ARB Holdings Limited

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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

AND FURTHER CAUTIONARY ANNOUNCEMENT

HIGHLIGHTS

- Improved operating performance in comparison to the immediately preceding six month period
- Net tangible asset value increased to 200 cents per share
- Net cash on hand of R239 million
- Acquisition of Paragon Electrical

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31 Dec 2009 R000's	Unaudited 6 months to 31 Dec 2008 R000's	Audited year to 30 June 2009 R000's
REVENUE	**544 364**	647 212	1 186 659
Profit before interest and taxation	**51 785**	77 843	114 701
Investment income	**594**	–	401
Interest received	**8 275**	5 351	14 044
Interest paid	**(109)**	(716)	(1 346)
PROFIT BEFORE TAXATION	**60 545**	82 478	127 800
Taxation	**16 807**	27 110	39 973
PROFIT FOR THE PERIOD	**43 738**	55 368	87 827
Other comprehensive income	**–**	–	7 253
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**43 738**	55 368	95 080
Profit for the period attributable to:			
Non-controlling interest	**8 051**	10 183	15 173
Ordinary shareholders	**35 687**	45 185	72 654
Total comprehensive income attributable to:			
Non-controlling interest	**8 051**	10 183	15 173
Ordinary shareholders	**35 687**	45 185	79 907

Other comprehensive income consists of the revaluation of property, plant and equipment net of taxation.

RECONCILIATION OF HEADLINE EARNINGS			
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**35 687**	45 185	72 654
Headline earnings adjustment net of taxation	**–**	(4)	(4)
HEADLINE EARNINGS	**35 687**	45 181	72 650
Ordinary number of shares in issue (000's)	**235 000**	235 000	235 000
Weighted average number of shares (000's)	**235 000**	235 000	235 000
Diluted number of shares (000's)	**235 620**	235 000	235 620
Earnings per share (cents)	**15,19**	19,23	30,92
Diluted earnings per share (cents)	**15,15**	19,23	30,84
Headline earnings per share (cents)	**15,19**	19,23	30,91
Diluted headline earnings per share (cents)	**15,15**	19,23	30,83

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

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 31 Dec 2009 R000's	Unaudited 31 Dec 2008 R000's	Audited 30 June 2009 R000's
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**111 057**	98 327	112 447
Intangible asset	**302**	–	194
Deferred taxation	**2 497**	1 593	1 503
CURRENT ASSETS			
Inventory	**174 194**	250 685	175 888
Trade and other receivables	**120 580**	133 399	165 067
Deferred lease payments	**11**	29	29
Taxation overpaid	**34**	3 765	23
Cash resources	**239 108**	95 664	200 562
TOTAL ASSETS	**647 783**	583 462	655 713
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Share capital	**24**	24	24
Share premium	**147 875**	171 375	171 375
Revaluation reserve	**37 150**	29 897	37 150
Accumulated profits	**286 769**	223 613	251 082
Attributable to ordinary shareholders	**471 818**	424 909	459 631
Non-controlling interest	**77 341**	64 300	69 290
TOTAL SHAREHOLDERS' FUNDS	**549 159**	489 209	528 921
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	**–**	5 835	–
Deferred lease payments	**94**	68	96
Deferred taxation	**16 931**	14 224	16 579
CURRENT LIABILITIES			
Trade and other payables	**78 743**	68 986	105 169
Provisions	**1 395**	926	2 495
Interest-bearing borrowings	**–**	2 080	–
Taxation payable	**1 412**	2 064	2 406
Bank overdraft	**49**	70	47
TOTAL EQUITY AND LIABILITIES	**647 783**	583 462	655 713
Number of ordinary shares in issue (000's)	**235 000**	235 000	235 000
Net asset value per share (cents)	**200,77**	180,81	195,59
Net tangible asset value per share (cents)	**199,58**	180,12	194,85

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	Unaudited 6 months to 31 Dec 2009 R000's	Unaudited 6 months to 31 Dec 2008 R000's	Audited year to 30 June 2009 R000's
Cash generated by operating activities	**72 451**	57 434	177 851
Interest received	**8 275**	5 351	14 044
Interest paid	**(109)**	(716)	(1 136)
Investment income	**594**	–	401
Dividends paid	**–**	(39 910)	(39 910)
Taxation paid	**(18 454)**	(29 037)	(38 401)
Secondary tax on companies paid	**–**	(3 991)	(3 991)
Cash flows from operating activities	**62 757**	(10 869)	108 858
Cash flows from investing activities	**(713)**	(3 827)	(10 583)
Cash flows from financing activities			
Reduction of share premium	**(23 500)**	–	–
Loan repaid	**–**	(2 216)	(10 266)
Net increase in cash resources	**38 544**	(16 912)	88 009
Cash resources at beginning of period	**200 515**	112 506	112 506
Cash resources at end of period	**239 059**	95 594	200 515

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital R000's	Share premium R000's	Revaluation reserve R000's	Accumulated profit R000's	Non-controlling interest R000's	Total R000's
Balance at 30 June 2008 (audited)	24	171 375	29 897	208 978	63 477	473 751
Total comprehensive income 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
Total comprehensive income for the period	–	–	7 253	27 469	4 990	39 712
Balance at 30 June 2009 (audited)	**24**	**171 375**	**37 150**	**251 082**	**69 290**	**528 921**
Total comprehensive income for the period	**–**	**–**	**–**	**35 687**	**8 051**	**43 738**
Reduction of share premium	**–**	**(23 500)**	**–**	**–**	**–**	**(23 500)**
Balance at 31 December 2009 (unaudited)	**24**	**147 875**	**37 150**	**286 769**	**77 341**	**549 159**

ABRIDGED GROUP SEGMENT REPORT

	Investment and rental income R000's	Electrical wholesaling R000's	IT services R000's	Inter-company eliminations and re-allocations R000's	Total R000's
Unaudited for the six months ended 31 December 2009					
Segment revenue	**13 963**	**544 188**	**2 033**	**(15 820)**	**544 364**
Profit before taxation	**18 200**	**41 776**	**569**	**–**	**60 545**
Depreciation	**1 139**	**839**	**17**	**–**	**1 995**
Capital expenditure	**1 206**	**227**	**108**	**–**	**1 541**
Segment assets	**298 489**	**395 326**	**1 023**	**(47 055)**	**647 783**
Segment liabilities	**20 597**	**98 758**	**82**	**(20 813)**	**98 624**
Unaudited for the six months ended 31 December 2008					
Segment revenue	35 228	656 939	1 938	(46 893)	647 212
Profit before taxation	49 478	59 432	208	(26 640)	82 478
Depreciation	974	888	14	–	1 876
Capital expenditure	3 230	1 055	5	–	4 290
Segment assets	292 167	471 062	947	(180 714)	583 462
Segment liabilities	24 199	223 753	773	(154 472)	94 253
Audited for the year ended 30 June 2009					
Segment revenue	45 141	1 209 412	4 368	(72 262)	1 186 659
Profit before taxation	77 775	86 088	650	(36 713)	127 800
Depreciation	2 173	2 317	36	–	4 526
Capital expenditure	9 744	3 200	32	–	12 976
Segment assets	306 652	392 503	994	(44 436)	655 713
Segment liabilities	18 528	125 980	478	(18 194)	126 792

BASIS OF PREPARATION

The abridged unaudited consolidated interim financial statements for the period have been prepared in compliance with International Accounting Standard (IAS34) – Interim Financial Reporting and in terms of the Listings Requirements of the JSE Limited. Other than IAS1 and IFRS8, the accounting policies applied in preparing these abridged unaudited consolidated interim financial statements are consistent with those applied in the annual financial statements for the year ended 30 June 2009 and the six months to 31 December 2008 and comply with International Financial Reporting Standards ("IFRS") and the South African Companies Act, 1973. Consequently, the comparative information has been restated for the new disclosures as required in IAS1 and IFRS8.

COMMENTARY

The board of ARB ("the Board") is pleased to present the group's interim results for the six months ended 31 December 2009 ("the period"). Despite the challenging economic climate, the group produced an improved set of results when compared to the immediately preceding six month period ended 30 June 2009.

FINANCIAL AND OPERATIONAL REVIEW

The recovery in the copper price in US Dollars during the period under review was largely offset by the strengthening of the Rand against the US Dollar resulting in the average daily copper price per ton in Rands over the period being 8% lower than during the corresponding prior period. Market pricing remained depressed with sales price deflation of approximately 20% – 25% being experienced by the group.

The price deflation and margin pressure impacted the group's power cable and conductor products where copper and aluminium content is highest. These products account for over 60% of group revenue.

As in the prior year, marginal volume growth was achieved although this is not evident in the group's revenue due to the significant impact of price deflation, as mentioned above. This resulted in a decline of 16% in the group's revenue for the period, off the high, largely pre-recession base of the comparative period.

The pressure on price levels translated into an overall reduction of approximately 1% in the group's gross margin to 18,1% from 19,3% in the comparative period.

In response to the tougher trading and economic environment, the group's cost containment initiatives resulted in total cash overheads (excluding accounting provisions and depreciation) declining by 7% compared to the comparative period.

Whilst this helped temper the effects of revenue and gross margin pressures, the group's operating margin declined from 12,0% for the comparative period to 9,5%.

Despite lower interest rates, net interest received increased by 76% reflecting the group's tight management of working capital, as discussed below.

The decision to make a distribution by way of capital reduction in lieu of a final dividend, and the resultant saving in STC, reduced the effective tax rate to 28% from 33% for the comparative period.

The continued focus on working capital management is reflected in the inventory levels (based on annualised cost of sales) of 71,3 days (2008: 87,6 days) and the debtors collection period (based on annualised sales) which remained constant.

Notwithstanding the payment of a capital distribution amounting to R23,5 million, net capital expenditure of R0,7 million and tax payments of R18,5 million, the group generated cash of R39 million during the period resulting in net cash resources of R239 million as at 31 December 2009.

The group's balance sheet remains ungeared.

When compared to the immediately preceding six month period ended 30 June 2009, revenue for the period remained constant. However the group's gross margin improved by 2,7% from 15,4% to 18,1%. Total cash overheads (excluding accounting provisions and depreciation) decreased by 12% over this period.

ACQUISITION OF PARAGON ELECTRICAL

As announced on SENS on 1 December 2009, the group acquired the business of Paragon Electrical ("Paragon") together with certain immovable properties as a going concern ("the acquisition"). The acquisition, the first since ARB's listing on the JSE in November 2007, marks a significant milestone in the ongoing growth and development of the ARB group. The acquisition provides ARB with an immediate and well-established presence in the fast growing Pretoria and Centurion markets and extends ARB's national footprint in line with its stated growth and acquisition strategy.

Following the acquisition, ARB will have 12 branches located throughout South Africa (in Durban, Johannesburg, Cape Town, East London, Pietermaritzburg, Richards Bay, Nelspruit and, as a result of the Paragon acquisition, in Pretoria and Centurion).

Several opportunities exist to unlock further value. These include:

- Improved operational efficiencies and enhanced economies of scale;
- Utilising Paragon's well-established market presence in Pretoria as a base from which to service the nearby high-growth regions of Witbank and Rustenburg; and
- Combining the complimentary focuses of ARB Electrical (in power cable and overhead line) with Paragon (in general electrical contracting materials) to provide a holistic electrical products supply solution to contractors, industry and parastatals throughout Gauteng.

The acquisition, which was unconditionally approved by the Competition Commission on 26 January 2010, has an effective date of 1 March 2010.

Paragon is expected to make a modest contribution to the group's results in the second half of the current financial year, however, the full impact of the acquisition will only be evident in the next financial year.

PROSPECTS AND STRATEGY

The group's focus on market share growth will be achieved through a combination of acquisitive and organic initiatives. With an ungeared balance sheet and significant cash resources, the group remains well positioned to take advantage of any such opportunities. In this regard, the group is at an advanced stage of planning for the opening of a new branch during the second quarter of 2010. A further announcement will be made in due course. In addition, management continues to evaluate potential value-enhancing acquisitions on an ongoing basis.

Africa remains an exciting market for the group and during the period early signs of success were evident in certain SADC countries. The group continues to investigate the correct entry points and business model for penetrating sub-Saharan Africa.

Depending on the extent of the anticipated economic recovery, the board expects to report improved results for the second half of the current financial year compared to the results for the comparable prior year period.

The group remains committed to delivering sustainable earnings growth and value to its shareholders.

The above statements have not been reviewed or reported on by the company's auditors.

DIVIDEND

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

SUBSEQUENT EVENTS

Save for the Competition Commission unconditionally approving the Paragon acquisition on 26 January 2010, no significant events occurred in the period between the reporting date and the date of this announcement.

APPRECIATION

We are extremely grateful for the outstanding commitment and passion displayed by our management teams and staff which enabled the group to report credible results in the face of a challenging economic environment.

We would also like to express our appreciation to our fellow directors for their valued contribution and wise counsel. We extend our thanks to our valued customers, suppliers, business partners, advisors and shareholders for their ongoing support.

FURTHER CAUTIONARY ANNOUNCEMENT

Further to the cautionary announcement dated 15 December 2009, shareholders are advised the negotiations referred to therein are still in progress and, if successfully concluded, may have an effect on the price at which the company's securities trade on the JSE.

Accordingly, shareholders are advised to continue exercising caution when dealing in the company's securities until a further announcement is made.

For and on behalf of the Board.

Alan R Burke *Chairman*
Byron Nichles *Chief Executive Officer*
William Neasham *Financial Director*

9 February 2010

Directors: AR Burke (Chairman)*; ST Downes*#; JR Modise*; DF Muhlwa*; WR Neasham (Financial Director); B Nichles (Chief Executive Officer); RB Patmore*#; CC Robertson; M Sibisi*#
**non-executive #independent*

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

Sponsor: Grindrod Bank, 1st Floor, Building Three, Commerce Square, 39 Rivonia Road, Sandhurst, 2196 (PO Box 78011, Sandton, 2146)

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)

Investor relations: ChilliBush Investor Relations, Chilli House, 58 Jan Smuts Avenue, Forest Town, 2000 (PO Box 1432, Cramerview, 2060)