

Condensed audited results

for the year ended 30 June 2014, dividend announcement and notice of Annual General Meeting

ARB

Holdings Limited

Highlights

(Registration number: 1986/002975/06) Share code: ARH ISIN: ZAE000109435 ["ARB" or "the Company" or "the Group"]

www.arbhold.co.za

Revenue

+ 14% to R2,2 billion

Operating profit

+ 27% to R203,0 million and operating margin improved to 9,2%

Headline earnings

per share +27% to 50,28 cents

Annual dividend

+24% to 20,1 cents per share plus a special dividend of 10,0 cents per share

Ungeared with

R197,6 million net cash on hand

Condensed Group statements of comprehensive income

	Audited year to 30 June 2014 R000's	Audited year to 30 June 2013 R000's	Change %
Revenue	2 216 659	1 944 541	14
Cost of sales	1 689 709	1 519 421	
Gross profit	526 950	425 120	24
Other income	4 878	5 807	
Operating expenses	(328 798)	(270 452)	
Profit before interest and taxation	203 030	160 475	27
Interest received	11 442	10 418	
Interest paid	(190)	(971)	
Profit before taxation	214 282	169 922	26
Taxation	59 708	46 242	
Profit for the year	154 574	123 680	25
Revaluation of property, plant and equipment (net of taxation)	(457)	10 928	
Total comprehensive income for the year	154 117	134 608	14
Profit for the year attributable to:			
Minority interests	36 383	28 550	
Ordinary shareholders	118 191	95 130	
Total comprehensive income attributable to:	154 117	134 608	
Minority interests	36 383	28 550	
Ordinary shareholders	117 734	106 058	11

Reconciliation between earnings and headline earnings

	Audited year to 30 June 2014 R000's	Audited year to 30 June 2013 R000's	Change %
Profit for the year attributable to ordinary shareholders	118 191	95 130	24
Less: Bargain purchase price (net of minorities)	-	(2 167)	
Less: Surplus on disposal of property, plant and equipment (net of taxation)	(31)	(27)	
Headline earnings attributable to ordinary shareholders	118 160	92 936	27
Ordinary shares in issue (000's)	235 000	235 000	
Weighted ordinary shares in issue (000's)	235 000	235 000	

Condensed Group statements of changes in equity

	Share Capital R000's	Share Premium R000's	Revaluation Reserve R000's	Accumulated Profit R000's	Minority Interests R000's	Total R000's
Balance at 30 June 2012 (audited)	24	116 150	49 629	416 566	150 805	733 174
Total comprehensive income for the year	-	-	10 928	95 130	28 550	134 608
Dividends paid	-	-	-	(32 195)	(6 500)	(38 695)
Balance at 30 June 2013 (audited)	24	116 150	60 557	479 501	172 855	829 087
Total comprehensive income for the year	-	-	(457)	118 191	36 383	154 117
Dividends paid	-	-	-	(61 570)	(9 400)	(70 970)
Balance at 30 June 2014 (audited)	24	116 150	60 100	536 122	199 838	912 234

Condensed Group segmental reports

	Electrical R000's	Lighting R000's	Corporate R000's	Inter-company eliminations R000's	Total R000's
Audited for the year ended 30 June 2014					
Segment revenue	1 875 877	350 815	35 058	(45 091)	2 216 659
Profit before interest and taxation	138 632	39 511	26 732	(1 845)	203 030
Segment assets	827 199	183 788	324 890	(102 215)	1 233 662
Segment liabilities	268 172	84 728	27 031	(58 503)	321 428
Net segment assets	559 027	99 060	297 859	(43 712)	912 234
Audited for the year ended 30 June 2013					
Segment revenue	1 678 576	281 177	38 698	(53 910)	1 944 541
Profit before interest and taxation	101 301	30 498	30 052	(1 376)	160 475
Segment assets	733 653	153 527	352 781	(93 566)	1 146 395
Segment liabilities	253 044	72 467	40 566	(48 769)	317 308
Net segment assets	480 609	81 060	312 215	(44 797)	829 087

Basis of preparation

The condensed audited consolidated annual financial statements for the year ended 30 June 2014 ("the year") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 Interim Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act, 71 of 2008, as amended and the Listings Requirements of the JSE Limited. The accounting policies used in the preparation of these results are consistent with those applied in the prior year. During the current year the Group adopted those standards and interpretations in issue and effective for the year. The impact of adopting these new and amended standards and interpretations has not had a significant impact on the Group's accounting policies adopted. The annual financial statements have been audited by PKF Durban, whose unqualified audit opinion is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report. The audited annual financial statements have been prepared under the supervision of the Financial Director, WR Neasham, CA(SA).

Diluted ordinary shares in issue (000's)	235 000	235 340
Basic earnings per share (cents)	50.29	40.48
Headline earnings per share (cents)	50.29	40.42
Diluted headline earnings per share (cents)	50.28	39.55
Diluted headline earnings per share (cents)	50.28	39.49

Condensed Group statements of financial position

	Audited 30 June 2014	Audited 30 June 2013	% Change
	R000's	R000's	
ASSETS			
Non-current assets			
Property, plant and equipment	205 525	193 621	
Intangible assets	83 971	84 411	
Deferred taxation	13 188	11 859	
Current assets			
Inventory	391 348	341 664	
Trade and other receivables	341 924	311 679	
Taxation overpaid	122	371	
Cash resources	197 584	202 790	
Total assets	1 233 662	1 146 395	
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	24	24	
Share premium	116 150	116 150	
Revaluation reserve	60 100	60 557	
Accumulated profit	536 122	479 501	
Attributable to ordinary shareholders	712 396	656 232	9
Minority interests	199 838	172 855	
Total shareholders' funds	912 234	829 087	10
Non-current liabilities			
Deferred taxation	34 127	37 893	
Current liabilities			
Vendor loan	18	2 259	
Trade and other payables	284 118	275 045	
Deferred lease payments	440	836	
Taxation payable	2 725	1 238	
Bank overdraft	-	37	
Total equity and liabilities	1 233 662	1 146 395	
Ordinary shares in issue (000's)	235 000	235 000	
Net asset value per share (cents)	303.15	279.25	9
Net tangible asset value per share (cents)	275.94	252.42	9

Condensed Group statements of cash flow

	Audited year to 30 June 2014	Audited year to 30 June 2013	% Change
	R000 \$	R000 \$	
Cash generated by trading	214 511	165 838	29
Increase in net working capital	(70 855)	31 318	
Cash generated by operating activities	143 656	197 156	
Interest received	11 442	10 418	
Interest paid	(1 900)	(971)	
Dividends paid	(70 970)	(38 695)	
Taxation paid	(62 176)	(49 328)	
Cash flows from operating activities	21 762	118 580	
Cash flows from investing activities	(24 690)	(79 344)	
Cash flows from financing activities	(2 241)	(15 853)	
Decrease in cash resources	(5 169)	23 383	
Cash resources at beginning of year	202 753	179 370	
Cash resources at end of year	197 584	202 753	

Commentary

The Board of ARB ("the Board") is pleased to present the Group's audited results for the year ended 30 June 2014 ("the year"). Market share gains and improved operational efficiencies in both the Electrical and Lighting divisions ensured that the Group delivered excellent results for the year.

Financial review

The Group achieved revenue of over R2 billion for the first time, representing growth of 14% over the prior year. The revenue growth was predominantly organic reflecting strong market share gains by both the Electrical and Lighting divisions. Improved trading disciplines saw the Group's gross margin increase from 21.9% to 23.8%. Overheads were reasonably well controlled across the Group and increased due to the higher sales volumes as well as the first time inclusion of Elektro Vroomen's (acquired in January 2013) and CED's (established in May 2013) overheads for a full year. Operating profit increased by 27% to R203.0 million resulting in an improvement in the Group's operating margin from 8.3% to 9.2%. Net interest received increased despite the payment of annual and special dividends totalling R71.0 million in September 2013. Headline earnings per share increased by 27% to 50.28 cents (2013: 39.55 cents). The Group's operations remained strongly cash generative although at a lower level than in the prior period due to a R70.9 million investment in working capital in line with the increase in revenue. In the prior year, cash generation was enhanced by the unwinding of Industrial Cable Suppliers' overstocked position inherited on the acquisition of that business. Net working capital increased slightly to 20.3% of revenue (2013: 19.5%). Inventory levels at year-end were slightly higher following a strategic decision to increase the stock holding of selected fast-moving cable products ahead of the NUMSA strike which threatened to disrupt deliveries from our major cable suppliers. The trade receivables book continues to be well managed in an increasingly challenging credit environment. Net capital expenditure for the period amounted to R24.7 million, a large portion of which related to the construction of ARB Electrical's new Nelspruit premises (completed in January 2014) and the new Rustenburg premises (commenced in April 2014). The Group's statement of financial position remains robust reflecting a net asset value per share of 303.15 cents (2013: 279.25 cents) and a net ungeared cash position of R197.6 million. The Group's after-tax return on average equity improved to 17.3% in the current year from 15.4% in the prior year.

Divisional review

Electrical division (revenue up 12% and operating profit up 37%)
Despite a disappointing fourth quarter, full year revenue grew by 12% to R1.88 billion (2013: R1.68 billion). Gross margins improved due to the leveraging of trading and procurement efficiencies. Operating profits increased by 37% to R138.6 million (2013: R101.3 million), improving the Electrical division's operating margin to 7.4% (2013: 6.0%).
Lighting division (revenue up 25% and operating profit up 30%)
Buoyed by the introduction of new product categories and key customer gains, the Lighting division built on its strong first half performance to grow full year revenues by 25% to R350.8 million (2013: R281.2 million). Although gross margins were lower, tight cost control resulted in the operating margin improving to 11.3% (2013: 10.8%).

Corporate division (revenue down 9% and operating profit down 11%)

The Corporate division represents the Group's ungeared property portfolio, the centralised treasury function and ARB IT Solutions (Pty) Limited. Given the largely fixed nature of its revenue and overheads leave for the non-recurring revenue relating to the implementation of the Xact II ERP solution across the Electrical division, earned in the prior period, the Corporate division's results for the period were in line with expectations. During the year, the investments in ARB Electrical's new branch premises in Nelspruit and Rustenburg, referred to above, contributed to an increase in the market value of the Group's portfolio of 15 properties to R163 million (2013: R155 million).

Corporate activity and expansion

Although acquisitions remain an integral part of the Group's growth and expansion strategy, no new corporate activity was undertaken during the year as management focused on driving organic growth and leveraging operational efficiencies. Potential acquisitions continue to be evaluated but will only be concluded if the Board is convinced of the strategic fit and merits of such acquisitions and provided that the terms and structure of such acquisitions are value accretive to ARB shareholders.

Prospects

The combination of continued labour unrest, a slow down in consumer spending, moderating economic growth and subdued levels of fixed investment activity suggests a continuation of the tough market conditions experienced over the past few years. Given these headwinds, the Group will maintain its focus on driving operational efficiencies in its existing businesses as well as continue to evaluate strategically aligned trading and distribution related acquisitions. The above prospects statements have not been reviewed or reported on by the Company's auditors.

Dividends

In view of the Group's continued strong cash generation and its ungeared balance sheet, the Board has resolved to declare a dividend of 20.1 cents per share (2013: 16.2 cents per share) for the year ended 30 June 2014, representing the maximum payout in terms of the Company's dividend policy. In addition, the Board has resolved to declare a further special dividend of 10.0 cents per share in order to return excess cash to shareholders.

The relevant dates for the dividends are as follows:

Event	Declaration date	Tuesday, 19 August 2014	Date
Last day to trade cum dividend	Friday, 5 September 2014		
Shares commence trading ex dividend	Monday, 8 September 2014		
Record date	Friday, 12 September 2014		
Payment date	Monday, 15 September 2014		

Share certificates may not be dematerialised or rematerialised between Monday, 2 September 2013 and Friday, 6 September 2013, both days inclusive.

In compliance with the JSE Listings Requirements, the following additional information is disclosed:

- the dividend and special dividend have been declared out of income reserves;
- the local dividend tax rate is 15%;
- there are no Secondary Tax on Companies credits utilised against the dividends;
- the gross local dividend amount is 20.1 cents per share for shareholders exempt from paying Dividends Tax;
- the gross local special dividend amount is 10.0 cents per share for shareholders exempt from paying Dividends Tax;
- the net local dividend amount is 17.085 cents per share for shareholders liable to pay Dividends Tax;
- the net local special dividend amount is 6.500 cents per share for shareholders liable to pay Dividends Tax;
- the issued share capital of ARB is 235 000 000 ordinary shares of 0.01 cent each; and
- ARB's income tax reference number is 9010/138/20/5.

Subsequent events

No significant events have occurred during the period between the reporting date and the date of this announcement.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of shareholders of ARB will be held at 10:00 on Wednesday, 22 October 2014, at the Company's registered office located at 10 Mack Road, Prospecton, Durban. The notice of Annual General Meeting is contained in the Integrated Report which will be posted to shareholders by no later than 16 September 2014. The record date, for purposes of determining which shareholders are entitled to receive the notice of Annual General Meeting, is 5 September 2014. The last day to trade and the record date, in order for shareholders to be eligible to participate in and vote at the Annual General Meeting, are 10 October 2014 and 17 October 2014, respectively.

Appreciation

We would like to acknowledge our management and staff, our fellow directors as well as our valued customers, suppliers, business partners, advisors and shareholders for their continued support.

For and on behalf of the Board.

Alan R Burke
Chairman

20 August 2014

Byron Nichles
Chief Executive Officer

Directors

AR Burke (Chairman)*, ST Downes***, JR Madise*, B Nichles (Chief Executive Officer), WR Neasham (Financial Director), RB Patmore**, G Pretorius***, *non-executive, **independent, ***lead/independent

Registered office

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

Company Secretary

M Louw, 11 Larch Nook, Zwartkop X4, Centurion, 0046 (PO Box 23305, Gezina, 0031)

Auditors

PwC Durban (audit partner: Tania Marti-Warres), 2nd Floor, 12, on Palm Boulevard, Gateway, 4319 (PO Box 1858, Durban, 4000)

Transfer secretaries

Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)

Investor relations

Keyser Rech Investor Solutions CC, Fountain Grove Office Park, No 5 2nd Road, Hyde Park, 2196 (PO Box 653078, Benmore, 2010)