

Summarised audited consolidated results

for the year ended 30 June 2015,
dividend announcement and notice
of Annual General Meeting

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Salient features

- **Headline earnings** per share down 0,6% to 49,99 cents
- **Annual dividend** unchanged at 20,1 cents per share plus a special dividend of 10,0 cents per share
- **Ung geared** with R226,8 million net cash on hand

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

Summarised Group statements of comprehensive income

	% Change	Audited year to 30 June 2015 R000's	Audited year to 30 June 2014 R000's
Revenue	(3%)	2 150 764	2 216 659
Cost of sales		1 633 459	1 689 709
Gross profit	(2%)	517 305	526 950
Other income		4 061	4 878
Operating expenses		(324 839)	(328 798)
Profit before interest and taxation	(3%)	196 527	203 030
Interest received		15 175	11 442
Interest paid		(95)	(190)
Profit before taxation	(1%)	211 607	214 282
Taxation		(58 481)	(59 708)
Profit for the year	(1%)	153 126	154 574
Revaluation of property, plant and equipment (net of taxation)		10 202	(457)
Total comprehensive income for the year	6%	163 328	154 117
Profit for the year attributable to:	(1%)	153 126	154 574
Minority interests	(2%)	(35 667)	(36 383)
Ordinary shareholders	(1%)	117 459	118 191
Total comprehensive income attributable to:	6%	163 328	154 117
Minority interests	(2%)	(35 667)	(36 383)
Ordinary shareholders	8%	127 661	117 734

	% Change	Audited year to 30 June 2015 R000's	Audited year to 30 June 2014 R000's
Reconciliation between earnings and headline earnings			
Profit for the year attributable to ordinary shareholders	(1%)	117 459	118 191
Less: Loss/(surplus) on disposal of property, plant and equipment (net of taxation and minorities)		12	(31)
Headline earnings attributable to ordinary shareholders	(1%)	117 471	118 160
Ordinary shares in issue (000's)		235 000	235 000
Weighted ordinary shares in issue (000's)		235 000	235 000
Diluted ordinary shares in issue (000's)		235 000	235 000
Basic earnings per share (cents)*	(1%)	49,98	50,29
Headline earnings per share (cents)*	(1%)	49,99	50,28

* There are no dilutive instruments in issue.

Summarised Group statements of financial position

	%	Audited 30 June 2015	Audited 30 June 2014
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Summarised 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 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
Total comprehensive income for the year	-	-	10 202	117 459	35 667	163 328
Dividends paid	-	-	-	(70 735)	(19 016)	(89 751)
Balance at 30 June 2015 (audited)	24	116 150	70 302	582 846	216 489	985 811

Summarised 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 2015					
Segment revenue	1 740 585	425 499	38 219	(53 539)	2 150 764
Profit before interest and taxation	122 676	43 800	30 051	-	196 527
Segment assets	805 412	239 195	374 101	(138 602)	1 280 106
Segment liabilities	211 318	121 629	56 238	(94 890)	294 295
Net segment assets	594 094	117 566	317 863	(43 712)	985 811
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

BASIS OF PREPARATION

The summarised audited consolidated annual financial statements for the year ended 30 June 2015 ("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 requirements of the Companies Act of South Africa, and the JSE Listings Requirements.

The accounting policies used in the preparation of these results are in terms of IFRS and are consistent, in all material respects, with those applied in prior years and except for the first time adoption of the new and amended standards, are consistent with those applied in the previous annual financial statements for the year ended 30 June 2014. 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 following new standards were adopted during the period:

- Amendment to IFRS 2 – Amendments to the definitions of all performance, service, vesting and market conditions
- Amendment to IFRS 3 – Measurement requirements of contingent considerations and amendments to scope regarding formation of joint arrangement

- Amendment to IFRS 8 – Judgements made to the aggregation criteria and certain reconciliations
- Amendments to IFRS 13 – Measurement of short term receivables
- Amendments to IAS 16 – Proportionate restatement of accumulated depreciation
- Amendments to IAS 24 – Definition and disclosure requirements for key management of personnel
- Amendments to IAS 40 – Clarify the interrelationship between IFRS 3 and IAS 40

These summarised financial statements have been derived from the consolidated financial statements for the year ended 30 June 2015 which have been audited by PKF Durban, whose unqualified audit opinion on these consolidated financial statements is available for inspection at the Company's registered office, together with the financial statements which will be utilised in preparation of the integrated report for circulation to the shareholders together with the notice for the Annual General Meeting. This summarised report is extracted from audited information, but is not itself audited.

The auditor's report does not necessarily cover all of the information included in this announcement. The directors take full responsibility for the preparation of these summarised audited consolidated financial results for the year ended 30 June 2015 and for ensuring that the financial information has been correctly extracted from the underlying audited annual financial statements.

The audited annual financial statements have been prepared under the supervision of the Acting Financial Director, WR Neasham, CA(SA).

	% Change	Audited 30 June 2015 R000's	Audited 30 June 2014 R000's
ASSETS			
Non-current assets			
Property, plant and equipment		221 672	205 525
Intangible assets		83 659	83 971
Deferred taxation		8 149	13 188
Current assets			
Inventory		387 973	391 348
Trade and other receivables		351 345	341 924
Taxation overpaid		200	122
Deferred lease payments		328	–
Cash resources		226 780	197 584
Total assets		1 280 106	1 233 662
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital		24	24
Share premium		116 150	116 150
Revaluation reserve		70 302	60 100
Accumulated profit		582 846	536 122
Attributable to ordinary shareholders	8%	769 322	712 396
Minority interests		216 489	199 838
Total shareholders' funds	8%	985 811	912 234
Non-current liabilities			
Deferred taxation		38 626	34 127
Deferred lease payments		981	–
Current liabilities			
Vendor loan		–	18
Trade and other payables		252 185	284 118
Deferred lease payments		11	440
Taxation payable		2 492	2 725
Total equity and liabilities		1 280 106	1 233 662
Ordinary shares in issue (000's)		235 000	235 000
Net asset value per share (cents)	8%	327,37	303,15
Net tangible asset value per share (cents)	10%	302,44	275,94

Summarised Group statements of cash flow

	% Change	Audited 30 June 2015 R000's	Audited 30 June 2014 R000's
Cash generated by trading	(3%)	208 271	214 511
Increase in net working capital		(37 979)	(70 855)
Cash generated by operating activities	19%	170 292	143 656
Interest received		15 175	11 442
Interest paid		(95)	(190)
Dividends paid		(89 751)	(70 970)
Taxation paid		(52 470)	(62 176)
Cash flows from operating activities		43 151	21 762
Cash flows from investing activities		(13 937)	(24 690)
Cash flows from financing activities		(18)	(2 241)
Increase/(decrease) in cash resources		29 196	(5 169)
Cash resources at beginning of year		197 584	202 753
Cash resources at end of year		226 780	197 584

Directors: AR Burke (Chairman)*; ST Downes*; RB Patmore*; WR Neasham (CEO and Acting Financial Director); 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: PKF Durban (audit partner: Tania Marti-Warren), 2nd Floor, 12 on Palm Boulevard, Gateway, 4319 (PO Box 1858, Durban, 4000)

Sponsor: Grindrod Bank Limited, 4th 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: Keyter Rech Investor Solutions CC, Fountain Grove Office Park, No 5 2nd Road, Hyde Park, 2196 (PO Box 653078, Benmore, 2010)

Commentary

The board of directors of ARB ("the Board") is pleased to present the Group's audited results for the year.

The Lighting Division continued to achieve market share gains while the Electrical Division has shown resilience in the continued challenging trading environment. Both divisions continue to review and improve operational efficiencies to ensure that the Group is able to sustain its earnings.

Financial review

The Group revenue declined 3,0% to R2,15 billion. The decline in revenue was as a result of a decline in the Electrical Division's turnover, attributable to the lack of infrastructure spend and Eskom's funding challenges which have affected the sales of its overhead line division, particularly in the Eastern Cape and KwaZulu-Natal regions. The Lighting Division continues to show strong market share gains.

The trading margin remains under pressure in both divisions. At Group level it improved from 23,8% to 24,1% due to the higher margin contributed by the Lighting Division. Overheads continue to be well controlled and there was no year on year growth in overheads.

Operating profit declined by 3,2% to R196,5 million, resulting in an operating margin of 9,1% compared to 9,2% for the prior year.

Net interest received continued to increase despite the payment of annual and special dividends totalling R89,75 million in September 2014.

Headline earnings per share decreased marginally by 0,6% to 49,99 cents (2014: 50,28 cents).

The Group's operations remained strongly cash generative.

Net working capital increased to 22,7% of revenue (2014: 20,3%) but is still within the Group's targeted range of 20% to 25% of turnover. The Electrical Division took steps to reduce their inventory levels in line with the inventory policy which has been established to limit possible inventory losses in a volatile copper price environment. The Lighting Division is currently overstocked, partially as a result of the delayed offtake by a newly contracted customer. Steps are being taken to manage these inventory levels within the Group's parameters. The trade receivables book continued to be well managed in an increasingly challenging credit environment. The Lighting Division had credit insurance on its trade receivables throughout the period, while the Electrical Division insured its trade receivables with effect from 1 May 2015.

Net capital expenditure for the period amounted to R13,9 million (2014: R24,7 million), of which R5,1 million was utilised to complete the construction of the new Electrical Division's Rustenburg premises (construction commenced in April 2014).

The Group's statement of financial position remained robust reflecting a net asset value per share of 327,37 cents (2014: 303,15 cents) and a net ungeared cash position of R226,8 million (2014: R197,6 million).

The Group's after-tax return on average equity in the current year is now 15,9%, slightly lower than the 17,3% achieved in the prior year.

Divisional review

Electrical Division (revenue down 7,2% and operating profit down 11,5%)

This division has battled significant headwinds with the dearth of major infrastructure projects, and the lack of significant capital expenditure by Eskom in the rural electrification programme. Full year revenue declined 7,2% to R1,74 billion (2014: R1,88 billion). Gross margins improved due to the leveraging of trading and procurement efficiencies. Operating profits decreased by 11,5% to R122,7 million (2014: R138,6 million). The Electrical Division reflected an operating margin of 7,0% (2014: 7,4%).

Lighting Division (revenue up 21,3% and operating profit up 10,9%)

The introduction of new product categories and the focus on key customer gains enabled the Lighting Division to maintain its strong first half performance and grow full year revenues by 21,3% to R425,5 million (2014: R350,8 million). Given the competitive environment and the volatile exchange rate, gross margins were lower. Overheads increased due to the delay in the issue of Letters of Authority ("LOAs") by the National Regulator of Compliance Specifications ("NRCS"), and employee cost increases incurred due to the growth in market share. As a result, the operating margin reduced to 10,3% (2014: 11,3%).

Corporate Division (revenue up 9,0% and operating profit up 12,4%)

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 the Corporate Division's results for the period were in line with expectations.

The market value of the Group's portfolio of 16 properties is valued at R181 million (2013: R163 million), of which one site situated in Polokwane, is currently undeveloped land.

Corporate activity and expansion

While no new corporate activity was undertaken during the year, acquisitions remain an integral part of the Group's growth and expansion strategy.

Potential acquisitions have been and will continue to be evaluated. In evaluating acquisition opportunities the Board considers the strategic fit and merits of each opportunity and is guided by the principle that the terms and structure of any acquisitions should be value accretive to ARB shareholders.

Prospects

The combination of moderating economic growth, the subdued levels of fixed investment activity and the unresolved challenges relating to Eskom suggests a continuation of the tough market conditions experienced over the past few years.

Given these headwinds, the Group will maintain its focus on optimising operational efficiencies in its existing businesses as well as continuing to evaluate strategically-aligned trading and distribution-related acquisitions.

The above prospects statements have not been reviewed or reported on by the Company's independent external 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 (2014: 20,1 cents per share) for the year ended 30 June 2015, 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:

Declaration date	Thursday, 20 August 2015
Last day to trade <i>cum</i> dividend	Friday, 4 September 2015
Shares commence trading <i>ex</i> dividend	Monday, 7 September 2015
Record date	Friday, 11 September 2015
Payment date	Monday, 14 September 2015

Share certificates may not be dematerialised or rematerialised between Monday, 7 September 2015 and Friday, 11 September 2015, 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 20,10000 cents per share for shareholders exempt from paying Dividends Tax;
- the gross local special dividend amount is 10,00000 cents per share for shareholders exempt from paying Dividends Tax;
- the net local dividend amount is 17,08500 cents per share for shareholders liable to pay Dividends Tax;
- the net local special dividend amount is 8,50000 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.

Changes to the Board

As previously announced on SENS on 13 February 2015, William (Billy) Neasham was appointed as the Group's Chief Executive Officer and Jacob Modise resigned as a non-executive director of the Board following his appointment as Chairman of NERSA.

The Board also announced the appointment of Grant Scrutton CA(SA), as the Group Financial Director with effect from 1 October 2015.

Gerrit (Boel) Pretorius will be retiring from the Board at the forthcoming Annual General Meeting.

Subsequent events

No significant events have occurred during the period between the reporting date and the date of this announcement that require additional disclosure or adjustment to the financial statements.

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 Thursday, 12 November 2015, at the Company's registered office located at 10 Mack Road, Prospecton, Durban. The notice of Annual General Meeting will be contained in the integrated report which will be posted to shareholders by no later than 28 September 2015.

The record date, for purposes of determining which shareholders are entitled to receive the notice of Annual General Meeting, will be 16 September 2015.

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 30 October 2015 and 6 November 2015, 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 2015

William (Billy) Neasham
Chief Executive Officer