnel disclosures

Directors
The following persons were directors of Adrad Holdings Limited during the financial year:

Mr. Gary Washington	Executive Director
Mr. Glenn Davis	Executive Director- appointed 17 January 2022
Mr. Donald McGurk	Executive Director-- appointed 23 March 2022
Mr. Don Cormack	Executive Director - Resigned 19 April 2022
Mrs. Karen Washington	Executive Director - Resigned 19 April 2022

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

Mr Christopher Newman	Chief Financial Officer
Mr Kevin (Jamie) Baensch	General Manager – Air Radiators
Mr Branko Stojakovic	General Manager – Air Radiators Industrial

Mr Cormack remains key management personnel as Chief Executive Office.
Mrs Washington remains key management personnel as Co-Founder Relationship Manager

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated	
	30 June 2022	**30 June 2021**
	$	**$**
Short-term employee benefits	1,818,968	1,606,881
Long-term benefits	739,520	669,340
	2,558,488	2,276,221

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the Company:

	Consolidated	
	30 June 2022	**30 June 2021**
	$	**$**
Audit services -		
Audit or review of the financial statements	263,000	146,000
Other services -		
Preparation of the tax return	46,860	39,500
Due diligence services	1,161,372	80,725
	1,208,232	120,225
	1,471,232	266,225

Note 26. Contingent liabilities

In addition to the security provided for related entities as outlined in Note 20, the consolidated entity has given bank guarantees as at 30 June 2022 $884,251 to various landlords and $559,302 to various Customers for Defects Liability.

WorkSafe Victoria is currently undertaking an investigation in respect of Air-Radiators Pty Ltd (a subsidiary of the Company) (Air-Radiators) in relation to an incident that occurred at Air-Radiators' manufacturing facility located in Victoria, as a result of which an employee of Air-Radiators suffered fatal injuries (Incident). WorkSafe Victoria has to date issued two improvement notices to Air-Radiators in respect of the Incident and may elect to prosecute in respect of the Incident. Air-Radiators have notified their insurer of the Incident and are working with and being advised by the insurer's legal counsel in respect of potential liabilities.

Note 27. Financial instruments

Risk management is carried out by the CEO and senior management (collectively 'the management'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the management on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity's exposure to interest risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities, arises from working capital facilities including overdraft and trade finance which are subject to variable interest rates. The amounts subject to cash flow interest rate risk are in the statement of financial position at carrying amounts of these items. Long term borrowings are at fixed interest rate. The consolidated entity does not hedge against its interest risks.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Note 27. Financial instruments (continued)

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Undiscounted contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	13,529,259	-	-	-	13,529,259
Interest-bearing - variable						
Convertible notes	25%	25,000,000	-	-	-	25,000,000
Trade finance	3.58%	3,333,138	-	-	-	3,333,138
Equipment finance	3.58%	126,611	745,501	152,494	-	1,024,606
Lease liability	2.71%	4,270,988	4,203,751	11,810,633	36,005,598	56,290,971
Total non-derivatives		44,668,300	4,949,252	11,963,127	36,005,598	99,177,974

Consolidated - 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Undiscounted contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	16,797,304	-	-	-	16,797,304
Interest-bearing - variable						
Trade finance	2.92%	285,400	-	-	-	285,400
Equipment finance	3.58%	221,762	1,747,762	195,643	-	2,165,167
Related party loans	-	10,282,354	-	-	-	10,282,354
Lease liability	3.05%	1,251,473	1,253,638	3,842,145	2,543,200	8,890,456
Total non-derivatives		28,838,293	3,001,400	4,037,788	2,543,200	38,420,681

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
The carrying amounts of financial instruments are materially similar to their fair values.

Note 28. Related party transactions

Parent entity
Adrad Holdings Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Adrad Holdings Limited
Notes to the financial statements
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Note 28. Related party transactions (continued)

Key management personnel
Disclosures relating to key management personnel are set out in note 24.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	30 June 2022	**30 June 2021**
	$	**$**
Current receivables:		
Harrop Casting Technologies Pty Ltd - Joint Venture Loan	-	400,000
Right-of use assets (Net of depreciation):		
Arlyngton ATF The Beverley Property Unit Trust	5,624,933	-
Harlaxton Pty Ltd ATF The Washington Family Trust	33,395,202	2,686,130
Current borrowings:		
Loan to Adcore Holdings Pty Ltd ATF The Gary Washington Family Trust	-	10,190,697
Harrop Casting Technologies Pty Ltd - Joint Venture Distributions	-	91,656
Current lease liabilities:		
Arlyngton ATF The Beverley Property Unit Trust	240,455	-
Harlaxton Pty Ltd ATF The Washington Family Trust	1,423,897	341,542
Non-current lease liabilities:		
Arlyngton ATF The Beverley Property Unit Trust	5,566,219	-
Harlaxton Pty Ltd ATF The Washington Family Trust	33,031,521	2,383,935
Sales Revenue		
Adcore Holdings Pty Ltd ATF The Gary Washington Family Trust	286,607	867,848
Harrop Engineering Pty Ltd (after share sale, as noted below and in Note 10)	810,024	-
	1,096,631	867,848
Other Income		
Harrop Engineering Pty Ltd (after share sale, as noted below and in Note 10)	80,721	-
Arlyngton ATF The Beverley Property Unit Trust	13,538	24,099
Harlaxton Pty Ltd ATF The Washington Family Trust	13,538	24,099
	107,797	48,198
Occupancy Expenses		
Arlyngton ATF The Beverley Property Unit Trust	316,155	-
Harlaxton Pty Ltd ATF The Washington Family Trust	1,867,613	537,079

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Related party property leases identified at Note 19.

On 31 October 2021 the following related party transactions took place by Adrad Holdings (and its wholly owned subsidiaries):
Shareholdings in Harrop Engineering (Australia) Pty Ltd and HCT Management Pty Ltd to Adcore Holdings as Trustee for the Gary Washington Family Trust. Sale proceeds were $4,920,000.

Purchased 34% of the shares in Air Radiators (Thailand) Ltd for $5,786,000 from Adcore Holdings as Trustee for the Gary Washington Family Trust to increase the Consolidated Entity's shareholdings to 100%.

Purchased the business operations of Adcore Holdings Pty Ltd as a Trustee for the Gary Washington Family Trust for $16,101,000. The business operations acquired consists of the manufacture and importation of radiators and other automotive products for the Australian aftermarket.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 30 June 2022 $	Parent 30 June 2021 $
Profit/(loss) after income tax	(10,212,405)	9,795,333
Total comprehensive income	(10,212,405)	9,795,333

Statement of financial position

	Parent 30 June 2022 $	Parent 30 June 2021 $
Total current assets	933,173	218,261
Total assets	87,447,346	71,081,468
Total current liabilities	25,498,126	670,603
Total liabilities	25,498,126	670,603
Equity		
Contributed equity	3,750,761	1
Retained profits	58,198,459	70,410,864
Total equity	61,949,220	70,410,865

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note , except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Common control acquisition

On 31 October 2021, the consolidated entity acquired the business operation from Adcore Holdings Pty Ltd as Trustee for the Gary Washington Family Trust. This is an aftermarket business and operates in the Aftermarket division of the Consolidated Entity. Assets and liabilities is acquired using existing book values rather than the acquisition method in AASB 3. The difference between fair value of consideration and book values is $4,804,650 and is recorded in a separate equity reserve; as common control on acquisition.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	741,416
Trade receivables	6,663,963
Inventories	19,461,693
Plant and equipment	3,281,044
Right-of-use assets	17,784
Trade payables and other payables	(8,963,733)
Lease liability	(296,517)
Net assets acquired	20,905,650
Discount on purchase of assets (common control acquisition reserve)	(4,804,650)
Acquisition-date fair value of the total consideration transferred	16,101,000

Note 31. Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in :

		Ownership interest	
		30 June 2022	30 June 2021
Controlled entities that form part of the consolidated entity are;	**Country of incorporation**	**%**	**%**
Adrad Investments Pty Ltd	Australia	100.00%	100.00%
Adrad Group Limited*	Australia	100.00%	100.00%
Adrad Pty Ltd**	Australia	100.00%	100.00%
Air-Radiators Pty Ltd	Australia	100.00%	100.00%
Natrad OF Pty Ltd	Australia	100.00%	100.00%
National Radiators Ltd	New Zealand	100.00%	100.00%
Air Radiators-Industrial Pty Ltd	Australia	100.00%	100.00%
Air Radiators (Thailand) Limited	Thailand	100.00%	66.00%
Breakaway Industrial Radiators Pty Ltd	Australia	100.00%	100.00%
Air Radiators (WA) Pty Ltd	Australia	100.00%	100.00%
Adrad Management Services Pty Ltd	Australia	100.00%	100.00%
Adrad IT Services Pty Ltd	Australia	100.00%	100.00%
Wingfan Pty Ltd	Australia	100.00%	100.00%
Air Radiators International Limited***	Thailand	-	100.00%
Harrop Engineering Australia Pty Ltd	Australia	-	100.00%
HCT Management Pty Ltd	Australia	-	100.00%
Harrop Casting Technologies Pty Ltd	Australia	-	50.00%
Harrop Engineering USA Inc	USA	-	100.00%

* Adrad Group Limited was formerly known as Natra Group Ltd and changed its name on 14 October 2021.
** Adrad Pty Ltd was formerly known as Natra Pty Ltd and changed its name on 14 October 2021.
*** Air Radiators International Limited was deregistered on 19 February 2021.

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 33. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	30 June 2022 $	30 June 2021 $
Profit after income tax expense for the year	7,060,636	13,719,592
Adjustments for:		
Depreciation and amortisation	5,899,761	3,643,449
Foreign exchange differences	(551,130)	39,155
Interest expense	3,408,304	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(258,025)	(3,145,805)
Increase in inventories	(9,717,763)	(9,569,085)
Increase in deferred tax assets	(1,496,254)	(41,402)
Increase/(decrease) in trade and other payables	(1,255,766)	5,715,229
Increase in provision for income tax	1,856,942	339,826
Increase in other provisions	3,113,920	990,372
Net cash from operating activities	8,060,625	11,691,331

Note 34. Changes in liabilities arising from financing activities

Consolidated	Bank Financing $	Lease Liability $	Total $
Balance at 1 July 2020	2,347,084	8,239,806	10,586,890
Net cash from/(used in) financing activities	103,484	(1,918,273)	(1,814,789)
Acquisition of leases	-	733,438	733,438
Balance at 30 June 2021	2,450,568	7,054,971	9,505,539
Net cash from/(used in) financing activities	1,907,176	(13,970,347)	(12,063,171)
Acquisition of leases	-	54,405,105	54,405,105
Balance at 30 June 2022	4,357,744	47,489,729	51,847,473

Note 35. Earnings per share

	Consolidated	
	30 June 2022	**30 June 2021**
	$	**$**
Earnings per share for profit from continuing operations		
Profit after income tax attributable to the owners of Adrad Holdings Limited	4,395,986	10,069,864
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	2,486,806	1
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,486,806	1
	Cents	**Cents**
Basic earnings per share	177	1,006,986,400
Diluted earnings per share	177	1,006,986,400

	Consolidated	
	30 June 2022	**30 June 2021**
	$	**$**
Earnings per share for profit		
Profit after income tax	7,060,636	13,719,592
Non-controlling interest	(287,856)	(855,165)
Profit after income tax attributable to the owners of Adrad Holdings Limited	6,772,780	12,864,427
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	2,486,806	1
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,486,806	1
	Cents	**Cents**
Basic earnings per share	272	1,286,442,700
Diluted earnings per share	272	1,286,442,700

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Adrad Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Adrad Holdings Limited
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Glenn Davis
Director

Gary Washington
Director

26 September 2022

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Independent Auditor's Report

To the Members of Adrad Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Adrad Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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 comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Directors' responsibility also includes 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 related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Michael Climpson
Partner – Audit & Assurance

Melbourne, 26 September 2022

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