

ARB

Holdings Limited

("ARB" or "the group") (Registration number: 1986/002975/06)
Share code: ARH ISIN: ZAE000109435

UNAUDITED INTERIM RESULTS

For the six months ended
31 December 2008

HIGHLIGHTS

- Revenue increased by 8,5%
- Cash on hand of R95,6 million
- NAV increased to 180.81 cents per share

ABRIDGED GROUP INCOME STATEMENT

	Unaudited 6 Months to 31 Dec '08 R000's	Unaudited 6 Months to 31 Dec '07 R000's	Audited Year to 30 June '08 R000's
Revenue	647 212	596 388	1 343 909
Profit before interest and taxation	77 843	90 301	195 115
Interest received	5 351	2 572	7 492
Interest paid	(716)	(5 329)	(6 541)
Profit before taxation	82 478	87 544	196 066
Taxation	27 110	28 668	60 992
Profit for the period	55 368	58 876	135 074
Minority interest	10 183	13 757	30 930
Earnings attributable to ARB equity holders	45 185	45 119	104 144
Headline earnings adjustment	(6)	–	(6)
Taxation on adjustments	2	–	2
Headline earnings	45 181	45 119	104 140
Number of ordinary shares in issue (000's)	235 000	235 000	235 000
Weighted average number of shares (000's)	235 000	207 989	221 325
Diluted number of shares (000's)	235 000	207 989	221 325
Earnings per share (cents)	19.23	21.69	47.05
Diluted earnings per share (cents)	19.23	21.69	47.05
Headline earnings per share (cents)	19.23	21.69	47.05
Diluted headline earnings per share (cents)	19.23	21.69	47.05

The headline earnings adjustment relates to the surplus on disposal of property, plant and equipment.

No segmental report has been prepared as the group does not have material separately identifiable reporting segments.

ABRIDGED GROUP CASH FLOW STATEMENT

	Unaudited 6 Months to 31 Dec '08 R000's	Unaudited 6 Months to 31 Dec '07 R000's	Audited Year to 30 June '08 R000's
Cash generated by operating activities	57 434	96 158	183 689
Interest received	5 351	2 572	7 492
Interest paid	(716)	(5 329)	(6 541)
Dividends paid	(39 910)	(57 700)	(57 700)
Taxation paid	(29 037)	(41 663)	(68 660)
Secondary tax on companies paid	(3 991)	(3 275)	(3 275)
Cash flows from operating activities	(10 869)	(9 237)	55 005
Cash flows from investing activities	(3 827)	(6 879)	(10 418)
Cash flows from financing activities	–	171 444	171 379
Issue of shares	–	171 444	171 379
Loans repaid	(2 216)	(78 776)	(81 460)
Net decrease in cash resources	(16 912)	76 552	134 506
Cash resources at beginning of period	112 506	(22 000)	(22 000)
Cash resources at end of period	95 594	54 552	112 506

ABRIDGED STATEMENT OF CHANGES IN EQUITY

	Share capital R000's	Share premium R000's	Non-distributable reserve R000's	Revaluation reserve R000's	Accumulated profits R000's	Minority interest R000's	Total R000's
Balance at 30 June 2007 (audited)	20	–	9 374	23 893	152 120	33 587	218 994
Issue of shares	4	171 440	–	–	–	–	171 444
Profit for the period	–	–	–	–	45 119	13 757	58 876
Dividends paid	–	–	–	–	(56 660)	(1 040)	(57 700)
Balance at 31 December 2007 (unaudited)	24	171 440	9 374	23 893	140 579	46 304	391 614
Transfer of reserves	–	–	(9 374)	–	9 374	–	–
Recovery of listing costs	–	(65)	–	–	–	–	(65)
Profit for the period	–	–	–	–	59 025	17 173	76 198
Revaluation of property, plant & equipment net of taxation	–	–	–	6 004	–	–	6 004
Balance at 30 June 2008 (audited)	24	171 375	–	29 897	208 978	63 477	473 751
Profit for the period	–	–	–	–	45 185	10 183	55 368
Dividends paid	–	–	–	–	(30 550)	(9 360)	(39 910)
Balance at 31 December 2008 (unaudited)	24	171 375	–	29 897	223 613	64 300	489 209

COMMENTARY

Introduction

The board of ARB is pleased to present the group's interim results for the six months ended 31 December 2008 ("the period"). Notwithstanding a weakened economy and difficult market conditions, revenue increased 8,5% year-on-year for the period, driven mainly by the performance of the newly opened Nelspruit branch.

Basis of Preparation

The unaudited interim financial statements for the period have been prepared in compliance with International Accounting Standard (IAS 34) – Interim Financial Reporting and in terms of the Listings Requirements of the JSE Limited. The accounting policies applied in preparing these unaudited interim financial statements are consistent with those applied in the annual financial statements for the year ended 30 June 2008 and the six months to 31 December 2007 and comply with International Financial Reporting Standards (IFRS) and the South African Companies Act, 1973.

Financial Review

Revenue increased to R647,2m from R596,4m in the comparative prior period. The fall in metal prices, which impacted on operating margin, caused a decline in net profit to R55,4m from R58,9m in the comparative prior period. Despite this, headline earnings remained stable when compared to that at 31 December 2007.

In response to the changing market environment, inventory levels have been reduced from R308m at 30 June 2008 to R251m at the end of the period. Where appropriate, provisions have been made in response to declining metal prices.

During the period, capital expenditure was incurred for the purchase of new vehicles and for the development of new premises for the Cape Town branch.

Operational Review

Notwithstanding falling metal prices, ARB Electrical Wholesalers' branch network achieved revenue growth through increased volumes. Fuelled by higher infrastructure expenditure, the Gauteng branch continued to grow and the new Nelspruit branch performed ahead of expectations. The Cape branches maintained operating levels despite depressed regional market conditions.

ARB Mining made good progress in obtaining accreditation as a supplier with numerous mines and mine contract facilitators. While growth is slow, ARB remains positive that this division will continue to prosper, despite the rationalisations introduced at certain mines.

ARB Global, which was established to focus exclusively on exports to Africa, made significant progress in establishing a quality supply base in Asia. These imported products are currently being tested for accreditation by Energy regulators in the SADC region.

Prospects

Management remains cautiously optimistic for the ensuing six months. Sectoral infrastructure expenditure continues and levels of enquiries remain positive.

ABRIDGED GROUP BALANCE SHEET

	Unaudited 31 Dec '08 R000's	Unaudited 31 Dec '07 R000's	Audited 30 June '08 R000's
ASSETS			
Non-current assets			
Property, plant and equipment	98 327	82 518	94 168
Deferred taxation	1 593	1 659	2 113
Current assets			
Inventory	250 685	220 962	307 966
Trade and other receivables	133 399	155 465	234 975
Deferred lease payments	29	–	58
Taxation overpaid	3 765	–	122
Cash resources	95 664	54 552	112 589
TOTAL ASSETS	583 462	515 156	751 991
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	24	24	24
Share premium	171 375	171 440	171 375
Non-distributable reserve	–	9 374	–
Revaluation reserve	29 897	23 893	29 897
Accumulated profits	223 613	140 579	208 978
Attributable to ARB equity holders	424 909	345 310	410 274
Minority interest	64 300	46 304	63 477
Total shareholders' funds	489 209	391 614	473 751
Non-current liabilities			
Interest-bearing borrowings	5 835	6 492	4 212
Deferred lease payments	68	–	68
Deferred taxation	14 224	8 941	14 033
Current liabilities			
Trade and other payables	68 986	103 553	248 687
Provisions	926	742	2 390
Interest-bearing borrowings	2 080	1 897	3 716
Deferred lease payments	–	12	–
Taxation payable	2 064	1 905	5 051
Bank overdraft	70	–	83
TOTAL EQUITY AND LIABILITIES	583 462	515 156	751 991
Number of ordinary shares in issue (000's)	235 000	235 000	235 000
Net asset value per share (cents)	180.81	146.94	174.58

ARB should continue to benefit from parastatal spend over the next five years primarily by Eskom and Transnet. Government's repeated commitment to providing access to electricity and Eskom's continued rural investment programme should benefit ARB. Demand from Eskom's distribution infrastructure operations remains strong with new connections continuing unabated. Eskom's activity should be most evident in the Eastern Cape, KwaZulu-Natal and Limpopo which are targeted as growth nodes. Further, Eskom has begun awarding tenders for coal-fired power stations in line with its programme to radically increase capacity. ARB's established customer base includes the contractors participating in Eskom's expansion programme.

The focus in the medium-term will be growth in market share, both organically and by acquisition. Acquisitions will be considered in light of strict vetting criteria. In addition, ARB will continue to look to cross-border expansion to drive top and bottom line growth.

Appointments

Byron Nichles has been appointed as CEO with effect from 1 February 2009 to focus on mergers and acquisitions. Craig Robertson, former ARB CEO, remains on the board as an executive director with specific focus on his role as chief executive of the main operating subsidiary, ARB Electrical Wholesalers.

Dividend

In line with policy, no interim dividend has been declared. ARB's dividend policy is to distribute a final dividend for the full year of up to a maximum of one third of net profit after taxation.

Appreciation

We thank our management teams and employees for their commitment and hard work which contributed to the group's performance for the period. We also express our appreciation to our fellow directors for their wise counsel. We thank our business partners, advisors and shareholders for their ongoing support.

For and on behalf of the Board.

Alan R Burke

Chairman
4 February 2009

Craig Robertson

CEO (for the period under review)

William Neasham

Financial Director

Directors: AR Burke (Chairman)*; B Nichles (CEO); CC Robertson; WR Neasham (Financial Director); JR Modise*; DF Muhlwa*; ST Downes * > *non-executive > independent

Registered office: 10 Mack Road, Prospecton, Durban, 4110 (PO Box 26426, Isipingo Beach, 4115)

Sponsor: PSG Capital (Pty) Ltd, Building 8, Woodmead Estate, 1 Woodmead Drive, Woodmead, 2191 (PO Box 987, Parklands, 2121)

Transfer secretaries: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)

Company secretary: WR Neasham CA(SA), 10 Mack Road, Prospecton, Durban, 4110 (PO Box 26426, Isipingo Beach, 4115)

Auditors: PKF (Durban), 12 on Palm Boulevard, Gateway, 4319 (PO Box 1858, Durban, 4000)