



# Holdings Limited

## Abridged Audited Results

for the year ended 30 June 2012,  
dividend announcement and notice  
of Annual General Meeting

ARB HOLDINGS LIMITED

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

### Highlights

Strategic acquisitions  
of Eurolux and  
Industrial Cable  
Suppliers

Revenue up  
**25%**  
to R1 565 million

Operating profit up  
**16%**  
to R128 million

HEPS up  
**12%**  
to 34,25 cents

Ungearing with

**R180 million**  
cash resources

Annual dividend of  
**13,7 cents**  
per share

### Basis of preparation

The abridged audited consolidated annual financial statements for the year ended 30 June 2012 ("the year") have been prepared in compliance with International Financial Reporting Standards ("IFRS"), IAS 34, the AC500 series of Interpretations, the South African Companies Act 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. The audited annual financial statements have been prepared under the supervision of the financial director, WR Neasham, CA(SA).

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### Abridged group statement of comprehensive income

	Audited year to 30 June 2012 R000's	Audited year to 30 June 2011 R000's
<b>Revenue</b>	<b>1 565 294</b>	1 256 330
Cost of sales	<b>1 258 142</b>	1 021 499
<b>Gross profit</b>	<b>307 152</b>	234 831
Other income	<b>6 282</b>	1 730
Operating expenses	<b>(185 930)</b>	(126 315)
<b>Profit before interest and taxation</b>	<b>127 504</b>	110 246
Interest received	<b>17 985</b>	16 907
Interest paid	<b>(710)</b>	(137)
<b>Profit before taxation</b>	<b>144 779</b>	127 016
Taxation	<b>43 799</b>	38 338
<b>Profit for the year</b>	<b>100 980</b>	88 678
Revaluation of property, plant and equipment (net of taxation)	<b>3 240</b>	2 802
<b>Total comprehensive income for the year</b>	<b>104 220</b>	91 480
<b>Profit for the year attributable to:</b>	<b>100 980</b>	88 678
Minority interests	<b>20 391</b>	16 662
Ordinary shareholders	<b>80 589</b>	72 016
<b>Total comprehensive income attributable to:</b>	<b>104 220</b>	91 480
Minority interests	<b>20 391</b>	16 662
Ordinary shareholders	<b>83 829</b>	74 818

### Reconciliation of headline earnings

	Audited year to 30 June 2012 R000's	Audited year to 30 June 2011 R000's
Profit for the year attributable to ordinary shareholders	<b>80 589</b>	72 016
Surplus on disposal of property, plant and equipment (net of taxation)	<b>(109)</b>	(7)
<b>Headline earnings</b>	<b>80 480</b>	72 009
Ordinary number of shares in issue (000's)	<b>235 000</b>	235 000
Weighted average number of shares (000's)	<b>235 000</b>	235 000
Diluted number of shares (000's)	<b>235 460</b>	235 480

### Abridged group statement 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
<b>Balance at 30 June 2010 (audited)</b>	24	147 875	43 587	319 774	83 723	594 983
Total comprehensive income for the year	-	-	2 802	72 016	16 662	91 480
Dividends paid	-	-	-	(27 025)	(4 160)	(31 185)
Distribution paid	-	(31 725)	-	-	-	(31 725)
<b>Balance at 30 June 2011 (audited)</b>	<b>24</b>	<b>116 150</b>	<b>46 389</b>	<b>364 765</b>	<b>96 225</b>	<b>623 553</b>
Total comprehensive income for the year	-	-	3 240	80 589	20 391	104 220
Dividends paid	-	-	-	(28 788)	(5 538)	(34 326)
Pre-acquisition reserves arising from significant business combination effected during the year	-	-	-	-	39 727	39 727
<b>Balance at 30 June 2012 (audited)</b>	<b>24</b>	<b>116 150</b>	<b>49 629</b>	<b>416 566</b>	<b>150 805</b>	<b>733 174</b>

### Abridged group segment report

	Electrical Wholesaling R000's	Lighting* R000's	IT services R000's	Corporate and inter-company eliminations R000's	Total R000's
<b>Audited for the year ended 30 June 2012</b>					
Segment revenue	1 449 098	119 800	5 269	(8 873)	1 565 294
Profit before interest and taxation	96 345	5 073	784	25 302	127 504
Net interest received	12 300	(1 568)	67	6 476	17 275
Profit before taxation	108 645	3 505	851	31 778	144 779
Segment assets	625 030	115 203	4 049	240 277	984 559
Segment liabilities	198 658	55 416	747	(3 436)	251 385

\* for the six months ended 30 June 2012

	Electrical Wholesaling R000's	IT services R000's	Corporate and inter-company eliminations R000's	Total R000's
<b>Audited for the year ended 30 June 2011</b>				
Segment revenue	1 257 648	5 330	(6 648)	1 256 330
Profit before interest and taxation	84 814	1 101	24 331	110 246
Net interest received	7 401	43	9 326	16 770
Profit before taxation	92 215	1 144	33 657	127 016
Segment assets	513 960	3 166	266 210	783 336
Segment liabilities	142 748	560	16 475	159 783

### Commentary

The board of ARB ("the board") is pleased to present the group's audited results for the year ended 30 June 2012. A strong trading performance combined with the announcement of two strategic acquisitions highlighted another successful year.

### Financial and operational review

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

### Board of directors

Craig Robertson resigned as a director of the company with effect from 1 July 2012 but will continue as CEO of ARB Electrical until 31 December 2012.

Basic earnings per share (cents)	<b>34,29</b>	30,65
Diluted earnings per share (cents)	<b>34,23</b>	30,58
Headline earnings per share (cents)	<b>34,25</b>	30,64
Diluted headline earnings per share (cents)	<b>34,18</b>	30,57

### Abridged group statement of financial position

	Audited 30 June 2012 R000's	Audited 30 June 2011 R000's
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	162 871	153 679
Intangible assets	78 471	593
Deferred taxation	6 454	2 223
<b>Current assets</b>		
Inventory	251 088	170 242
Trade and other receivables	300 073	190 448
Taxation overpaid	319	617
Cash resources	185 283	265 534
<b>Total assets</b>	<b>984 559</b>	<b>783 336</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity and reserves</b>		
Share capital	24	24
Share premium	116 150	116 150
Revaluation reserve	49 629	46 389
Accumulated profits	416 566	364 765
Attributable to ordinary shareholders	582 369	527 328
Minority interests	150 805	96 225
<b>Total shareholders' funds</b>	<b>733 174</b>	<b>623 553</b>
<b>Non-current liabilities</b>		
Deferred lease payments	395	118
Deferred taxation	40 655	20 657
<b>Current liabilities</b>		
Trade and other payables	200 539	135 444
Provisions	-	3 137
Deferred lease payments	109	37
Taxation payable	3 774	390
Bank overdraft	5 913	-
<b>Total equity and liabilities</b>	<b>984 559</b>	<b>783 336</b>
Number of ordinary shares in issue (000's)	235 000	235 000
Net asset value per share (cents)	247,82	224,39
Net tangible asset value per share (cents)	225,82	223,20

### Abridged group statement of cash flow

	Audited year to 30 June 2012 R000's	Audited year to 30 June 2011 R000's
<b>Cash generated by operating activities</b>	<b>95 191</b>	<b>104 889</b>
Interest received	17 985	16 907
Interest paid	(710)	(137)
Dividends paid	(34 326)	(31 185)
Taxation paid	(41 306)	(34 653)
Secondary tax on companies paid	(3 433)	(3 019)
<b>Cash flows from operating activities</b>	<b>33 401</b>	<b>52 802</b>
<b>Cash flows from investing activities</b>	<b>(112 347)</b>	<b>(16 481)</b>
<b>Cash flows from financing activities</b>	<b>(7 218)</b>	<b>(31 725)</b>
Decrease in cash resources	(86 164)	4 596
Cash resources at the beginning of the year	265 534	260 938
<b>Cash resources at the end of the year</b>	<b>179 370</b>	<b>265 534</b>

### Results

Revenue and operating profit for the year increased by 25% to R1,57 billion and 16% to R128 million respectively. ARB Electrical Wholesalers (Pty) Limited ("ARB Electrical") continued to grow its market share and the consolidation of Eurolux (Pty) Limited ("Eurolux's") results for the second half of the year further improved the group's results. Despite a competitive marketplace, the inclusion of Eurolux's higher margin business improved the group's overall gross profit margin from 18,7% in 2011 to 19,6% in the current year.

Given its higher gross margins, Eurolux's overheads as a percentage of revenue are proportionately higher than ARB Electrical's. This together with the continued investment in broadening the organisational capacity of the group and the transaction costs pertaining to the acquisitions of Eurolux and Industrial Cable Suppliers (Pty) Limited ("ICS") resulted in total overheads growing at a faster rate than revenue for the year.

Net interest received increased by 3%. Effective management of working capital more than offset the R81 million cash payment in respect of the Eurolux acquisition in January 2012.

The effective tax rate of 30% was due to the secondary tax on dividends of R3,4 million incurred in the first half of the year.

The additional investment in net working capital during the year reflects the increase in ARB Electrical's revenue as well as the consolidation of Eurolux's working capital for the first time following its acquisition.

The increase in intangible assets during the year is as a result of the intangible assets acquired as part of the Eurolux acquisition, of which the Eurolux brand accounts for the greatest portion.

The group's balance sheet remains ungeared with net cash of approximately R180 million at year-end.

#### Electrical Wholesaling

The group's largest contributor to revenue and profits, the Electrical Wholesaling segment, delivered a pleasing performance for the full year. Revenue increased by 15% to R1,45 billion and operating profit increased by 14% to R96,3 million.

#### Lighting

The Eurolux acquisition was earnings-enhancing despite the combination of market-to-market losses incurred on forward cover due to the sudden and unexpected recovery of the Rand in January 2012, and the transaction costs related to the acquisition.

#### Corporate activity and expansion

With effect from 2 January 2012, ARB acquired 60% of Eurolux. The fair value of Eurolux's net assets as at the effective date of the acquisition was determined as follows:

	R000's
Total assets	196 893
Total liabilities	(97 576)
Net assets	99 317
Minority interests	(39 727)
Goodwill	18 410
<b>Total consideration transferred in cash</b>	<b>78 000</b>

Eurolux's revenue and profit included in the group statement of comprehensive income are shown under the "Lighting" column in the abridged group segment report. If Eurolux was included from the beginning of their financial year its revenue would have been R193 528 836 and the impact on profit after tax R16 082 066. A 10-month period is reported on as Eurolux changed its financial year-end from 31 August to 31 June.

The acquisition of 100% of ICS took effect from 2 July 2012. This acquisition further broadens the group's national distribution network and provides the group with an established presence in the fast-growing mining and industrial nodes surrounding Rustenburg. The purchase price is based on ICS's net tangible asset value to be determined by the auditors. The initial payment, based on ICS's approved management accounts, was R30,7 million based on a net tangible asset value of R26,4 million. The purchase price allocation in terms of IFRS 3 will be finalised once the audit certificate referred to above is received.

The group continues to evaluate several acquisition opportunities although these 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

Although trading conditions are expected to remain tough for the foreseeable future with continued margin pressure being experienced, the group will benefit once the public sector's significantly increased and accelerated infrastructure roll-out commences.

The consolidation of Eurolux's and ICS's results for the full year should contribute to the group's continued growth in revenue and profitability for the years ahead.

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

The board would like to record its sincere appreciation to Craig for his leadership and valuable contribution to ARB during his 20-year tenure with the group, and wishes him well in his future endeavours.

Consistent with good corporate governance and international best practice, the board now comprises two executive directors – the group chief executive and the group financial director – and five non-executive directors, three of whom are independent.

#### Dividend

In view of the group's continued strong cash generation and its ungeared balance sheet, the board has resolved to declare a dividend of 13,7 cents per share (2011: 12,25 cents per share) representing the maximum payout in terms of the company's dividend policy.

The relevant dates for the dividend are as follows:

Event	Date
Last day to trade cum dividend	Friday, 31 August 2012
Shares commence trading ex dividend	Monday, 3 September 2012
Record date	Friday, 7 September 2012
Payment date	Monday, 10 September 2012

Share certificates may not be dematerialised or rematerialised between Monday, 3 September 2012 and Friday, 7 September 2012, both days inclusive.

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

1. The dividend has 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 dividend;
4. The gross local dividend amount is 13,7 cents per share for shareholders exempt from paying the new Dividends Tax;
5. The net local dividend amount is 11,645 cents per share for shareholders liable to pay the new Dividends Tax;
6. The issued share capital of ARB is 235 000 000 shares of 0,01 cent each; and
7. ARB's income tax reference number is 9010/138/20/5.

#### Subsequent events

Save for the acquisition of 100% of ICS becoming effective on 2 July 2012, and the initial payment of the purchase price on 30 July 2012, 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 as at Friday, 14 September 2012, being the record date set by the board for purposes of determining which shareholders are entitled to receive the notice of Annual General Meeting, will be held at 11:00 on Wednesday, 24 October 2012, at the company's registered office located at 10 Mack Road, Prospecton, Durban to transact the business as stated in the notice of the Annual General Meeting contained in the Integrated Report, which is in the process of being prepared and which will be posted to shareholders by no later than 20 September 2012.

#### Appreciation

We thank our management teams and staff for their hard work in a trying economic environment. We also express our gratitude 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** **Byron Nichles**  
Chairman *Chief Executive Officer*

16 August 2012

**Directors:** AR Burke (*Chairman*)\*; ST Downes\*\*; JR Modise\*; B Nichles (*Chief Executive Officer*); WR Neasham (*Financial Director*); RB Patmore\*\*#; G Pretorius\*\*

\* non-executive ^ independent # lead independent director

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

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

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

**Sponsor:** Grindrod Bank Limited, 1<sup>st</sup> Floor, Building Three, Commerce Square, 39 Rivonia Road, Sandhurst, 2196 (P O Box 78011, Sandton, 2146)

**Transfer secretaries:** Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2107)

**Investor relations:** Keyter Rech Investor Solutions CC, Fountain Grove, 5 2<sup>nd</sup> Road, Hyde Park, 2196 (P O Box 653078, Benmore, 2010)