

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 | Share 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 SACA 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 R000's | Audited 30 June 2013 R000's | % Change |
|--|-----------------------------|-----------------------------|----------|
| 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 R000 \$ | Audited year to 30 June 2013 R000 \$ | % Change |
|---|--------------------------------------|--------------------------------------|----------|
| 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%)

Boosted 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:

1. the dividend and special dividend have been declared out of income reserves;
2. the local dividend tax rate is 15%;
3. there are no Secondary Tax on Companies credits utilised against the dividends;
4. the gross local dividend amount is 20.1 cents per share for shareholders exempt from paying Dividends Tax;
5. the gross local special dividend amount is 10.0 cents per share for shareholders exempt from paying Dividends Tax;
6. the net local dividend amount is 17.085 cents per share for shareholders liable to pay Dividends Tax;
7. the net local special dividend amount is 6.500 cents per share for shareholders liable to pay Dividends Tax;
8. the issued share capital of ARB is 235 000 000 ordinary shares of 0.01 cent each; and
9. 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)

Sponsor

Grindrod Bank Limited, 3rd Floor, Grindrod Towers, 8A Protea Place, Sandton, Johannesburg, 2146 (PO Box 78011, Sandton, 2146)

Transfer secretaries

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

Investor relations

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