ARB Holdings Limited

("ARB" or "the company" or "the group") (Registration number: 1986/002975/06)
Share code: ARH ISIN: ZAE00109435

ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2009, DISTRIBUTION ANNOUNCEMENT AND NOTICE OF ANNUAL GENERAL MEETING

HIGHLIGHTS

- Net cash on hand in excess of R200 million
- Net tangible asset value per share up 12% to 195 cents per share
- Proposed cash distribution of 10 cents per share
- Headline earnings of R72.7 million

BASIS OF PREPARATION

The abridged audited consolidated annual financial statements for the year ended 30 June 2009 ("the year") have been prepared in compliance with International Financial Reporting Standards ("IFRS"), IAS34, the South African Companies' Act, 1973 and the Listings Requirements of the JSE Limited. The accounting policies applied are consistent with those applied in the prior year. The annual financial statements have been audited by PKF (Durban), whose unqualified audit opinion is available for inspection at the company's registered office.

ABRIDGED GROUP INCOME STATEMENT

	Audited Year to 30 June 2009 R000's	Audited Year to 30 June 2008 R000's
Revenue	**1 186 659**	1 343 909
Profit before interest and taxation	**114 701**	195 115
Investment income	**401**	–
Interest received	**14 044**	7 492
Interest paid	**(1 346)**	(6 541)
Profit before taxation	**127 800**	196 066
Taxation	**39 973**	60 992
Profit for the year	**87 827**	135 074
Minority interest	**15 173**	30 930
Earnings attributable to ordinary shareholders	**72 654**	104 144
Headline earnings adjustment net of taxation	**(4)**	(4)
Headline earnings	**72 650**	104 140
Ordinary number of shares in issue (000's)	**235 000**	235 000
Weighted average number of shares (000's)	**235 000**	221 325
Diluted number of shares (000's)	**235 620**	221 325
Earnings per share (cents)	**30,92**	47,05
Diluted earnings per share (cents)	**30,84**	47,05
Headline earnings per share (cents)	**30,91**	47,05
Diluted headline earnings per share (cents)	**30,83**	47,05

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

ABRIDGED GROUP CASH FLOW STATEMENT

	Audited Year to 30 June 2009 R000's	Audited Year to 30 June 2008 R000's
Cash generated by operating activities	**177 851**	183 688
Interest received	**14 044**	7 492
Interest paid	**(1 136)**	(6 541)
Investment income	**401**	–
Dividends paid	**(39 910)**	(57 700)
Taxation paid	**(38 401)**	(68 660)
Secondary tax on companies paid	**(3 991)**	(3 275)
Cash flows from operating activities	**108 858**	55 004
Cash flows from investing activities	**(10 583)**	(10 417)
Cash flows from financing activities		
Issue of shares	**–**	171 379
Loans repaid	**(10 266)**	(81 460)
Net increase in cash resources	**88 009**	134 506
Cash resources at beginning of year	**112 506**	(22 000)
Cash resources at end of year	**200 515**	112 506

ABRIDGED GROUP BALANCE SHEET

	Audited 30 June 2009 R000's	Audited 30 June 2008 R000's
ASSETS		
Non-current assets		
Property, plant and equipment	**112 447**	94 168
Intangible asset	**194**	–
Deferred taxation	**1 503**	2 113
Current assets		
Inventory	**175 888**	307 966
Trade and other receivables	**165 067**	234 975
Deferred lease payments	**29**	58
Taxation overpaid	**23**	122
Cash resources	**200 562**	112 589
TOTAL ASSETS	**655 713**	751 991
EQUITY AND LIABILITIES		
Equity and reserves		
Share capital	**24**	24
Share premium	**171 375**	171 375
Revaluation reserve	**37 150**	29 897
Accumulated profits	**251 082**	208 978
Attributable to ordinary shareholders	**459 631**	410 274
Minority interest	**69 290**	63 477
Total shareholders' funds	**528 921**	473 751
Non-current liabilities		
Interest-bearing borrowings	**–**	4 212
Deferred lease payments	**96**	68
Deferred taxation	**16 579**	14 033
Current liabilities		
Trade and other payables	**105 169**	248 687
Provision	**2 495**	2 390
Interest-bearing borrowings	**–**	3 716
Taxation payable	**2 406**	5 051
Bank overdraft	**47**	83
TOTAL EQUITY AND LIABILITIES	**655 713**	751 991
Number of ordinary shares in issue (000's)	**235 000**	235 000
Net asset value per share (cents)	**195,59**	174,58
Net tangible asset value per share (cents)	**194,85**	173,66

ABRIDGED GROUP 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	20	–	9 374	23 893	152 120	33 587	218 994
Issue of shares	4	171 375	–	–	–	–	171 379
Profit for the year	–	–	–	–	104 144	30 930	135 074
Dividends paid	–	–	–	–	(56 660)	(1 040)	(57 700)
Transfer of reserves	–	–	(9 374)	–	9 374	–	–
Revaluation of property, plant and equipment net of taxation	–	–	–	6 004	–	–	6 004
Balance at 30 June 2008	24	171 375	–	29 897	208 978	63 477	473 751
Profit for the year	**–**	**–**	**–**	**–**	**72 654**	**15 173**	**87 827**
Dividends paid	**–**	**–**	**–**	**–**	**(30 550)**	**(9 360)**	**(39 910)**
Revaluation of property, Plant and equipment net of taxation	**–**	**–**	**–**	**7 253**	**–**	**–**	**7 253**
Balance at 30 June 2009	**24**	**171 375**	**–**	**37 150**	**251 082**	**69 290**	**528 921**

ABRIDGED GROUP SEGMENT REPORT

Audited for the year ended 30 June 2009	Investment and rental income R000's	Electrical wholesaling R000's	IT services R000's	Intercompany eliminations and reallocations R000's	Total R000's
Sales to external customers	**489**	**1 184 801**	**1 858**	**(489)**	**1 186 659**
Profit before interest and taxation	**52 232**	**98 879**	**704**	**(37 114)**	**114 701**
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**
Audited for the year ended 30 June 2008					
Sales to external customers	141	1 341 981	1 928	(141)	1 343 909
Profit before interest and taxation	23 597	182 617	134	(11 233)	195 115
Depreciation	2 441	1 657	27	–	4 125
Capital expenditure	10 268	2 617	213	65	13 163
Segment assets	278 188	602 195	1 033	(129 425)	751 991
Segment liabilities	22 362	358 052	1 003	(103 177)	278 240

COMMENTARY

Financial Review

In an extremely challenging market, the group did well to record marginal volume growth. The strict and disciplined management of working capital, together with the decision to reduce stock holdings to a targeted level of 60 days, resulted in the group's inventory days improving from 106 days in the prior year to 66 days in the current year and its debtors' days improving from 56 days to 45 days over the same period. This resulted in the group generating R178 million of cash during the year. From a profitability perspective, however, the year proved to be a year of two halves. During the first half of the year the group recorded revenue growth of 8.5% although lower margins and rapidly falling metal prices hinted at what was to follow. The second half of our financial year saw a sharp decline in both revenues and margins due to significant sales price deflation and increased competition. Overall for the year, the group recorded a 12% decline in revenue and achieved gross margins of 17.5% (2008: 20.8%). Operating costs were reasonably well contained, given marginally higher sales volumes and transportation cost increases, particularly during the first half of the year.

Notwithstanding the decline in profitability, the strong cash generation referred to above resulted in a twelve-fold increase in the group's net interest received despite falling interest rates.

While headline earnings decreased by 30%, headline earnings per share decreased by 34% due to an increase in the weighted average number of shares in issue during the current year.

As at 30 June 2009, the group had no gearing and held net cash amounting to over R200 million.

The group's net tangible asset value per share increased by 12.2% to 194.9 cents per share (2008: 173.7 cents per share).

Operational Review

ARB Electrical Wholesalers

The precipitous fall in metal prices, most notably copper and aluminium, in the last quarter of 2008 gave rise to a need to write down inventories by approximately R12 million and resulted in significant year-on-year sales price deflation of up to 50% in certain product categories. With the sudden and unexpected drop in metal prices and substantial curtailment of major projects in the private sector, several wholesalers, who had previously built up significant stock holdings, were forced to destock in an almost panicked manner, causing major disruption to the market place.

Despite these difficult market conditions, ARB Electrical Wholesalers achieved a marginal increase in sales volumes for the year. From a branch perspective, the Gauteng, Richards Bay, East London and Nelspruit branches performed well whilst the Durban, Pietermaritzburg and Cape Town branches felt the impact of depressed regional market conditions. Notwithstanding this, each of ARB's seven branches was profitable for the year.

Whilst the group achieved some early success in obtaining accreditation with numerous mining houses, the global downturn in the mining sector has stunted this division's growth. The group however remains focused on this key sector and believes that it will offer exciting growth prospects once the current mining downturn starts reversing.

With the average electrification rate in SADC countries (according to the United Nations Human Development Report), excluding South Africa (70%) and Mauritius (94%), being less than 18%, Africa remains a key growth market for the group. ARB Global, although marginally profitable for the year, failed to achieve the desired level of success and accordingly, has been restructured. The group continues to explore alternative strategies to establish a market presence in each of the targeted countries.

Investment and rental income

The holding company owns all properties and vehicles utilised by, and also provides treasury services to, the group's operating entities. During the year, the group incurred capital expenditure of R13 million the majority of which was incurred in developing the company's new group owned branch in Montague Gardens, Cape Town.

ARB IT

The group's IT services division continued to play a key role in the enhancement of the group's IT infrastructure and systems during the year.

Acquisitions

During the year under review several acquisition opportunities were evaluated, however, none of these met our strict acquisition criteria. Management continues to evaluate possible acquisitions on an ongoing basis.

Prospects

Whilst there has been some recovery in world metal prices since the beginning of 2009, these have been largely offset by the relative strength of the Rand against the US Dollar over this period. The relative stability of the metal prices in Rand terms, assuming no further dramatic metal price or currency fluctuations, coupled with the overstocked position of many wholesalers having now been unwound should provide for a less volatile trading environment.

From an activity perspective, although public sector infrastructure related spend continues unabated and is forecast to do so for the next few years, spending by the private sector, which typically constitutes more than two-thirds of total gross fixed capital formation, has slowed dramatically over the past year. As and when the macro-economic environment recovers, private sector spend is expected to regain some momentum off its current low base and should provide significant growth opportunities for ARB.

Over the medium term, expansion into Africa should provide an increasing contribution to the group's revenue and profit growth.

However, in light of the prevailing uncertainty in world markets, we believe it premature to be forecasting any significant recovery in the trading environment at this stage. With an ungeared balance sheet and significant cash resources, the group is well placed not only to weather these trying conditions but also to capitalise on the acquisition opportunities which the current economic climate is expected to yield.

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

Appointments to the Board

During the year, the company appointed the following directors:

- Byron Nichles, as CEO of ARB Holdings Limited with effect from 1 February 2009, to focus on the strategic growth of the group; and
- In compliance with the recommendations set out in King III, Makhosazana ("Khosi") Sibisi and Ralph Patmore were appointed as independent, non-executive directors with effect from 16 April 2009 and 29 May 2009 respectively.

The Board now comprises 3 executive directors and 6 non-executive directors, half of which are independent and all sub-committees are chaired by independent, non-executive directors.

Capital Reduction Distribution

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. Shareholders are hereby advised that, *in lieu* of an ordinary dividend and subject to shareholder approval, ARB will make a 10 cents per share capital reduction payment to all shareholders out of the company's share premium ("the capital reduction"). The capital reduction will be tabled for approval at the company's Annual General Meeting to be held on Monday, 19 October 2009.

The salient dates will be as follows:

- Last date to trade — Friday, 30 October 2009
- Shares to commence trading "ex" the capital reduction — Monday, 2 November 2009
- Record date — Friday, 6 November 2009
- Payment date — Monday, 9 November 2009

Share certificates may not be dematerialised or rematerialised between Monday, 2 November 2009 and Friday, 6 November 2009, both days inclusive.

Pro forma financial effects of the capital reduction

The *pro forma* financial effects on ARB before and after the capital reduction, as set out in the table below, are the responsibility of the company's directors, and have been prepared for illustrative purposes only to show how the capital reduction may have affected ARB's results for the year ended 30 June 2009.

The assurance report by the independent reporting accountants, PKF (Durban), on the unaudited *pro forma* financial information is available for inspection at the company's registered office.

The *pro forma* financial effects, which, due to their nature, may not fairly reflect ARB's financial performance and position after the capital reduction, are based on the assumptions that:

- for the purpose of calculating earnings per share (basic and diluted) and headline earnings per share (basic and diluted), the capital reduction was effected on 1 July 2008; and
- for the purpose of calculating net asset value and net tangible asset value per share, the capital reduction was effected on 30 June 2009.

Set out in the table below are the *pro forma* financial effects of the capital reduction on the company's earnings per share, headline earnings per share, net asset value and net tangible asset value per share based on the audited results of the company for the year ended 30 June 2009.

(cents)	Before the capital reduction [1]	After the capital reduction [2,3,4]	Change %
Earnings per share	30.92	30.42	(1.63)
Headline earnings per share	30.91	30.41	(1.63)
Net asset value	195.59	185.59	(5.11)
Net tangible asset value	194.85	184.85	(5.13)

Notes

1. The "Before the capital reduction" information has been extracted, without adjustment, from ARB's published audited results for the year ended 30 June 2009 as set out above.
2. Existing cash resources of R23.5 million will be utilised for purposes of the capital reduction.
3. Adjustments to earnings per share and headline earnings per share have been made on the assumption that:
   (a) the payment to shareholders was done on 1 July 2008; and
   (b) interest was foregone on R23.5 million at an average call rate of 7% pre-tax.
4. Adjustments to net asset value and net tangible asset value per share have been made on the assumption that the capital reduction was done on 30 June 2009.

The *pro forma* financial information disclosed above has been presented in a manner consistent with both the format and accounting policies adopted by ARB and, in quantifying *pro forma* adjustments, the accounting policies are on the same basis as ARB normally adopts in preparing its annual financial statements.

Subsequent Events

No significant events have occurred in 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 will be held at 10h00 on Monday, 19 October 2009 at the company's registered office located at 10 Mack Road, Prospecton, Durban, to transact the business stated in the notice of the Annual General Meeting contained in the Annual Report, which is in the process of being prepared and which will be posted to shareholders by no later than 25 September 2009.

Appreciation

We thank our management teams and staff for their outstanding commitment and hard work in a trying economic environment. We also express our appreciation to our fellow directors for their valued contribution and wise counsel. Last but certainly not least, we extend our thanks to our valued customers, suppliers, business partners, advisors and shareholders for their ongoing support.

For and on behalf of the Board.

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

5 August 2009

Directors: AR Burke (Chairman)*; ST Downes*>; JR Modise*; DF Muhlwa*; B Nichles (Chief Executive Officer); WR Neasham (Financial Director); RB Patmore*>; CC Robertson; M Sibisi*> (*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) **Investor relations:** ChilliBush Investor Relations, Chilli House, 58 Jan Smuts Avenue, Forest Town, 2000 (PO Box 1432, Cramerview, 2060)