ARB Holdings Limited

MAKING THE RIGHT CONNECTION

Summarised audited consolidated results

for the year ended 30 June 2021, dividend announcement and notice of annual general meeting

#beyond40

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

SALIENT POINTS

Revenue up 24.2% on prior year (up 8.0% on 2019)

Operating profit up 102% on prior year (up 89.75% on 2019)

Profit for the year up 126.5% on prior year (up 45.6% on 2019)

Basic earnings per share up **128.3%** on prior year (up 41.8% on 2019)

Headline earnings per share up **37.6%** on prior year (up 41.7% on 2019)

Cash resources of **R345.2m** (2020: R151.9m) (2019: R180.9m)

Dividends per share **42.5 cents** (including a special dividend of 10 cents per share)

OVERVIEW

Last year we stated that 2020 would be a year to be remembered – for all the wrong reasons. While this year has been just as difficult from a macro-economic perspective, given the intermittent lockdowns because of the pandemic experienced continued load-shedding and the generally weak economic conditions that prevailed, we are delighted to say that for ARB, this will be a year that will be remembered for all the right reasons. Despite the headwinds, 2021 has been a stellar year for the group, and one which has produced a record performance, against all odds.

In last year's report we shared that the board and executive management had taken a number of proactive decisions to ensure the sustainability of the business through the COVID-19 pandemic, including the review and rightsizing of all operations, the curtailing of all capital expenditure; the holding back of dividends to defend cash, as well as the tighter management of operating and working capital expenditure. Other measures implemented were COVID-19 specific upgrades in health and safety protocols and management practices.

We are tremendously proud of how well the team has managed not only to swiftly implement these sometimes-difficult decisions, but also to keep driving improved performance at the same time. The outcome has been that the entire organisation has buckled down, and ensured that cash was preserved, and we have remained focused on what was important without being distracted.

With the major challenge of the restructuring of both major divisions now behind us, the emphasis for the next six months will be to ensure that Blayne Burke, who was announced as the new group chief executive officer (CEO) with effect from 1 January 2022 (JSE's Stock Exchange News Service [SENS] notification of 2 July 2021), is fully prepared to take over management of the group.

The 2021 financial year began during the peak of the first wave of the pandemic, with the group's ability to trade being affected by different levels of lockdown that were in place until September 2021. Another major challenge was to manage the ongoing health and safety of ARB employees, by ensuring that they could work either in rotating shifts, from home or from the group's various locations in accordance with government's strict COVID-19 regulations and protocols.

Fortunately, the ability of the group to trade was not unduly hampered by incidences of infections among employees or by the lockdowns over December 2020/January 2021 and then again during the peak of the third wave in May/June 2021. However, the pandemic has caused ongoing supply chain issues in both major divisions. Eurolux was particularly affected by the shortage of containers and other shipping-related issues. The group also faced supply shortages from major local suppliers that rely on imported products in their manufacturing processes.

OVERVIEW (continued)

The global shortage of steel, PVC and the dramatic increase in the copper price were further factors affecting supplies, with manufacturing of cable coming under severe pressure and, in some cases, resulting in the inability of suppliers to achieve on-time and in-full deliveries.

Despite these issues, the high stock levels at the start of the year, and the favourable ZAR/US$ exchange rate at which the stock was purchased, have meant that both major divisions have been able to weather the storm, with good stock levels providing a considerable advantage when compared to many of the group's competitors. The lack of stock has challenged some smaller competitors, and the group has been able to capitalise on this, resulting in market share gains.

ARB also benefited from the re-starting of projects that had been delayed by the first wave of COVID-19. These projects included the construction of a major new data centre, to which ARB is supplying materials. We anticipate that more projects of this nature will be undertaken in the short term, accelerated by the trend of remote working.

Both the electrical and lighting divisions benefited from the increase in discretionary expenditure as consumers were unable to travel, dine out or participate in other forms of entertainment that were restricted as a result of the pandemic, and in some instances, received COVID-19 related government payments. The lighting division particularly gained from these trends, as people worked from home; decided to build home offices and redecorate their homes. This is true for most competing "do it yourself" (DIY) and home supply retailers.

Given the group's strong financial position, we continued our unbroken record of paying all suppliers on time and in full, accruing significant goodwill as a result.

Despite challenges arising from remote working and the reliance on technology platforms to communicate, which affected almost the entire value chain (including employees, suppliers, and customers); the ongoing threat of illness or death requiring the need to protect staff and customers; and the implementation of the electrical division's warehouse management system (WMS), all while ensuring continuous supply to customers, the group managed to successfully navigate through the year, and produce a record result. This is an achievement of which we are justifiably proud.

OVERVIEW (continued)

FINANCIAL REVIEW

Revenue improved by 24.2% (2020: -13.1%) mainly as a result of market share gains; the significant rise in the copper price, which impacts cable sales, and the lost revenue in the comparable period from April to June 2020. Gross margins improved from 25.0% to 25.6%, primarily due to the change in product mix, the advantages of the well-priced stockholding at the beginning of the year and the rising value of copper stock on hand throughout the year.

Although closely managed and constantly reviewed, overheads increased by 4.5%, largely as a result of the variable cost increases attributable to the growth in revenue.

Operating profit increased by 102.0% to R294.8m (2020: R145.9m), while operating margin improved to 10.1% (2020: 6.2%). This improvement is principally a result of the focus of controlling cost increases in all divisions.

Net interest received increased by 42.4% despite the reduction in the prime interest rate, and is mainly due to the cash generated from the improved management of working capital, particularly in the lighting division. As a result, working capital in the group is now within the targeted range of 20% to 25%. Again, this is a credit to operational management and confirmation of our comments last year that the group believed the excess working capital was a short-term phenomenon.

Inventory levels declined by 1.9% as part of the focus on balancing the inventory profile while ensuring our ability to satisfy customers' requirements, particularly the retailers, who measure ARB's delivery performance. Both major divisions have been impacted by the supply challenges from abroad, with the lighting division significantly so. This division's management continues to take steps to improve inventory control while still meeting the "in-stock" requirements of its major retail customers. Management remains committed to ensuring that inventory is kept within the group's targeted parameters.

The trade receivables book increased by 40.2%, even though revenue increased by only 24.6%. This is mainly due to the low sales in the comparable quarter of April to June 2020, where revenue declined in the first and most severe stage of the lockdown due to COVID-19.

Capital expenditure for the financial year amounted to R120.7m (2020: R51.9m), principally as a result of the transfer of ownership of the properties acquired in the Radiant acquisition being registered after 18 months. These properties were financed by external debt.

OVERVIEW (continued)

As a trading and distribution group, the focus remains on working capital management, to ensure that ARB's operations remain cash generative.

DIVISIONAL REVIEW

Electrical division *(revenue increased by 25.5% and operating profit improved by 107.0%)*

This division comprises ARB Electrical Wholesalers, GMC Powerlines, ARB Global, CraigCor and Consolidated Electrical Distributors (CED). Revenue has increased across all of these operations.

The revenue increase during the year is attributable to:

- the implementation of certain projects (particularly in the first half of the financial year), that were initially delayed by the first lockdown;
- the improving rand value of cable sales from an increase in the rand copper price and a gain in market share;
- the reduced revenue during the initial lockdown in the previous financial period; and
- the sale of cable management products.

Gross margin improved by 0.2%, predominantly due to the effort by management to increase margin wherever possible, and to changes in product mix.

The division restructured certain operations in September 2020 and the resulting cost savings helped to improve the operating margin to 6.9% (2020: 4.2%). Management of working capital remains a high priority, and the business remains cash generative.

Lighting division *(revenue increased by 20.4% and operating profit improved by 266.8%)*

This division comprises Eurolux, Radiant and Cathay Lighting. The increase in revenue is predominantly attributable to:

- the improved demand from retailers arising from the increase in discretionary expenditure in DIY projects during the lockdowns;
- the lack of revenue in the comparable period, in which the division experienced a loss of approximately six weeks of trading; and
- the availability of stock, given the relatively high stockholding at the end of the prior year, which we indicated would be proactively addressed and this proved to be a competitive advantage due to international supply chain issues.

OVERVIEW (continued)

The finalisation of the Radiant integration and the rightsizing of the operations in September 2020 resulted in a significant reduction in the cost base. The overall increase in revenue, with constant gross margin, and a significant reduction in overheads, has resulted in an improvement in the operating margin to 12.9% of turnover (2020: 4.2%).

The optimisation of working capital, particularly inventory, remains another significant focus for the next six months, while maintaining the required customer "On Time and In Full" (OTIF) measures.

Corporate division *(revenue increased by 9.7%, operating profit reduced by 7.1 %)*
The division comprises the group's property portfolio and the Xact ERP Solutions business. For the financial year under review, performance has been in line with expectations.

For the past year, the emphasis of Xact ERP Solutions has been diverted to the electrical division's software integration of the warehouse management system (WMS) and ERP systems at the Lords View distribution centre. While this has not been without significant challenges, the implementation is now well on track, and as highlighted in the group's interim results, is expected to deliver results in the six months after the year end through significant overhead savings.

Unfortunately, the premises that housed Xact ERP Solutions were destroyed during the civil unrest that erupted in KwaZulu-Natal in July 2021, and new premises are now being sought. Once the business has been relocated, the emphasis will revert to external customer relationships. Xact ERP remains a small revenue and profit generator for the division and the group.

SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME

	% change	Audited at 30 June 2021 (R000's)	Audited at 30 June 2020 (R000's)
Revenue	24.2	**2 922 919**	2 352 995
Cost of sales	23.0	**(2 171 570)**	(1 765 391)
Gross profit	27.9	**751 349**	587 604
Other income	54.0	**16 805**	10 912
Selling, administration and distribution expenses	4.6	**(473 331)**	(452 620)
Operating profit	102.0	**294 823**	145 896
Impairment of trade marks and goodwill			(66 447)
Impairment of land and buildings		**(10 540)**	(9 559)
Change in put option valuation		**(13 700)**	33 003
Profit before interest and taxation	163.0	**270 583**	102 893
Net interest received	42.4	**5 373**	3 774
Profit before taxation	158.7	**275 956**	106 667
Taxation	383.5	**(64 551)**	(13 352)
Profit for the year	126.5	**211 405**	93 315
Items that will not be recycled into profit or loss			
– Revaluation of property, plant and equipment (net of taxation)		**1 216**	(4 449)
Total comprehensive income for the year	139.3	**212 620**	88 866
Profit for the period attributable to:		**211 405**	93 315
– Non-controlling interests (NCIs)	111.2	**20 001**	9 472
– Ordinary shareholders	128.3	**191 404**	83 843
Total comprehensive income attributable to:		**212 621**	88 866
– NCIs	111.2	**20 001**	9 472
– Ordinary shareholders	142.6	**192 620**	79 394

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS

	% change	Audited year to 30 June 2021 (R000's)	Audited year to 30 June 2020 (R000's)
Profit for the period attributable to ordinary shareholders		**191 404**	83 843
Impairment of trademarks and goodwill		**–**	66 447
Impairment of buildings and ROU assets		**10 540**	9 310
Profit on disposal of property, plant and equipment		**(3 432)**	326
Total tax effects of adjustments		**(4 503)**	(16 651)
Total NCI effects of adjustments		**(162)**	(2 359)
Headline earnings		**193 847**	140 916
Number of ordinary shares in issue (000's)		**235 000**	235 000
Weighted average number of diluted ordinary shares in issue (000's)		**235 000**	235 000
Basic earnings per share (cents)*	128.3	**81.45**	35.68
Headline earnings per share (cents)*	37.6	**82.49**	59.93

** There are no dilutive instruments in issue.*

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

	% change	Audited at 30 June 2021 (R000's)	Audited at 30 June 2020 (R000's)
ASSETS			
Property, plant and equipment	18.4	**508 752**	429 587
Right-of-use assets		**60 867**	69 817
Intangible assets	–	**10 000**	10 000
Deferred taxation		**24 069**	19 480
Total non-current assets		**603 688**	528 884
Current assets		**1 449 242**	1 105 047
Inventory	(1.9)	**588 129**	599 412
Trade and other receivables	40.2	**495 871**	353 679
Cash resources	127.2	**345 242**	151 956
Assets held for sale		**20 000**	–
Total assets		**2 052 930**	1 633 931
EQUITY AND LIABILITIES			
Share capital and premium		**116 174**	116 174
Revaluation reserve		**71 945**	70 729
Accumulated profits		**1 047 522**	856 119
Attributable to ordinary shareholders		**1 235 641**	1 043 022
Non-controlling interests ("NCI")		**128 795**	137 394
Total shareholders' funds		**1 364 436**	1 180 416
Non-current liabilities	69.6	**163 657**	96 517
Put option liability		**6 200**	4 000
IFRS 16: *Lease obligations*	(5.4)	**61 017**	64 513
Long-term liabilities		**80 386**	–
Deferred taxation	(42.7)	**16 054**	28 004
Current liabilities	47.0	**524 837**	356 999
Trade and other payables	65.3	**429 670**	260 009
Short-term loans and lease obligations	(33.8)	**36 193**	54 652
Put option liability	30.0	**52 000**	40 000
Taxation payable	198.3	**6 974**	2 338
Total equity and liabilities		**2 052 930**	1 633 931

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION (continued)

	Audited at 30 June 2021 (R000's)	Audited at 30 June 2020 (R000's)
Net asset value per share (cents)	**525.80**	443.84
Net tangible asset value per share (cents)	**512.41**	432.40
Property, plant and equipment		
Capital expenditure for the year	**120 745**	51 917
Capital commitments – contracted for	**5 642**	88 089
Capital commitments – not contracted for	**1 953**	6 359
Depreciation	**29 032**	33 807

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital and premium (R000's)	Revaluation reserve (R000's)	Accumulated profit (R000's)	NCI (R000's)	Total (R000's)
Balance at 30 June 2019 as restated	116 174	75 178	831 026	131 172	1 153 550
Total comprehensive income	–	(4 449)	83 843	9 472	88 866
Dividends paid	–	–	(58 750)	(3 250)	(62 000)
Balance at 30 June 2020	116 174	70 729	856 119	137 394	1 180 416
Total comprehensive income	–	1 216	191 404	20 001	212 621
Dividends paid	–	–	–	(28 600)	(28 600)
Balance at 30 June 2021	**116 174**	**71 945**	**1 047 523**	**128 795**	**1 364 437**

SUMMARISED GROUP STATEMENT OF CASH FLOWS

	Audited at 30 June 2021 (R000's)	Audited at 30 June 2020 (R000's)
Cash generated by trading activities	**321 272**	192 272
Increase in net working capital	**35 013**	(56 881)
Cash generated by operating activities	**356 285**	135 391
Net interest received	**13 236**	12 848
Dividends paid	**(28 600)**	(62 000)
Taxation paid	**(78 818)**	(40 363)
Cash flows from operating activities	**262 103**	45 876
Cash flows from investing activities	**(26 106)**	(46 239)
Cash flows from financing activities	**(42 711)**	(28 571)
Increase in cash resources	**193 286**	(28 934)
Cash resources at the beginning of the year	**151 956**	180 890
Cash resources at the end of the year	**345 242**	151 956

DISAGGREGATION OF REVENUE

	% change	% of total	2021 (R000's)	% of total	2020 (R000's)
Revenue by product type					
– Cable	54.0	36.8	**1 076 687**	29.7	698 943
– Overhead line	(18.6)	8.1	**234 867**	12.3	288 584
– Lighting	12.9	23.8	**696 730**	26.2	616 983
– General products	22.2	31.3	**914 635**	31.8	748 485
	24.2	100	**2 922 919**	100	2 352 995
Revenue by customer type					
– Wholesale	51.0	14.4	**420 561**	11.8	278 561
– Retail	25.4	13.9	**407 685**	13.8	325 147
– Cash	12.7	16.7	**488 808**	18.4	433 852
– Mining and industry	29.5	41.2	**1 202 166**	39.5	928 350
– Exports	34.7	6.7	**196 453**	6.2	145 868
– Other	(14.1)	7.1	**207 246**	10.3	241 217
	24.2	100	**2 922 919**	100	2 352 995

SUMMARISED GROUP SEGMENT REPORT

	Electrical (R000's)	Lighting (R000's)	Corporate (R000's)	Inter-Co (R000's)	Total (R000's)
Audited year to 30 June 2021					
Segment revenue	2 191 256	812 311	67 541	(148 189)	2 922 919
Inter-segment revenue	(3 325)	(33 590)	(58 583)	95 498	–
Sales to external customers	2 187 931	778 721	8 958	(52 691)	2 922 919
Depreciation and amortisation	53 769	12 181	372	(37 290)	29 032
Operating profit	151 775	104 620	50 310	(11 883)	294 823
Impairment of land and buildings	–	–	(15 028)	4 488	(10 540)
Change in put option derivative	10 300	–	(21 500)	11 200	–
Change in put option liability	(1 700)	–	–	(12 000)	(13 700)
Net profit before interest and tax	160 375	104 620	13 782	(8 195)	270 582
Investment income	–	–	94 400	(94 400)	–
Interest received	17 209	9 419	25 786	(32 534)	19 880
Interest paid	(27 389)	(33 632)	(8 055)	54 569	(14 507)
Profit before tax	150 195	80 407	125 913	(80 560)	275 955
Segment assets	1 165 499	718 743	849 209	(680 522)	2 052 930
Segment liabilities	(638 035)	(432 457)	(202 926)	584 925	(688 493)
Net segment assets	527 464	286 286	646 283	(95 597)	1 364 436
Enterprise-wide disclosure (geographical)					
Exports (mainly sub-Saharan Africa)	134 659	61 794	–	–	196 453

SUMMARISED GROUP SEGMENT REPORT (continued)

	Electrical (R000's)	Lighting (R000's)	Corporate (R000's)	Inter-Co (R000's)	Total (R000's)
Audited year to 30 June 2020					
Segment revenue	1 746 458	674 871	61 545	(129 879)	2 352 995
Inter-segment revenue	(3 325)	(33 590)	(58 583)	95 498	–
Sales to external customers	1 743 133	641 281	2 962	(34 381)	2 352 995
Depreciation and amortisation	56 391	17 804	1 243	(41 631)	33 807
Operating profit	73 317	28 521	54 138	(10 080)	145 896
Impairment of trademarks and goodwill	(8 841)	–	(19 324)	(47 841)	(76 006)
Put option derivative	3 100	–	9 000	(12 100)	–
Change in put option liability	13 003	–	–	20 000	33 003
Profit before interest and tax	80 579	28 521	43 814	(50 021)	102 893
Investment income	–	–	39 250	(39 250)	–
Interest received	–	–	17 159	(531)	16 628
Interest paid	(11 035)	(27 525)	–	25 706	(12 854)
Profit before tax	69 544	996	100 223	(64 096)	106 667
Segment assets	1 091 309	607 770	780 318	(845 466)	1 633 931
Segment liabilities	(544 440)	(394 459)	(265 861)	751 244	(453 516)
Net segment assets	546 869	213 311	464 457	(44 222)	1 180 415
Enterprise-wide disclosure (geographical)					
Exports (mainly sub-Saharan Africa)	103 586	42 282	–	–	145 868

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. This group officer, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer who acts in terms of levels of authority formally delegated by a unitary board, comprising a majority of independent non-executive directors.

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

The summarised consolidated financial statements for the year ended 30 June 2021 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; the requirements of the South African Companies Act, and the JSE Listings Requirements. These summarised consolidated financial statements do not include all the disclosures required by IFRS, but contain the minimum information required by IAS 34: *Interim Financial Reporting*.

All accounting policies applied by the group in the preparation of these summarised consolidated financial statements are consistent with those applied by the group in its previous consolidated financial statements for the year ended 30 June 2020 and for the interim results for the six months ended 31 December 2020. For more information on the annual fair value adjustments, please refer to the consolidated financial statements for the year ended 30 June 2020.

These summarised consolidated financial statements have been extracted from the audited consolidated financial statements for the year ended 30 June 2021, but are not themselves audited. The consolidated financial statements have been audited by the group's external auditors, PKF Durban, whose unqualified audit report, including key audit matters, is included in the consolidated financial statements available for inspection at the company's registered office and on the company's website at https://www.arbhold.co.za/documents/reports/'Group-consolidated-AFS-30-June-2021.pdf. The group's external auditor's report does not necessarily cover all the information included in this announcement and therefore it is advised that in order to obtain a full understanding of the nature of the external auditor's engagement, the external auditor's report referred to above is inspected.

The summarised consolidated financial statements have been prepared and compiled under the supervision of Grant Scrutton CA(SA) (chief financial officer).

THE IMPACT OF THE COVID-19 PANDEMIC

Whilst the uncertainty around the future effect of COVID-19 on the economy and the country are less uncertain than they were last year, the group has again assessed the impact of this on the assumptions and significant judgements used in preparing these results, particularly in the valuation of property, plant and equipment; goodwill; inventories; accounts receivable and the put option liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The appraisal of the group's properties, undertaken a year after the national COVID-19 lockdown ended, has impacted the rental income used in the calculations, again resulting in a decrease in the valuations of some of the properties.

The forward-looking adjustments for the accounts receivable estimated credit loss (ECLs) resulted in an increase in the expected credit loss rates but the resultant ECL, given the nature of the accounts receivable and the use of credit insurance, was, as in prior years, not material. The net realisable value of inventory was also carefully assessed, but given the nature of our inventory with its long shelf life and the expected positive medium-term demand for our products, the effect was not considered material.

OTHER SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The group has also applied judgement to determine the term for some of the lease contracts, in which it is a lessee, that include renewal options. The assessment of whether the group is reasonably certain to exercise such options impacts the lease term, which in turn affects the amount of lease liabilities and right-of-use assets recognised. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or to not exercise a termination option. The exercising of a renewal option is dependent on the importance of a particular branch's leased property to the group's operations and includes factors such as:

- the location of the property (which influences the profit likely to be generated by the branch);
- the proximity to existing customers;
- the strength of competitors in the area;
- the building and development in the area; and
- the availability of suitable alternative properties.

Extension options (or periods after termination options) are included in the lease term if the lease is reasonably certain not to be terminated. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the lessee. The majority of extension and termination options held are exercisable by the group in conjunction with the respective lessor, based on the fair market rental at that time.

CORPORATE ACTIVITY AND EXPANSION

While acquisitions remain part of ARB's overall strategy, at this point it is unlikely that this will entail major transactions. To date, only one potential immaterial acquisition has been identified, the details of which will be disclosed when appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities that are sensitive to re-measurement are limited to the put option liabilities, the fair values of which are calculated in terms of contractual formulae. Eurolux options are currently exercisable and are valued at the average of Eurolux's past three years' interim results multiplied by 60% of the company's price earnings multiple, calculated by the 120 days volume weighted average share price on the JSE (subject to a cap of 7.5 and a floor of 4.0). The CraigCor options are calculated on the same basis as Eurolux except that, because the options can only be put after 1 March 2023, the calculation uses the average of CraigCor's projected last three years' results prior to the first date the option can be put determined using discounted cash flow (DCF) methods. These calculations are most sensitive to changes in the company's price earnings multiple.

Financial liabilities measured at fair value in the statement of financial position are categorised, in IFRS, into the three levels of the "fair value hierarchy" on the basis of the lowest level input that is significant to the fair value measurement in its entirety. ARB's level three liabilities are the put option liabilities:

	Level	2021 R000's	2020 R000's
CraigCor – non-current	3	**6 200**	4 000
Eurolux – current	3	**52 000**	40 000
		58 200	44 000
Put option liability reconciliation			
Balance at the beginning of the year		**44 000**	79 000
Put options exercised during the year		**–**	(2 277)
Realised gain on early settlement of put option		**–**	(4 848)
Unwinding of put option discounting		**500**	280
Unrealised revaluation of put option liability		**13 700**	(28 155)
Balance at the end of the year		**58 200**	44 000

There have been no transfers between levels. The fair value of the put option financial liabilities disclosed under level 3 has been calculated in accordance with the predetermined contractual valuation method. In this valuation, the significant inputs which are unobservable from market data is Eurolux's average past three years' results amounting to R38.9m (2020: R23.0m) and for CraigCor it is its average projected last three years' results prior to the first date the option can be put amounting to R7.5m (2020: R4.5m), its projected average growth rate of 19.5% (2020: 8%) and the discount rate of 7.0% (2020: 7.25%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

COMMITMENTS AND CONTINGENCIES

The group has contracted capital commitments of R5.6m, and uncontracted commitments of R2.0m (2020: R88.2 m and R6.4m respectively). The bulk of these commitments relate to motor vehicles and distribution centre (DC) equipment which will be funded out of internal funds.

EVENTS SUBSEQUENT TO THE YEAR END

The remaining duration and impact of the COVID-19 pandemic on our customer base, as well as the effectiveness of government and central bank responses, still remain unclear at this time. While it is expected that trading operations and results will continue to be negatively impacted in the future, it is not possible to reliably estimate the duration and severity of these consequences, as well as any impact on the financial position and results of the group for future periods.

The directors are not aware of any other material event or circumstance arising since the end of the reporting period and up until the date of this report, not otherwise disclosed in these consolidated financial statements which significantly affects the financial position, results or cash flows of the group.

DIVIDENDS

In view of the group's continued strong cash generation the board has resolved to declare a dividend of 32.50 cents per share (2020: no dividend) for the year ended 30 June 2021, representing the maximum pay-out in terms of the company's dividend policy. In addition, the board has resolved to declare a special dividend of 10.00 cents per share (2020: no dividend) in order to return excess cash to shareholders.

The relevant dates for the dividends are as follows:

Event	Date
Declaration date	Thursday, 19 August 2021
Finalisation date announcement	Tuesday, 7 September 2021
Last day to trade cum dividend	Tuesday, 14 September 2021
Shares commence trading ex-dividend	Wednesday, 15 September 2021
Record date	Friday, 17 September 2021
Payment date	Monday, 20 September 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 September 2021 and Friday, 17 September 2021, both days inclusive.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 Withholding Tax rate is 20%;
3. the gross local dividend amount is 32.50000 cents per share for shareholders exempt from paying Dividend Withholding Tax;
4. the gross local special dividend amount is 10.00000 cents per share for shareholders exempt from paying Dividend Withholding Tax;
5. the net local dividend amount is 26.00000 cents per share for shareholders liable to pay Dividend Withholding Tax;
6. the net local special dividend amount is 8.00000 cents per share for shareholders liable to pay Dividend Withholding Tax;
7. the issued share capital of ARB is 235 000 000 ordinary shares of 0.01 cent each; and
8. ARB's income tax reference number is 9010/138/20/5.

Exchange control approval has been applied for from the South African Reserve Bank to give effect to the payment of the special dividend noted above. Payment of the special dividend to foreign holders can only be made once this approval has been given.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of ARB will be held at 10:00 via an on-line webinar at https://us06web.zoom.us/5/87353810198 on Monday, 15 November 2021. The notice of annual general meeting will be contained in the integrated report which will be posted to shareholders by no later than Thursday, 30 September 2021.

The record date, for purposes of determining which shareholders are entitled to receive the notice of annual general meeting, will be Friday, 24 September 2021.

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, will be Tuesday, 2 November 2021 and Friday, 5 November 2021, respectively.

FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANIES AND CORPORATIONS (s45)

The holding company has provided financial guarantees and cessions of loan accounts to the group's bankers on behalf of its subsidiary companies as security for facilities granted to them. During the year, the Eurolux banking facility was restructured and updated. Full details are set out in the 2021 consolidated financial statements. Shareholders will again be asked to approve the company's authority to provide s45 security, other than for loans to directors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTIFICATION OF PUBLICATION OF ANNUAL BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) COMPLIANCE

The group holding company does not trade and has no B-BBEE score. In accordance with paragraph 16.20(g) and Appendix 1 to section 11 of the JSE Listings Requirements, notice is hereby given that the annual compliance report relevant to the ARB operational group, in terms of section 13G(2) of the B-BBEE Act is available on the company's website at https://www.arbhold.co.za/documents/Certificate-ARB-Electrical-Wholesalers.pdf.

DIRECTORATE

Changes to the directorate in the period covered by this report include the appointment of Blayne Burke to the board on 1 July 2021 as the group CEO designate, and of Theo JB Botha, who was appointed on 6 April 2021 as a representative non-executive director of ARB on behalf of Alan R Burke, who represents shareholders controlling 62% of the shares of the company. These appointments will be ratified by shareholders' approval at the annual general meeting on 15 November 2021.

OUTLOOK

It remains difficult at this stage to anticipate what the next year will yield for the group. However, we are optimistic that the COVID-19 vaccination programme, which has been stepped up remarkably in recent months in South Africa, will help to control the spread of the pandemic, both locally as well as around the world. The safety and protection of our employees, as well as anyone we do business with, will remain a priority.

The continued lack of activity in infrastructure investment and the impact of this on the construction industry remain a concern for the group, as does the constraint on supplies. The difficulty in obtaining adequate credit insurance is also likely to persist, resulting in a need for the group, and particularly the electrical division, to take more uninsured credit risk. However, our operations are now fit for purpose and able to take advantage of any improvement in the local economy. Our extensive geographical footprint and distribution capabilities; an experienced board and executive management team, as well as our substantial financial resources remain a strong defence against any possible setbacks.

NOTES TO THE FINANCIAL STATEMENTS (continued)

APPRECIATION

We realise that the lives of our employees, suppliers, customers and other stakeholders, are likely to be materially different after the pandemic, with many lives having been lost. We extend our condolences to those who have lost loved ones during this time.

On behalf of the board, thanks are due to the executive management team for their diligence during the year – congratulations on achieving these exceptional results. To each one of our employees, we are grateful for your perseverance, strength of commitment and contribution towards the results.

To our customers, suppliers, business partners and shareholders, we once again thank you for your ongoing support and belief in the group. We are constantly aware that without a functioning and supportive business ecosystem around us, ARB could not have achieved the results we did.

Ralph Patmore	**William Neasham**
Chairman	*CEO*
18 August 2021	18 August 2021

CORPORATE INFORMATION

Directors
RB Patmore (Chairman)#*
TJB Botha*
BG Burke
JS Dixon#*
ST Downes#*
WR Neasham (CEO)
GM Scrutton (CFO)
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# *Independent*

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