

## Group Profile

ARB is a leading, black-empowered distributor of essential products and materials required in the electrification of a wide range of industrial and parastatal projects. South Africa has recently experienced unprecedented levels of infrastructural spending which will continue to be fuelled by government and parastatal investment. With a 30 year track record, the group is uniquely positioned to capitalise on the growing demand for electrical products in South and sub-Saharan Africa.

## Overview

Anchored by a head office in Durban, and with a network of 13 branches built over the past 30 years, ARB has a presence in all major business centres throughout South Africa.

Employing over 450 staff, ARB provides a wide range of internationally recognised and SABS approved products across three main categories:

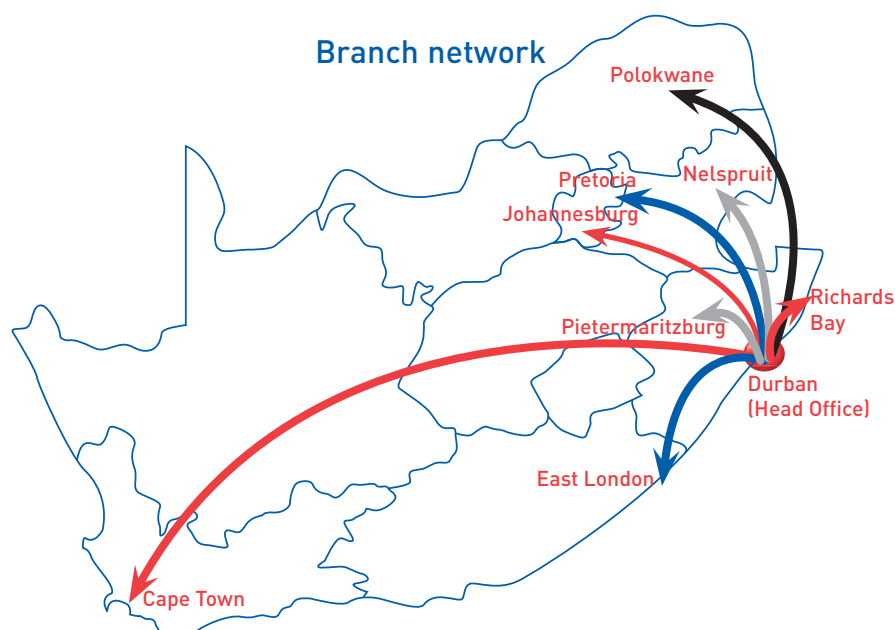
- **Power and instrumentation cable;**
- **Overhead line equipment and conductors; and**
- **General electrical contracting materials**

to over 5 000 customers throughout South and sub-Saharan Africa servicing five strategic business sectors:

- **Large and Heavy Industry;**
- **Parastatals;**
- **Construction Industry;**
- **Electrical Contractors; and**
- **Mining Industry**

ARB is proud to be accredited as a Level 4 Contributor in terms of the Department of Trade and Industry's Broad-Based Black Economic Empowerment scorecard.

The group listed on the Main Board of the JSE in November 2007. This milestone initiative provided ARB with a platform from which to accelerate its growth and acquisition strategy by enabling ARB to expand nationally and across the continent, as well as continue its penetration of new high-growth markets.



## Highlights



Acquisition and integration of **Paragon Electrical**



Net cash on hand increased by **R60 million to R261 million**



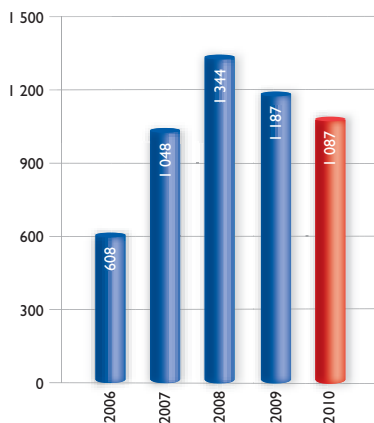
Net tangible asset value per share up **11% to 216 cents**



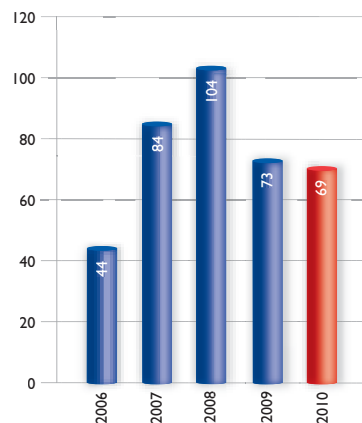
Total cash distribution increased to **25 cents** per share

## 5 Year Review

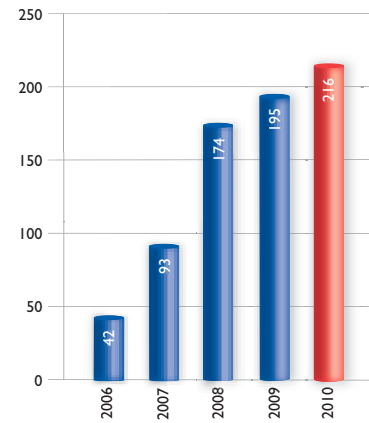
Revenue  
(R millions)



Headline earnings  
(R millions)



Net tangible asset value per share  
(cents)



ARB employs over 450 passionate people.



ARB carries extensive cable stock countrywide.

## Board of Directors



**Alan R Burke**

Non-Executive Chairman

Alan trained as an apprentice electrician, which proved to be the springboard for his involvement in the electrical wholesale industry. He founded ARB in 1980 in Richards Bay and has been the driving force behind its success to date. Alan is involved in formulating the strategic direction of the group.



**Byron Nichles** CA(SA), ACMA

Chief Executive – ARB Holdings Limited

Byron was appointed CEO of ARB in February 2009, tasked with driving the group's growth strategy. He was previously the group chief financial officer of Amalgamated Appliance Holdings Limited and a founding shareholder and director of Bridge Capital Group Limited. Byron has 14 years' financial services and advisory experience with Deloitte & Touche and Bridge Capital. During his time at Bridge Capital, Byron advised ARB on its JSE listing in 2007.



**Ralph Patmore** BCom, MBL

Lead Independent Non-Executive Director

Ralph holds a Bachelor of Commerce degree, a Master of Business Leadership degree, and has attended the Stanford Executive Programme at Stanford University, USA. Ralph is an accredited associate of the Institute for Independent Business International. Ralph was a co-founder of Iliad Africa Limited and served as CEO from 1998 until his retirement in 2008.

Prior to joining Iliad, Ralph held various executive positions including as managing director of subsidiaries within the Unihold and Malbak groups, and as a director of Everite Limited and Group Five Limited. Ralph currently serves on the boards of several listed companies including Mustek Limited, a.b.e Construction Chemicals Limited and as chairman of William Tell Holdings Limited.



**Simon Downes** CA(SA), FCMA, MBA

Independent Non-Executive Director

Simon qualified as a chartered accountant and completed his articles at Pim Goldby (now Deloitte). In 1984 he achieved an MBA from the Graduate School of Business at the University of Cape Town. Simon is the CEO, Chairman and sole shareholder of Shave & Gibson Group (Pty) Limited, an independent manufacturer of board packaging and the largest manufacturer of cheques and other security printed products in Africa. He holds directorships in various investment companies.



**Craig Robertson** *BCompt*

Chief Executive – ARB Electrical Wholesalers (Pty) Limited

Craig joined ARB in 1992 after having completed articles with David Strachan and Tayler (now PKF Durban). He was appointed to the board in 1993 as the company's financial director and then as managing director in 1997. Craig is responsible for the day-to-day operations of the business and has been a key contributor to the regional expansion and growth of ARB.

**William ("Billy") Neasham** *CA(SA)*

Financial Director – ARB Holdings Limited

Billy qualified as a chartered accountant in 1980 and has been involved with ARB Electrical Wholesalers since 1988 as the audit partner and professional advisor, initially with KPMG and then with Griffith & Aitken. Billy joined ARB in June 2000 as financial director responsible for the high level of financial discipline instilled throughout the group.



**Jacob Modise** *CA(SA), MBA, AMP*

Non-Executive Director

Jacob is the founder and chairman of Batsomi Investment Holdings (Pty) Limited. He qualified as a chartered accountant and later supplemented this with an MBA. He has completed the Advanced Management Programme at Harvard Business School. Jacob has held senior positions with the Land and Agricultural Development Bank of Southern Africa, Deloitte & Touche and MTN Holdings Limited. Jacob is the CEO of the Road Accident Fund and serves on the boards of Allied Electronics Corporation Limited, Blue IQ Holdings Limited and Eskom Holdings Limited as well as on the Investment Advisory Board of the Nelson Mandela Children's Fund.

**Dumisani Muhlwa** *CA(SA)*

Non-Executive Director

Dumisani is the CEO of Batsomi Investment Holdings (Pty) Limited. Since qualifying as a chartered accountant in 1996, Dumisani has accumulated 14 years' corporate and commercial experience. He was formerly a manager at Sasol Financing (Pty) Limited, prior to which he was group project finance manager at MTN in charge of raising capital for the group's expansion into Africa and evaluating new business initiatives. Dumisani is also a former corporate finance associate at African Merchant Bank.

## Chairman's Report



**Alan R Burke**  
Founder of ARB

"Our strong cash generation over the past year allowed ARB to reward its shareholders with its largest distribution to date despite the challenging economic climate."

Last year I reported that we would continue focusing on our strategy of growing the company by, *inter alia*, extending our branch network throughout South Africa and through value-enhancing acquisitions. I am pleased to report back that several significant strides were made during the year under review in ensuring that these strategic objectives are achieved.

The most notable of these was the successful acquisition of Paragon Electrical, our first acquisition since listing on the JSE in November 2007. The acquisition has provided us with a well-established presence in the growing Pretoria and Centurion markets and although still very recent, we remain excited by its prospects.

Continuing our quest to increase our market share and broaden our national footprint, the group opened a new branch in Polokwane just after year-end. This brings to thirteen the total number of ARB branches countrywide.

Another highlight of the year was the improvement in ARB Electrical Wholesalers (Pty) Limited's BBBEE rating from a Level 6 Contributor to a Level 4 Contributor. The improved rating will position ARB favourably with our local government and parastatal customers as well as afford an opportunity to our other customers to improve their own BBBEE ratings through an improved preferential procurement score.

Although trading conditions remained tough throughout the year under review, the group was able to report a satisfactory set of results with headline earnings declining 5% to 29,22 cents per share.

On the back of a very strict and disciplined approach to working capital and cash management, the group continued to generate strong cash flows through the recession which allowed us to reward our shareholders with an increased dividend of 11,5 cents per share and a further capital distribution out of share premium of 13,5 cents per share. This brings the total amount of cash returned to shareholders since our listing in November 2007 to R113 million. Notwithstanding the generous payout to shareholders, the group has retained cash reserves of approximately R200 million with which to fund its continued growth and expansion in the coming months and years. Going forward, the group's dividend policy has been amended, increasing the maximum payout from 33% to 40% of profit after tax.

Despite an uncertain economic outlook, the combination of a dedicated leadership team, a proven business model and a healthy financial position gives me confidence that the group will once again make solid progress in the pursuit of its strategic objectives in the year ahead.

## Our Journey Thus Far

### 1980

Founded by Chairman, Alan R Burke, initially operating from a shipping container in Richards Bay, with a single employee and bakkie.

### 1981

Alan moved the operations from the shipping container and opened the doors to the Richards Bay branch.

### 1988

ARB opened a branch in Durban – now ARB's head office.

### 2000

The Pietermaritzburg operation was acquired.

### 2001

ARB relocated the head office to a new 23 500m<sup>2</sup> site in Prospecton, effectively expanding the facility sixfold.

### 2002

ARB established its branch in Johannesburg.

### 2003

ARB opened its Cape Town branch.

### 2004

ARB expanded its national footprint by opening a branch in East London.

### 2005

ARB sold a 26% stake in its key operating subsidiary ARB Electrical Wholesalers (Pty) Limited to Batsomi Power (Pty) Limited to enhance its empowerment status.

### 2006

The Johannesburg branch relocated to a newly built 13 000m<sup>2</sup> premises in Alrode as the base for servicing neighbouring regions.

### 2007

ARB acquired Xact Business Solutions, now ARB IT Solutions (Pty) Limited, to ensure the redevelopment of ARB's in-house accounting and management system.

ARB listed on the 'Electronic and Electrical' sector of the Main Board of the JSE.

### 2008

ARB entered Mpumalanga through the opening of the Nelspruit branch.

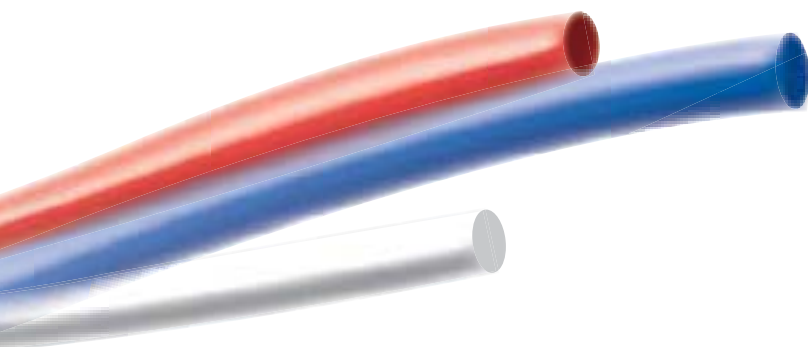
### 2009

ARB relocated its Cape Town branch to its 7 300m<sup>2</sup>, newly developed group-owned premises in Montague Gardens.

### 2010

ARB acquired Paragon Electrical, a leading electrical wholesaler operating in the Pretoria and Centurion areas, its first acquisition since its JSE listing.

ARB entered Limpopo through the opening of its Polokwane branch – ARB's 13th branch countrywide.



Finally, I would like to thank my fellow directors, our advisors and the company's management and staff for their unwavering dedication and loyalty. I would also like to extend my sincere appreciation to our customers, suppliers, business partners and stakeholders whose confidence and support have been invaluable not only in these difficult economic times but over the past 30 years. We shall endeavour to continue to create value for you.



**Alan R Burke**  
Non-Executive Chairman



# Chief Executives' Joint Report



"The past year saw ARB deliver on its focused growth strategy with the acquisition of Paragon Electrical."

**Craig Robertson**  
CEO – ARB Electrical  
Wholesalers (Pty)  
Limited

**Byron Nichles**  
CEO – ARB Holdings  
Limited

## INTRODUCTION

We are pleased to present our report for the year ended 30 June 2010. The group reported satisfactory results in tough trading conditions but more importantly, delivered on its focused growth strategy with the acquisition of Paragon Electrical and the opening of a new branch.

## FINANCIAL OVERVIEW

### RESULTS

The year proved to be a mirror image of the previous financial year with the first half performance below that of the prior year but the second half performance well ahead.

Revenue for the year was down 8% to R1,09 billion, largely due to the price deflation experienced during the first half. A more stable trading environment during the second half, when compared to the corresponding period last year, enabled the group's gross profit margin to improve from 17,5% in 2009 to 18,4% in the current year.

Excluding the inclusion of Paragon Electrical's overheads for the last four months of the year, cash overheads (ie excluding depreciation and accounting provisions) decreased by 6% year-on-year.

The success of the group's working capital management and strong cash generation throughout the year resulted in net interest received increasing by 40% despite lower interest rates.

After being 21% down at interim stage, headline earnings per share for the full year recovered sufficiently to be only 5% below the 30,91 cents per share reported in 2009.

The increase in inventory days from 66 in 2009 to 75 days is misleading due to the consolidation of only four months of Paragon Electrical's results for the current year. Excluding the effects of Paragon Electrical, like-on-like inventory days were 69 days. Similarly, comparable debtor's days increased from 45 days in 2009 to 49 days due to disappointing June collections when certain municipalities and parastatals appeared to be gripped by the excitement of the 2010 FIFA World Cup™. Although this necessitated additional provisioning, the total charge in respect of bad and doubtful debts for the year represents less than 0,5% of revenue, which is still within acceptable levels. The bulk of these outstanding debtors have since paid. The increase in the accounts payable balance is a function of the mix, timing and extent of stock orders outstanding at year-end.

Notwithstanding the payment of a capital distribution amounting to R23,5 million; the acquisition of Paragon Electrical for a cash consideration of R22,7 million; net capital expenditure of R9,7 million and tax payments of R35,4 million during the year, the group generated net cash of R60 million, resulting in net cash resources of R261 million as at 30 June 2010.

The group remains ungeared.

During the year under review, the group's net tangible asset value increased by 11% to 216 cents per share (2009: 195 cents per share).

Further details of the financial results are set out in the annual financial statements and accompanying notes thereto.

#### DISTRIBUTIONS TO SHAREHOLDERS

Over the past 18 months, the group has generated net cash of R165 million resulting in year-end cash reserves of R261 million. Notwithstanding the group's anticipated organic growth and its acquisition strategy, this remains in excess of short-term funding requirements. With this in mind, ARB's annual dividend policy has been revised from a maximum payout of one-third of net profit after taxation to 40% of net profit after taxation.

Accordingly, the board approved an annual dividend of 11,5 cents per share as well as a capital distribution out of share premium of 13,5 cents per share, totalling 25 cents per share for the year (2009: a capital distribution of 10 cents per share) to be paid out on Monday, 13 September 2010.

#### OPERATIONAL OVERVIEW

##### ELECTRICAL WHOLESALING

##### Acquisition of Paragon Electrical

In line with the stated strategy of growing market share and extending its national footprint, ARB concluded its first post-listing acquisition with the purchase of Paragon Electrical, with effect from 1 March 2010.

In terms of the acquisition, ARB acquired the business operations of Paragon Electrical for a cash consideration of R22,7 million, which included R10,7 million in respect of immovable property. Paragon Electrical contributed revenue of R47,1 million and profit before tax of R1,0 million to the group for the four months ended 30 June 2010 which was in line with expectations. Paragon Electrical has now been fully integrated into ARB Electrical Wholesalers and is expected to make a more meaningful contribution in the new financial year as the group's influence takes effect.

##### KwaZulu-Natal

ARB Electrical Wholesalers' head office in Durban remains the epicentre of our skills development programme with various staff members taking up positions in other regions once fully trained. In addition, the group's centralised finance,

administration, human resources and IT functions are housed in Durban.

From a trading perspective, whilst the company maintained its market share in the KwaZulu-Natal region during the past year via the Richards Bay, Pietermaritzburg and Durban branches, the market as a whole shrunk as a direct result of the contraction of the private sector spend. The private sector is the largest contributor of revenue for ARB in the region. Whilst still at an early stage, it is encouraging that plans for various private sector expansion projects are being considered that should rejuvenate this region.

##### Gauteng

This operation, based in Alrode, is the largest contributor to group turnover (35%) but is also the most reliant on major projects which have slowed considerably in recent months. The Johannesburg operation is fast becoming the training ground for the region and is proving to be the catalyst in the roll-out of new branches.

##### Cape Town

The move to a new custom designed and built premises in Montague Gardens last year has proved very beneficial in facilitating access to new and growing markets and surrounding regions. This is evidenced by the fact that this region grew its year-on-year revenues by more than 30%.

##### East London

This region produced satisfactory results given that the comparative period included an element of non-recurring revenue. Regional prospects for the Eastern Cape are promising due to the expected resurgence of overhead line projects.

##### Nelspruit

This branch has further consolidated its position in this region and the solid performance over the past year has resulted in the group purchasing a property in a highly sought after light industrial suburb in central Nelspruit. Once developed, the relocated Nelspruit branch will be more centrally located allowing it to service a broader market segment.

##### Opening of Polokwane branch

In line with the group's strategic plan to expand geographically, with effect from 1 July 2010, a new branch was opened in Polokwane – ARB's 13th branch countrywide. Over the past few years, ARB has established a strong customer



ARB acquired Paragon Electrical in early 2010.



ARB has a fleet of over 70 delivery vehicles.



## Chief Executives' Joint Report (continued)

base in Polokwane and the surrounding regions which were being serviced out of ARB's Alrode branch. This approach of penetrating a region before deploying resources and infrastructure ensures that new branches, such as Polokwane, are profitable from the outset.

This branch provides the group with a formal presence in the Limpopo province and will serve as a platform from which to service South Africa's northern neighbours.

### Broad-Based Black Economic Empowerment ("BBBEE")

During the year, ARB Electrical Wholesalers (Pty) Limited improved its BBBEE rating from a Level 6 to a Level 4 Contributor. This rating allows customers to recognise 100% of the rand value of their purchases from ARB as part of their own preferential procurement rating and ensure that ARB remains favourably positioned with regard to parastatals, local government and state-owned enterprises.

This is reported on more fully in the Sustainability Report appearing on pages 16 and 17.

### INVESTMENT AND RENTAL INCOME

The group's holding company owns all the properties and vehicles utilised by the group and provides treasury services to the group's operations. During the year, the group incurred capital expenditure of R9,7 million, excluding the acquisition of Paragon Electrical.

### IT SERVICES

The IT services division continued to play a key role in the enhancement of the group's IT infrastructure and systems during the year and was extensively involved in the integration of Paragon Electrical. The group's bespoke IT solution is currently being upgraded and enhanced and it is expected that the new version will be launched during the new financial year. Development costs of R178 000 were incurred and capitalised during the year in this regard.

### GROWTH STRATEGY AND PROSPECTS

From a macro-economic perspective, although public sector infrastructure related spend is forecast to continue for several years, the private sector, which typically constitutes more than two-thirds of total gross fixed capital formation spend, hasn't yet shown any signs of emerging from its state of hibernation. As and when the macro-economic environment recovers, private sector spend, especially in the mining and manufacturing sectors, will provide ARB with growth opportunities.

Consistent with its recent strategy, ARB will over the next few years, focus on growing its market share through the continued expansion of its national footprint. This will be achieved through a combination of new branches and value-adding acquisitions. Closely related diversification opportunities will also be pursued.

With an ungeared balance sheet and significant cash resources, the group is well placed to capitalise on the acquisition opportunities which the current economic climate is expected to yield. Whilst forming a key component of our growth strategy, acquisitions will only be concluded if the board is convinced of the strategic fit and merits of such acquisitions and if the terms and structure of such acquisitions are value accretive to ARB shareholders.

Over the medium to longer term, Africa, with a landmass similar to that of the USA, China, India and Europe combined, but with total available electricity similar to that of Spain, remains a largely untapped market which should provide an increasing contribution to the group's revenue and profit.

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

### MARKET PERFORMANCE

With a track record and reputation forged over the past 30 years and a proven business model, ARB remains the only focused listed entry point to the cabling and electrical products sector.

Although we remain steadfastly focused on managing the business, it is pleasing to note that during the year under review, ARB shares outperformed each of the All Share Index, the Industrial Index as well as the Electronics and Electrical sector.

### APPRECIATION

We would like to thank our management and staff for their commitment and hard work, our chairman and fellow directors for their wise counsel, our customers, suppliers and business partners for their ongoing support and our advisors for their guidance.

The year ahead will bring with it new challenges and exciting opportunities. We remain committed to delivering sustainable value to you, our shareholders.



**Byron Nichles**  
Chief Executive  
ARB Holdings Limited



**Craig Robertson**  
Chief Executive  
ARB Electrical Wholesalers  
(Pty) Limited

# Corporate Governance Report

## INTRODUCTION

The directors of ARB acknowledge the importance of good corporate governance and are committed to implementing the Code of Corporate Practices and Conduct ("the Code") set out in the 2002 King Report on Corporate Governance for South Africa ("King II") as well as the Listings Requirements of the JSE Limited ("the JSE"). In implementing the Code, the directors subscribe to the need to manage the group based on the principles of integrity and accountability. The group's corporate governance structures and policies are evaluated on an ongoing basis and are amended, as appropriate, in response to changes within and external to the group. In terms of the JSE Listings Requirements, all listed companies are required to apply the principles and recommendations set out in King III in respect of financial years commencing on or after 1 March 2010. As such, the board is currently reviewing and, where practical, adopting these recommendations and will report in terms of King III in its next annual report.

## STATEMENT OF COMPLIANCE

The Listings Requirements of the JSE require listed companies to report on the extent to which they comply with the principles incorporated in King II as well as the requirements of the Corporate Laws Amendment Act, 2006.

The board is of the opinion that, to the best of its knowledge and belief, ARB has, where practical, complied with the aforementioned requirements. Any areas of non-compliance are discussed below.

## THE BOARD

The group is led by an effective, unitary board. Notwithstanding the delegation by the board of certain powers and authorities to executive management and sub-committees, the board is ultimately responsible for retaining full and effective control over the group. Decisions on material matters are reserved for the board. Due to her extensive cross border business commitments, Makhosazana Sibisi resigned from the board with effect from 30 June 2010. Consequently, the board currently comprises eight directors, five of whom are non-executive. Consistent with the recommendations set out in King II, the board comprises a majority of non-executive directors, almost half of whom are independent. The independent non-executive directors ensure that no one individual has unfettered powers of decision making and

authority so as to protect the best interests of shareholders. The non-executive directors have no fixed term of office and have unrestricted access to management.

Directors are encouraged to stay abreast of the group's businesses through independent site visits and meetings with executive management.

All directors are entitled, at ARB's expense, to seek independent professional advice on any matter pertaining to the group where they deem this to be necessary.

All directors have the requisite knowledge and experience required to properly execute their duties. A brief *curriculum vitae* for each director is set out on pages 4 to 5 of this annual report.

In terms of the company's articles of association, one-third of the directors are required to retire by rotation at the next annual general meeting and their re-appointment is subject to shareholder approval. In addition, all new directors are subject to election by shareholders at the first annual general meeting immediately following their initial appointment by the board.

The board meets at least quarterly and more frequently if required. Directors are provided in advance with all necessary information to enable them to discharge their duties. Any director may request that additional matters be added to the agenda. Proceedings at board meetings are properly minuted and all minutes are circulated to all board members for review prior to being approved. In addition, executive and non-executive directors meet informally on a regular basis.

To assist the board in discharging its responsibilities, separate Audit, Risk and Remuneration and Nominations sub-committees have been established to which certain board responsibilities have been delegated. Each of the sub-committees is discussed in greater detail elsewhere in this report.

## ATTENDANCE AT MEETINGS

Details of directors' attendance at board and sub-committee meetings held during the year are set out below. Figures in brackets indicate the number of meetings that each director was eligible to attend.

Director	Board	Audit Committee	Remuneration and Nominations Committee	Risk Committee
AR Burke (Chairman)*	4(5)	–	2(2)	2(2)
ST Downes**#^	5(5)	3(3)	2(2)	2(2)
JR Modise*	1(4)	0(3)	–	–
DF Muhlwa*	3(4)	3(3)	–	–
WR Neasham (Financial)	5(5)	3(3)***	2(2)***	2(2)
B Nichles (CEO)	5(5)	3(3)***	2(2)***	2(2)
RB Patmore** ~ >	5(5)	1(1)	2(2)	2(2)
CC Robertson (Executive)	5(5)	–	2(2)***	2(2)
M Sibisi**^ (resigned – 30 June 2010)	4(5)	–	1(2)	2(2)

\* Non-executive \*\* Independent non-executive > Lead independent director # Audit Committee Chairman ~ Remuneration and Nominations Committee Chairman ^ Risk Committee Chairperson (Simon Downes assumed the chair of this committee subsequent to year-end)

\*\*\* By invitation

# Corporate Governance Report (continued)

## CHAIRMAN

The board is chaired by Alan R Burke, founder and the largest shareholder of ARB. As recommended by King II, the role of chairman is separate from that of chief executive officer. The chairman, a non-executive director, is not independent as recommended by King II hence the appointment of a Lead Independent Director as discussed below. The chairman provides leadership and guidance to the board and encourages active debate and proper deliberation on all matters requiring the board's attention while obtaining input from the other directors. The chairman is further responsible for representing the board to shareholders.

## LEAD INDEPENDENT DIRECTOR

In accordance with King III, Ralph Patmore has been nominated as the Lead Independent Director to fulfil a role where any difficulties or conflicts arise between the non-executive component of the board and the executives, as well as in assisting the chairman in fulfilling his responsibilities, where required.

## CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTORS

The chief executive officer, together with the other executive directors, is responsible for implementing the group's strategic plan and operational decisions in respect of the day-to-day running of the business while the non-executive directors provide oversight and guidance in this regard.

In addition to the executive directors, the following senior management members, namely, Clinton Cockerell, Bruce Sloley, Jason Burke, Derrick Muller and Shannon Bester, attend monthly meetings in order to discuss and attend to the day-to-day management of the group's main business.

## COMPANY SECRETARY

The appointment and removal of the company secretary is approved by the board. The company secretary advises the board on the appropriate procedures for the management of meetings and implementation of governance procedures, and is further responsible for providing the board collectively, and each director individually, with guidance on the discharge of their responsibilities in terms of the legislative and regulatory requirements applicable to the company. The company secretary is further responsible for ensuring regulatory and legislative compliance by the group.

All directors have unrestricted access to the company secretary.

The certificate required to be signed by the company secretary in terms of section 268G of the Companies Act, 1973 as amended, appears on page 20 of this annual report.

## BOARD CHARTER

The board is regulated by a formal board charter which sets out the role of the board and the responsibilities of the directors. The comprehensive charter addresses matters relating to board composition, leadership, remuneration, evaluation, group processes and procedures, key operational risks and

corporate governance. The charter provides the board with a mandate to exercise leadership, determine the group's vision and strategy and monitor operational performance.

The specific duties and responsibilities of the board as codified by the charter include:

- Strategy and planning, including budgets;
- Definitions of the required competencies as well as the number and profile of board members, which includes reviewing the performance of the chief executive, executive directors and the company secretary;
- Succession planning at senior executive level;
- Remuneration of non-executive directors and of executive directors on the recommendation of the chief executive;
- Executive incentive schemes;
- Capital management and allocation;
- Performance monitoring;
- Risk management;
- Audit and compliance, including the appointment of the external auditors as well as the definition and scope of their function;
- Review of the internal control environment and compliance; and
- Policies dealing with conflicts of interests and codes of conduct including related party transactions, share dealings by directors and insider trading.

## SELF EVALUATION

The board conducts a self-evaluation exercise on an annual basis reviewing its role, processes, sub-committees and performance in accordance with the board charter. The chairman, together with the Remuneration and Nominations Committee, will evaluate the board's performance. In addition, the performance evaluation of each director's performance will be undertaken by the chairman prior to such director standing for re-election.

## BOARD SUB-COMMITTEES

The following sub-committees have been established to assist the board in discharging its responsibilities.

### AUDIT COMMITTEE

*Members: Simon Downes (Chairman), Jacob Modise, Dumisani Muhlwa, Ralph Patmore*

The Audit Committee is chaired by independent non-executive director, Simon Downes, and comprises of three further members, Jacob Modise and Dumisani Muhlwa who are non-executive directors, and Ralph Patmore, an independent non-executive director. The chief executive and financial director as well as the external auditors and the internal auditor, who have unrestricted access to the chairman of the committee, attend by invitation and management or independent third parties are invited to attend as appropriate. The company secretary is the secretary of the committee.

The board is cognisant of proposed legislation requiring that all members of the Audit Committee should be independent non-executive directors and will continue to take this into

consideration when reviewing the composition of the board of directors and membership of the committee. To this end, Ralph Patmore, an independent non-executive director, was appointed to the Audit Committee during the year. The Audit Committee is evaluated annually.

A formal charter tasks the committee with reviewing the interim results and annual financial statements and associated announcements as well as with understanding management's accounting processes and policies and the external auditor's involvement in these processes.

The specific responsibilities of the committee include:

- **Internal control** – reviewing the adequacy and effectiveness of management information and internal controls to support the board in the discharge of its responsibilities. This includes monitoring management's responsibility for the security of the information systems and applications and the contingency plans for processing financial information in the case of a system breakdown;
- **Financial reporting** – reviewing the accounting policies adopted or any changes made and the measures introduced by management to enhance the accuracy and fair presentation of all matters proposed for inclusion in the annual financial statements and any other reports prepared with reference to the affairs of the company for external distribution or publication, including those required by any regulatory or supervisory authority;
- **External audit** – recommending the appointment of external auditors for approval by the shareholders, reviewing their performance and monitoring their independence. The committee also sets the principles for recommending the external auditors for non-audit purposes;
- **Financial director** – evaluating the performance of the financial director during the year under review and providing feedback in this regard to the Remuneration Committee; and
- **Internal audit** – although the structure of the group is relatively simple and all accounting is centralised under a single group function, in accordance with the recommendations set out in King III, an internal audit function has been established with effect from 1 July 2010 which is responsible for performing independent assessments of the adequacy and effectiveness of the group's controls and operations. The internal audit department is further tasked with ensuring that group policies and procedures are adequate, effective, appropriate and consistently applied across the group.

With regard to the above:

- The scope, independence and objectivity of the external auditors was reviewed;
- The external audit firm, PKF Durban, and audit partner, Tania Marti-Warren, are, in the committee's opinion, independent of the company and have been proposed to the shareholders for approval to be re-appointed as the company's auditor for the 2011 financial year;

- On an ongoing basis, the committee reviews and approves the fees proposed by the external auditor;
- To the best of the committee's knowledge and belief, the appointment of the external auditor complies with the Companies Act, 1973 as amended, and with all other legislation relating to the appointment of external auditors;
- The nature and extent of non-audit services provided by the external auditor has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence;
- The nature and extent of non-audit services have been defined and pre-approved;
- Nothing has come to the attention of the committee to indicate that there has been a material breakdown in the systems of internal control during the year;
- The committee is satisfied with the appropriateness of the expertise and experience of the financial director and his performance during the year; and
- As at the date of this report, no complaints have been received relating to the accounting practices of the company or to the content or auditing of the company's financial statements, or to any related matter.

During the year the committee met three times, which the directors believe is sufficient for the purpose of discharging the committee's responsibilities. Additional meetings are convened as required. Details of directors' attendance at the Audit Committee meetings held during the year are set out on page 11.

#### RISK COMMITTEE

*Members: Makhosazana Sibisi (Chair – resigned June 2010)  
Alan R Burke, Simon Downes, Ralph Patmore, Byron Nichles,  
Craig Robertson, William Neasham*

During the year, the Risk Committee was chaired by Makhosazana Sibisi, an independent non-executive director, and its members include Simon Downes and Ralph Patmore (independent non-executive directors), Alan R Burke (non-executive director and chairman of the board) as well as the three executive directors, Byron Nichles (chief executive), William Neasham (financial director) and Craig Robertson. Subsequent to year-end, Simon Downes assumed the chair of this committee following Makhosazana Sibisi's resignation from the board due to her extensive cross border business commitments.

The committee operates in terms of a formal charter, approved by the board.

The main purpose of the committee is to assist the board in discharging its duties relating to corporate accountability and the associated risks. Risk in the widest sense includes, but is not necessarily limited to, strategic risk, financial risk, operational risk, reputational risk and environmental risk.

Overall responsibility for the identification, evaluation, monitoring and management of risk vests with executive

## Corporate Governance Report (continued)

management. The committee provides independent and objective oversight of the information presented by executive management and reviews the risk philosophy, strategy and policies recommended by executive management.

During the year the Risk Committee met twice. Going forward, the committee will meet at least three times per year for the purpose of discharging its responsibilities. Additional meetings are convened as required. Details of directors' attendance at the Risk Committee meetings held during the year are set out on page 11.

### REMUNERATION AND NOMINATIONS COMMITTEE

*Members: Ralph Patmore (Chairman), Alan R Burke, Simon Downes, Makhosazana Sibisi (resigned – June 2010)*

The committee is chaired by Ralph Patmore, an independent non-executive director, and its members include Simon Downes (independent non-executive director), Makhosazana Sibisi (independent non-executive director – resigned June 2010) and Alan R Burke (non-executive director and chairman of the board). The chief executive officer and other executive directors are invited to attend committee meetings but may not participate in discussions on their own remuneration.

The committee operates in terms of a formal charter, approved by the board.

The main purpose of the committee is firstly to provide mandates for the group's annual remuneration increases and secondly, to ensure that the directors and senior executives are appropriately remunerated for their individual and joint contributions to the group's performance. In both instances, the interests of shareholders, the financial and commercial well-being of the group and recommendations from industry surveys are taken into account.

The committee also has authority for matters relating to employee benefits and profit incentives. Employee incentive schemes, at both executive and divisional level, are subject to the approval of the committee and are based on market conditions and the achievement of prescribed, measurable performance targets. The company's philosophy is to set appropriate remuneration and profit incentive levels, taking into account levels of responsibility, market remuneration surveys and the need to attract, motivate and retain directors, executives and individuals of high calibre.

The committee recommends fees for non-executive directors to the board. Fee determination is based on information from industry surveys.

The committee reviews the group's succession plan and communicates any areas of concern to the Risk Committee. The group recently undertook a restructure at operational level to ensure capacity building for future expansion. A deep skills base of young senior management is in place, providing sustainability of leadership to guide the group's future growth.

The committee is evaluated annually.

The committee meets at least twice a year, and its activities and recommendations are reported to the board. During the past year, the committee met twice.

Details of directors' attendance at Remuneration and Nominations Committee meetings held during the year are set out on page 11.

Directors' emoluments are detailed in note 21 on page 50 of the annual financial statements.

### SHARE DEALINGS

Directors are required to disclose their shareholdings and any dealings in shares of the company to the chairman and company secretary, who together with the company's sponsor ensure that any such dealings are published on SENS in compliance with the JSE Listings Requirements. In addition, all directors and senior management, including the company secretary, are prohibited from dealing in the shares of the company during prohibited periods. The approval of the chairman is required before any director or member of senior management, including the company secretary, can deal in the company's shares.

### INTERESTS IN CONTRACTS

Directors are required to inform the board timeously of conflicts or potential conflicts of interest they may have in relation to the group and any of its business. Directors are obliged to recuse themselves from discussions or decisions on matters in which they have a conflict of interest.

### STAKEHOLDER COMMUNICATION

The group is committed to timely, consistent and transparent communication with all stakeholders and encourages an open communication culture throughout the group. This is carried through to all means of communication including advertising where all untruths, concealment or misleading descriptions are prohibited.

Company announcements are released on SENS and published in the press, if required. Regular presentations and meetings are held with investors and analysts to communicate the strategy and performance of the group. Furthermore, the chief executive is available to answer any queries from stakeholders including institutional shareholders and industry analysts, and wherever possible, engage with the financial media to ensure accurate reporting. Shareholders are also afforded the opportunity to put questions to the board at the company's annual general meeting.

The group's website provides information on the group and contains the latest and historical financial information.



## **CODE OF CONDUCT AND ETHICS**

Every employee of ARB is expected to subscribe to the formal Code of Ethics ("the Code") which stipulates the group's commitment to the highest standards of corporate governance and compliance with the laws of South Africa. The Code sets out standards of integrity and ethics in dealings with suppliers, customers, business partners, stakeholders, government and society at large. It requires all employees to act with honesty and integrity in all dealings with stakeholders and to interact with fairness, dignity and respect to create and protect a credible business reputation and a working environment free from harassment and discrimination.

In line with the Code, the group recruits and promotes employees on the basis of their suitability for the job without any discrimination on the basis of race, religion, national origin, colour, gender, age, marital status, sexual orientation or disability unrelated to the task at hand.

Employees have been educated about the responsibility of reporting any actual, perceived or potential violation of the Code to management. Management bears the overall responsibility of monitoring compliance with the Code and regularly assesses ethical performance to ensure that corrupt or unethical business practices are immediately eliminated. ARB takes the Code seriously and, where appropriate, employs disciplinary procedures and/or legal proceedings to address any transgression.

## **FRAUD, BRIBERY, CORRUPTION AND ILLEGAL ACTS**

The group does not engage in or condone any form of fraud, bribery, corruption or any other illegal acts in the conduct of its business. Furthermore, employees are discouraged from accepting any gifts or favours from suppliers that obligate them in any way to reciprocate. The group policy is to actively pursue and prosecute the perpetrators of any fraudulent or other illegal activities should they become aware of any such acts. All executive directors, divisional directors and branch managers have signed a representation letter regarding illegal behaviour.

## **INSIDER TRADING**

No employee may deal, directly or indirectly, in ARB shares on the basis of unpublished price-sensitive information regarding the business or the affairs of the group.

## **POLITICAL CONTRIBUTIONS**

The group does not contribute to any political parties and no such contributions were made during the year under review.

## **COMPETITION AND PRICING**

The group supports and encourages free external and internal competition in all business units and subsidiaries. All executive directors, divisional directors and branch managers have signed a representation letter regarding anti-competitive behaviour.

# Sustainability Report

## INTRODUCTION

The directors acknowledge the importance of prioritising socially and environmentally aware practices alongside financial reporting and are committed to sustainable transformation as a business imperative so as to ensure that the group makes a positive contribution to the South African economy, its stakeholders, the environment and the communities within which it operates.

Stakeholders are broadly defined to include employees, shareholders, the government, customers, suppliers, business partners and the communities within which ARB operates.

## HUMAN CAPITAL

Although clichéd, our staff remain our greatest asset. Employees ensure that the company remains competitive, its service levels remain high and its business is conducted in an ethical and ultimately, profitable manner. ARB's commitment to its employees spans across a variety of sustainability issues including employment equity, health and safety, basic human rights, HIV/AIDS and skills development, each of which is discussed below. ARB is further guided by prevailing legislation including the Basic Conditions of Employment Act, the Labour Relations Act, The Skills Development Act, the Occupational Health and Safety Act and the Employment Equity Act to name a few.

As at 30 June 2010, ARB employed 454 fulltime employees (2009: 366). The increase was primarily as a result of the acquisition of Paragon Electrical during the year, which included 95 employees.

## BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("BBBEE")

Pleasingly, the group's main operating subsidiary, ARB Electrical Wholesalers (Pty) Limited, improved its rating in terms of the Department of Trade and Industry's BBBEE Codes of Good Practice from a Level 6 Contributor to a Level 4 Contributor during the past year.

## OWNERSHIP

Black-owned investment company, Batsomi Power (Pty) Limited, has held a 26% ownership interest in the group's main operating subsidiary, ARB Electrical Wholesalers (Pty) Limited, since 2005.

## MANAGEMENT CONTROL

Twenty-five percent of the directorate of both ARB Electrical Wholesalers (Pty) Limited and ARB Holdings Limited is comprised of Black designates. Approximately 65% of ARB's workforce is from designated groups including over 50% of middle management. The company is committed to further improving Black representation at all management levels.

## EMPLOYMENT EQUITY

Group recruitment policies are codified in accordance with the Employment Equity Act to attract the necessary competencies while creating equal employment opportunities. ARB's policies are geared towards attracting, retaining and promoting its staff through career development and succession planning at all levels. To support these objectives, innovative recruitment strategies are used such as psychometric testing and pre-employment assessments.

Progress towards achieving targets in this regard is set out below:

Category	Target	2009/10 %*	2008/9 %*
	2010/11 %*		
Top management	28,6	25,0	25,0
Senior management	23,1	16,7	25,0
Middle management	80,0	54,2	42,9
Junior management	74,0	73,2	77,4
Skilled	69,3	54,0	71,5
Semi-skilled	88,2	79,7	80,7
Unskilled	80,8	73,6	77,4
Disabled	100,0	50,0	50,0
OVERALL	71,5	64,5	71,4

\*Percentage of workforce which is Black

The decline in the group's employment equity profile during the year resulted from the assumption of 95 employees through the acquisition of Paragon Electrical.

## SKILLS DEVELOPMENT

ARB recognises the value of fostering an inspiring environment to ensure that all staff achieve their maximum potential. An ongoing career promotion programme ensures that each staff member is afforded an equal opportunity to grow through business administration, management and commercial courses funded by the group.

In addition, ARB provides study loans to qualifying employees to further their education.

ARB is committed not only to the ongoing training of employees, but to life skills teaching as well. To date, ARB has held training in the following areas: Basic Computer Skills, Primary Health Care, HIV/AIDS Awareness and Life Orientation.

During the year, 20 Black learners were engaged, the majority of whom are female. The learners, who are registered with the Wholesale and Retail SETA, are enrolled in the New Venture Creation programme.

## PREFERENTIAL PROCUREMENT

Currently 55% of ARB's discretionary procurement is from broad-based Black enterprises. Management continues to monitor the BBBEE credentials of its suppliers.

## ENTERPRISE DEVELOPMENT

As a means to furthering the enterprise development of Black-owned enterprises, ARB facilitates access to credit for Black electrical contractors involved in the national electrification programme who in the ordinary course of business would not be afforded credit due to credit risk profiling.

## CORPORATE SOCIAL INVESTMENT ("CSI")

ARB is committed to socio-economic development and empowerment of the local communities in which it operates. The group actively supports a number of initiatives aimed at improving living conditions which includes supporting underprivileged schools, orphanages, shelters and HIV/AIDS programmes.

Organisations which benefited directly from ARB's CSI programme during the past year included:

- Ithemba Trust
- Indlela
- The Robin Hood Foundation
- The Highway Hospice
- Arauna Ark
- Toti Round Table

During the year, ARB introduced a school fee bursary fund for the education of its employees' minor children. In terms of the scheme, ARB pays the school fees of up to two minor children per qualifying employee on a non-recourse basis. Employees earning not more than R15 000 per month are eligible to apply with preference being given to the children of longer-serving Black employees. During the year, 33 children benefited directly from the scheme.

From time to time, each ARB branch also contributes to the upliftment of the communities in which they operate through selecting a local charity to support in lieu of corporate gifting over the festive season.

For the year ended 30 June 2010, ARB's total CSI spend amounted to R500 000.

## HEALTH AND SAFETY

ARB is committed to ensuring a safe and healthy working environment and ensures strict compliance with the Occupational Health and Safety Act. The group has further developed a Safety Awareness Programme to address current legislation.

The branch manager at each branch assumes the role of Safety Officer and is responsible for health and safety at that branch. Supervisors assume responsibility for safety within their departments and receive the necessary training to discharge these responsibilities effectively. "Toolbox Talks" are held and minuted on a regular basis to identify and deal with ongoing safety issues. Where risk issues are identified, appropriate measures are taken to mitigate such risk.

Safety training of staff takes place at each branch. Particular attention is paid to the prescribed training where validations expire over a period of time. These include: Forklift Operators Permits, Level 1 First Aid, Professional Driver Permits and Health and Safety Representatives.

The Safety Awareness Programme is proving very effective with no incidence of major casualties occurring during the past year.

## HIV/AIDS

As a responsible corporate citizen, ARB is concerned about the HIV/AIDS pandemic threatening South Africans and is committed to minimising the implications of the disease through proactive HIV/AIDS workplace programmes. The group draws on the government's policy on HIV/AIDS as a guideline for its HIV/AIDS awareness programme. Condoms supplied by the Department of Health are distributed to staff members and issues surrounding HIV/AIDS are regularly discussed at "Toolbox Talks".

## ENVIRONMENT

ARB is committed to ensuring it takes preventative measures to protect the environment. A dedicated member of the senior executive management team at group level is responsible for waste and environmental management.

Recycling of all hydrocarbon and the removal of dangerous substance wastes (eg fluorescent tubes) is undertaken by a registered waste management company, Interwaste. Ongoing "Cleaning and Greening" takes place at each branch to ensure that verges and approaches to properties are well kept.

## CORPORATE GOVERNANCE AND ETHICS

The board recognises that good corporate governance is vital to the sustainable growth of ARB. The group's corporate governance structures and procedures as well as its Code of Conduct and Ethics are detailed in the Corporate Governance report appearing on pages 11 to 15 of this annual report.

# Annual Report 2010

**FIRMLY ROOTED** INNOVATIVELY AHEAD

## CONTENTS OF THE ANNUAL FINANCIAL STATEMENTS

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# Independent Auditor's Report

to the members of ARB Holdings Limited

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements and group financial statements of ARB Holdings Limited and its subsidiaries, which comprise the directors' report, the statements of financial position at 30 June 2010 and the statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 62.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the annual financial statements and group financial statements present fairly, in all material respects, the financial position of ARB Holdings Limited and its subsidiaries, as at 30 June 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

A handwritten signature in black ink that reads 'PKF Durban'.

**PKF Durban**

Practice number: 906352E

Registered Auditors

Chartered Accountants (South Africa)

**Per: T Marti-Warren RA CA(SA)**

Durban

11 August 2010



## Directors' Statement of Responsibility and Approval

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of ARB Holdings Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The financial statements have been audited by the independent accounting firm, PKF Durban, who was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

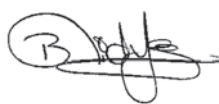
The directors have reviewed the group's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the group's current financial position, they are satisfied that the company and group have or have access to adequate resources to continue in operational existence for the foreseeable future.

### APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the group and company set out on pages 21 to 62, which have been prepared on the going concern basis, were approved by the board of directors on 11 August 2010 and were signed on its behalf by:



**Alan R Burke**  
*Non-Executive Chairman*



**Byron Nichles**  
*Chief Executive Officer*

Durban  
11 August 2010

## Statement of the Company Secretary

I certify, to the best of my knowledge and belief, that the requirements as stated in section 268G of the Companies Act, 61 of 1973, as amended, have been met and that all returns, as required of a public company in terms of the aforementioned Act, have been submitted to the Registrar of Companies and that such returns are true, correct and up to date.



**William Neasham CA(SA)**  
*Company Secretary*

Durban  
11 August 2010

# Directors' Report

for the year ended 30 June 2010

The directors of ARB Holdings Limited have pleasure in presenting their report for the year.

## 1. NATURE OF BUSINESS AND OPERATIONS

ARB Holdings Limited is a holding and investment company which owns fixed property and vehicles for letting.

ARB Electrical Wholesalers (Pty) Limited is the main operating subsidiary. It is a black empowered electrical wholesaler operating in South and Southern Africa offering a wide range of locally manufactured and imported products including power and instrumentation cabling, overhead line hardware and conductors, insulators, transformers and general electrical contracting materials. Clients range across large and heavy industry, parastatals, major construction groups, mining houses and electrical contractors.

ARB IT Solutions (Pty) Limited, a wholly-owned subsidiary, services all the group's IT requirements and sells computer hardware, software, support services and an accounting management system known as Xact.

ARB Global (Pty) Limited, a wholly-owned subsidiary, sells a range of locally manufactured and imported electrical products across South African borders.

## 2. FINANCIAL RESULTS

The annual financial statements presented on pages 21 to 62 set out fully the financial position, results of operations and cash flows for the year.

## 3. ACCOUNTING POLICIES

Detailed accounting policies are set out in note 2 to the annual financial statements.

## 4. DIVIDEND/DISTRIBUTION

A capital distribution by way of a reduction in share premium amounting to R23 500 000; 10 cents per share (2009: a dividend of R30 550 000; 13 cents per share) was declared and paid to shareholders during the year under review.

In view of the company's strong cash generation and its ungeared balance sheet, the board of directors resolved to amend the company's dividend policy by increasing the maximum payout from one-third to forty percent of net profit after taxation. Accordingly, and subsequent to year-end, the board declared a final dividend to shareholders of 11,5 cents per share as well as a capital distribution to shareholders out of share premium of 13,5 cents per share.

## 5. SHARE CAPITAL

### AUTHORISED SHARE CAPITAL:

The authorised share capital amounts to R100 000, being 1 000 000 000 ordinary shares of 0,01 cents each.

There were no changes in the authorised share capital during the year under review.

### ISSUED SHARE CAPITAL:

The issued share capital amounts to R23 500, being 235 000 000 ordinary shares of 0,01 cents each.

There were no changes in the issued share capital during the year under review.

## 6. SUBSIDIARIES

Name and nature of business	Issued capital R	% held		Number of shares held	
		2010	2009	2010	2009
ARB Electrical Wholesalers (Pty) Limited (Co. reg. 2004/012797/07) (Electrical wholesalers)	10 000	74	74	7 400	7 400
ARB IT Solutions (Pty) Limited (Co. reg. 2007/017066/07) (IT service provider)	100	100	100	100	100
ARB Global (Pty) Limited (Co. reg. 2008/008202/07) (Import/export electrical wholesalers)	100	100	100	100	100
				2010 R	2009 R
The company's share of the aggregate profits after tax from subsidiaries				42 382 602	43 699 153

All subsidiaries are incorporated in the Republic of South Africa.

## Directors' Report (continued)

for the year ended 30 June 2010

### 7. DIRECTORS

The directors of the company during the accounting year and up to the date of this report were as follows:

AR Burke	Non-executive chairman
B Nichles	Chief executive officer
WR Neasham	Financial director
CC Robertson	Executive director
ST Downes	Independent non-executive director
M Sibisi	Independent non-executive director (resigned with effect from 30 June 2010)
RB Patmore	Independent non-executive director
JR Modise	Non-executive director
DF Muhlwa	Non-executive director

### 8. DIRECTORS' AND OFFICERS' INTERESTS IN CONTRACTS

No material contracts in which directors have an interest were entered into during the year other than the transactions detailed in note 31 to the annual financial statements.

### 9. MANAGEMENT BY THIRD AND RELATED PARTIES

Neither the business of the company nor its subsidiaries, nor any part thereof, has been managed by a third person or a company in which a director had an interest during the year under review.

### 10. DIRECTORS' EMOLUMENTS

Directors' emoluments are set out in note 21 to the annual financial statements.

### 11. DIRECTORS' SHAREHOLDING IN THE ISSUED SHARE CAPITAL OF THE COMPANY

Director	Number of shares held		Percentage held (%)
	Direct Beneficially	Indirect Beneficially	
2010			
Alan R Burke* (Chairman)	18 523 077	97 608 505	49,4
Byron Nichles (CEO)	–	2 516 904	1,1
Simon Downes *•	–	400 000	0,2
Jacob Modise*	2 000 000	–	0,9
Dumisani Muhlwa*	1 000 000	–	0,4
William Neasham (FD)	4 861 539	75 000	2,1
Craig Robertson	16 205 128	243 108	7,0
Clinton Cockerell**	12 153 846	8 000	5,2
Bruce Sloley**	12 153 846	–	5,2
Jason Burke**	52 900	–	0,0
Derrick Muller***	2 200 000	–	0,9
2009			
Alan R Burke* (Chairman)	18 523 077	97 608 505	49,4
Byron Nichles (CEO)	–	2 516 904	1,1
Simon Downes*•	400 000	–	0,2
Jacob Modise*	2 000 000	–	0,9
Dumisani Muhlwa*	1 000 000	–	0,4
William Neasham (FD)	4 861 539	75 000	2,1
Craig Robertson	16 205 128	243 108	7,0
Clinton Cockerell**	12 153 846	8 000	5,2
Bruce Sloley**	12 153 846	–	5,2
Jason Burke**	52 900	–	0,0
Derrick Muller***	2 200 000	–	0,9

\*Non-executive •Independent

\*\*Director of subsidiary, ARB Electrical Wholesalers (Pty) Limited

\*\*\*Director of subsidiary, ARB IT Solutions (Pty) Limited

No shares were traded by any director from 30 June 2010 until the date of this report.

## 12. SECRETARY

The secretary of the company is WR Neasham, whose business and postal addresses are the following:

10 Mack Road  
Prospecton  
Durban  
4110

PO Box 26426  
Isipingo Beach  
4115

## 13. AUDITORS

PKF Durban, Chartered Accountants (SA), Registered Auditors, will continue in office as auditors of the company in accordance with section 270(2) of the Companies Act in South Africa subject to shareholder approval at the up-coming Annual General Meeting.

## 14. SPECIAL RESOLUTION

The following special resolution was passed by the company during the year under review:

### SPECIAL RESOLUTION 1: GENERAL AUTHORITY TO REPURCHASE COMPANY SHARES

"RESOLVED THAT the directors of the company be and are hereby authorised, by way of a general authority, to repurchase on behalf of the company and/or any of its subsidiaries, ordinary shares issued by the company, in terms of sections 85 to 90 of the Act, the company's articles of association and the Listings Requirements of the JSE, and provided that:

- Any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- This general authority shall only be valid until the company's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution;
- An announcement setting out such details as may be required in terms of the Listings Requirements of the JSE will be published on SENS once the company or any of its subsidiaries has acquired ordinary shares constituting, on a cumulative basis, 3% of the initial number of ordinary shares in issue as at the time the general authority was granted and for each 3% in aggregate of the initial number of shares acquired thereafter;
- In terms of the general authority, the acquisition of ordinary shares in any one financial year may not exceed, in aggregate, 20% of the company's issued share capital of that class, at the time the approval is granted, and the acquisition of shares by a subsidiary of the company, in any one financial year, may not exceed, in aggregate, 10% of the number of issued shares of the company of that class;
- In determining the price at which the company's ordinary shares are acquired by the company and/or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average market price at which such ordinary shares are traded on the JSE, as determined over the five days immediately preceding the date of the acquisition of such ordinary shares by the company and/or any of its subsidiaries;
- The company will only appoint one agent to effect any repurchase(s) on its behalf;
- The company, and any of its subsidiaries, will only undertake a repurchase of shares if, after such repurchase, the company still complies with the shareholder spread requirements set out in paragraphs 3.37 to 3.41 of the Listings Requirements of the JSE; and
- The company and/or its subsidiaries will not acquire the company's shares during a prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period."

# Directors' Report (continued)

for the year ended 30 June 2010

## 15. SIGNIFICANT BUSINESS COMBINATION EFFECTED DURING THE YEAR

### OVERVIEW

With effect from 1 March 2010, ARB Holdings Limited ("ARB Holdings") and ARB Electrical Wholesalers (Pty) Limited ("ARB Electrical"), a subsidiary of ARB Holdings, entered into agreements with *inter alia* Paragon Electrical Wholesalers (Pty) Limited, Paragon Electrical Wholesalers North (Pty) Limited, Paragon West Electrical Wholesalers (Pty) Limited, Paragon East Electrical Wholesalers (Pty) Limited, Belmax Wholesalers (Pty) Limited and Paragon Electrical Distributors CC (together "Paragon") as well as the trustees for the time being of the Gezina Property Trust, the Wolmer Property Trust, the MVO Property Trust and the Erf 849 Centurion Trust (together "the Paragon Group Trusts") to acquire:

- Fixed assets and vehicles, stock, certain standard contracts, all intellectual property rights including, but not limited to, the Paragon and Belmax trade names and all associated goodwill ("the Paragon Business Assets");
- All Paragon staff as at the effective date; and
- The Paragon Properties, being the properties from which Paragon's North, West, Centurion and Gezina branches operate, as one indivisible transaction ("the Paragon Acquisition") for an aggregate cash purchase consideration of R22 688 430.

Consistent with the ARB Group's current asset ownership structure:

- ARB Electrical acquired the Paragon Business Assets, with the exception of the vehicles, as going concerns for a cash consideration of R10 788 430; and
- ARB Holdings acquired the Paragon Properties and vehicles for a cash consideration of R11 900 000 and in turn leases these to ARB Electrical in terms of arm's length rental agreements.

### RATIONALE

The Paragon Acquisition provided the ARB Group with an immediate and well-established presence in the fast growing Pretoria and Centurion markets and extended the ARB Group's national footprint in line with its stated growth strategy.

Several opportunities exist to unlock further value, these include:

- Improved operational efficiencies and enhanced economies of scale;
- Utilising Paragon's well-established market presence in Pretoria as a base from which to service the nearby, high growth regions of Witbank and Rustenburg; and
- Combining the complementary focuses of ARB Electrical (in power cable and overhead line) with Paragon (in general electrical contracting materials) to provide a holistic electrical products supply solution to contractors, industry and parastatals throughout Gauteng.

Refer note 27 to the annual financial statements for further detail.

## 16. SHARE OPTION SCHEME

The salient features of the share option scheme are as follows:

1. An employee share option scheme has been established in terms of which the directors of the company may grant options to employees (including executive directors) to acquire shares in the company in such form and on such terms as provided for by the share option scheme rules.
2. Employees and executive directors will be eligible to participate in the employee share option scheme only if and to the extent that offers are made to them.
3. The aggregate number of unissued shares that may be reserved for the share option scheme, together with the shares under option, may not exceed 15% (fifteen percent) of the company's issued share capital from time to time.
4. The aggregate number of shares which any employee is entitled to acquire under the share option scheme may not exceed 1% (one percent) of the company's issued share capital from time to time.
5. The price at which an option may be exercised will be equal to the closing price of ARB shares on the JSE on the trading day preceding that on which the employee was granted the option.
6. Each option granted will remain in force for a period of 11 years from the date of granting of the option.
7. Each option granted may only be exercised on the following basis:
  - After 6 (six) years have elapsed from the date on which the option is granted, in respect of not more than 10% (ten percent) of the shares which are the subject of that option;
  - After 7 (seven) years have elapsed from the date on which the option is granted, in respect of not more than 25% (twenty-five percent) of the shares which are the subject of that option;
  - After 8 (eight) years have elapsed from the date on which the option is granted, in respect of not more than 45% (forty-five percent) of the shares which are the subject of that option;
  - After 9 (nine) years have elapsed from the date on which the option is granted, in respect of not more than 70% (seventy percent) of the shares which are the subject of that option;



## 16. SHARE OPTION SCHEME (continued)

- After 10 (ten) years have elapsed from the date on which the option is granted, in respect of all the shares which are the subject of that option, provided that, notwithstanding the foregoing, the directors shall be entitled, in their absolute discretion and from time to time, to permit an option to be exercised in respect of all or part of the shares which is the subject of that option.
- 8. The directors may, if they consider that the circumstances warrant such action, with the consent of a participant, cancel a transaction resulting from the acceptance of an offer or the exercise of an option without any resultant claim against the participant or re-purchase any shares so purchased by a participant for a purchase price not exceeding the cost to the participant of those shares.

Options for 740 000 shares were granted during the previous financial year to key management personnel of which 620 000 were accepted, however due to attrition 480 000 are still in effect, the first of which are eligible to be exercised in October 2014.

The estimated fair value of each share option granted is 62,81 cents. This fair value was calculated using the Black Scholes Pricing Market Model. The assumptions used in determining the fair value of the options granted are summarised below:

Share price	R2,00
Strike price	R2,00
Expected option life	10 years
Volatility	30%
Risk-free rate	9,75%
Dividend yield	5%

The risk-free rate of 9,75% has been assumed, based on the prevailing return on a five-year government retail bond as at 27 July 2009.

The volatility was determined based on the historical volatility of the company's share price over the previous year.

No adjustment has been made in the annual financial statements in accordance with IFRS 2: Share-based Payments due to the immaterial value of each share option and the length of the vesting period.

## 17. BORROWINGS

On behalf of the group, the directors have established credit facilities with various financial institutions for use by the company and its subsidiary companies. The directors did not exceed any authorised levels of borrowings during the year under review.

## 18. PROPERTY, PLANT AND EQUIPMENT

The group acquired property, plant and equipment amounting to R23 482 481 (2009: R12 976 267) during the year under review. R12 500 000 of this comprised the fixed property, plant and equipment acquired as part of the Paragon Electrical group acquisition, as detailed in note 27 to the annual financial statements.

## 19. POST BALANCE SHEET EVENTS

Save for the opening of a branch in Polokwane on 1 July 2010, the directors are not aware of any significant events which occurred subsequent to year-end and up to the date of this report.

# Statements of Financial Position

at 30 June 2010

		Group		Company	
		2010	2009	2010	2009
	Notes	R	R	R	R
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>		<b>142 261 246</b>	<b>114 144 341</b>	<b>134 494 654</b>	<b>107 507 003</b>
Property, plant and equipment	4	138 723 925	112 447 262	14 980 478	12 844 852
Investment properties	6	–	–	115 521 078	94 654 551
Investment in subsidiaries	7	–	–	7 600	7 600
Deferred lease income	9	–	–	3 985 498	–
Intangible asset	5	372 120	194 358	–	–
Deferred taxation	8	3 165 201	1 502 721	–	–
<b>CURRENT ASSETS</b>		<b>618 628 076</b>	<b>541 568 834</b>	<b>212 503 109</b>	<b>199 144 051</b>
Inventory	10	181 048 382	175 888 268	–	–
Trade and other receivables	11	176 175 399	165 067 159	61 151	–
Loans receivable	12	–	–	613 167	17 959 105
Deferred lease payments	15	–	28 648	–	–
Taxation overpaid		466 768	23 200	377 240	–
Cash resources		260 937 527	200 561 559	211 451 551	181 184 946
<b>Total assets</b>		<b>760 889 322</b>	<b>655 713 175</b>	<b>346 997 763</b>	<b>306 651 054</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY AND RESERVES</b>		<b>594 982 193</b>	<b>528 920 629</b>	<b>295 490 088</b>	<b>288 123 662</b>
Share capital	13	23 500	23 500	23 500	23 500
Share premium	14	147 874 999	171 374 999	147 874 999	171 374 999
Revaluation reserve		43 586 799	37 149 645	41 706 749	37 149 645
Capital reserve		–	–	26 234 082	26 234 082
Accumulated profits		319 774 214	251 082 290	79 650 758	53 341 436
Attributable to ARB ordinary shareholders		511 259 512	459 630 434	295 490 088	288 123 662
Minority interest		83 722 681	69 290 195	–	–
<b>NON-CURRENT LIABILITIES</b>		<b>19 292 907</b>	<b>16 676 061</b>	<b>18 972 426</b>	<b>16 472 929</b>
Deferred lease payments	15	94 076	97 209	–	–
Deferred taxation	8	19 198 831	16 578 852	18 972 426	16 472 929
<b>CURRENT LIABILITIES</b>		<b>146 614 222</b>	<b>110 116 485</b>	<b>32 535 249</b>	<b>2 054 463</b>
Trade and other payables	16	142 519 017	105 169 300	747 586	716 063
Provisions	17	3 206 704	2 494 712	38 009	23 880
Deferred lease payments	15	3 133	–	–	–
Deferred lease income	9	–	–	1 374 317	–
Loans payable	18	–	–	30 375 337	–
Taxation payable		885 368	2 406 330	–	1 314 273
Bank overdraft		–	46 143	–	247
<b>Total equity and liabilities</b>		<b>760 889 322</b>	<b>655 713 175</b>	<b>346 997 763</b>	<b>306 651 054</b>
Net asset value per share (cents)		217,56	195,59		
Net tangible asset value per share (cents)		216,05	194,85		

# Statements of Comprehensive Income

for the year ended 30 June 2010

	Notes	Group		Company	
		2010 R	2009 R	2010 R	2009 R
Revenue	2.2	1 086 507 122	1 186 658 717	24 059 696	18 099 844
Cost of sales	2.3	886 285 391	978 455 940	–	–
Gross profit		200 221 731	208 202 777	24 059 696	18 099 844
Other income		1 434 832	4 305 277	9 829 164	12 196 039
Other expenses		(105 022 227)	(97 806 694)	(6 030 002)	(5 104 752)
Profit before interest and taxation	19	96 634 336	114 701 360	27 858 858	25 191 131
Dividend received – subsidiary				–	26 640 000
Investment income		594 077	401 345	594 077	401 345
Interest received	22	18 004 364	14 043 616	14 565 712	26 680 603
Interest paid	23	(239 912)	(1 345 714)	(700 850)	(1 138 190)
Profit before taxation		114 992 865	127 800 607	42 317 797	77 774 889
Taxation	24	31 868 455	39 973 438	11 451 371	14 927 417
Profit for the year		83 124 410	87 827 169	30 866 426	62 847 472
Other comprehensive income		6 437 154	7 252 623	–	–
Revaluation of property, plant and equipment		8 940 492	10 073 089	–	–
Taxation		2 503 338	2 820 466	–	–
Total comprehensive income for the year		89 561 564	95 079 792	30 866 426	62 847 472
Profit for the year attributable to:		83 124 410	87 827 169		
ARB ordinary shareholders		68 691 924	72 654 002		
Minority shareholders		14 432 486	15 173 167		
Total comprehensive income attributable to:		89 561 564	95 079 792		
ARB ordinary shareholders		75 129 078	79 906 625		
Minority shareholders		14 432 486	15 173 167		
Basic earnings per share (cents)	25.1	29,23	30,92		
Diluted earnings per share (cents)	25.1	29,17	30,84		
Headline earnings per share (cents)	25.2	29,22	30,91		
Diluted headline earnings per share (cents)	25.2	29,16	30,83		
Dividends per share (cents)	25.4	–	13,00		
Distribution per share (cents)	25.5	10,00	–		

## Statements of Changes in Equity

for the year ended 30 June 2010

	Share capital R	Share premium R	Revalu- ation reserve R	Accu- mulated profits R	Minority interest R	Total R
<b>Group</b>						
<b>Balance at 30 June 2008</b>	23 500	171 374 999	29 897 022	208 978 288	63 477 028	473 750 837
Total comprehensive income for the year	–	–	7 252 623	72 654 002	15 173 167	95 079 792
Dividends paid	–	–	–	(30 550 000)	(9 360 000)	(39 910 000)
<b>Balance at 30 June 2009</b>	23 500	171 374 999	37 149 645	251 082 290	69 290 195	528 920 629
Total comprehensive income for the year	–	–	6 437 154	68 691 924	14 432 486	89 561 564
Distribution paid	–	(23 500 000)	–	–	–	(23 500 000)
<b>Balance at 30 June 2010</b>	23 500	147 874 999	43 586 799	319 774 214	83 722 681	594 982 193

	Share capital R	Share premium R	Revalu- ation reserve R	Capital reserve R	Accumu- lated profits R	Total R
<b>Company</b>						
<b>Balance at 30 June 2008</b>	23 500	171 374 999	29 897 022	26 234 082	28 296 587	255 826 190
Total comprehensive income for the year	–	–	–	–	62 847 472	62 847 472
Dividends paid	–	–	–	–	(30 550 000)	(30 550 000)
Revaluation of investment properties	–	–	7 252 623	–	(7 252 623)	–
<b>Balance at 30 June 2009</b>	23 500	171 374 999	37 149 645	26 234 082	53 341 436	288 123 662
Total comprehensive income for the year	–	–	–	–	30 866 426	30 866 426
Distribution paid	–	(23 500 000)	–	–	–	(23 500 000)
Revaluation of investment properties	–	–	4 557 104	–	(4 557 104)	–
<b>Balance at 30 June 2010</b>	23 500	147 874 999	41 706 749	26 234 082	79 650 758	295 490 088

# Statements of Cash Flow

for the year ended 30 June 2010

	Notes	Group		Company	
		2010 R	2009 R	2010 R	2009 R
<b>Cash flows from operating activities</b>		<b>116 337 591</b>	<b>108 858 108</b>	<b>24 924 878</b>	<b>29 644 993</b>
Cash received from customers		1 075 398 882	1 256 566 707	21 387 364	18 099 844
Cash paid to suppliers and employees		(942 040 996)	(1 078 714 754)	(278 038)	556 168
<b>Cash generated by operating activities</b>	26.1	<b>133 357 886</b>	<b>177 851 953</b>	<b>21 109 326</b>	<b>18 656 012</b>
Interest received		18 004 364	14 043 616	14 565 712	26 680 603
Interest paid		(239 912)	(1 345 714)	(700 850)	(1 138 190)
Investment income		594 077	401 345	594 077	401 345
Dividend received		–	–	–	26 640 000
Dividend paid		–	(39 910 000)	–	(30 550 000)
Taxation paid	26.2	(35 378 824)	(38 192 092)	(10 643 387)	(10 653 777)
Secondary tax on companies paid		–	(3 991 000)	–	(391 000)
<b>Cash flows from investing activities</b>		<b>(32 415 480)</b>	<b>(10 583 082)</b>	<b>(18 879 301)</b>	<b>(7 156 826)</b>
<b>Expenditure to maintain operating capacity</b>		<b>(10 982 481)</b>	<b>(10 638 480)</b>	<b>(4 523 988)</b>	<b>(200 000)</b>
Property, plant and equipment acquired		(10 982 481)	(10 638 480)	(4 523 988)	(200 000)
Investment properties acquired		–	–	(3 837 216)	(7 206 582)
Proceeds from disposal of property, plant and equipment		1 433 193	249 756	1 381 903	249 756
<b>Expenditure to expand operating capacity</b>		<b>(177 762)</b>	<b>(194 358)</b>	<b>–</b>	<b>–</b>
Intangible asset development costs		(177 762)	(194 358)	–	–
<b>Significant business combination effected</b>	27	<b>(22 688 430)</b>	<b>–</b>	<b>(11 900 000)</b>	<b>–</b>
<b>Cash flows from financing activities</b>		<b>(23 500 000)</b>	<b>(10 265 998)</b>	<b>24 221 275</b>	<b>73 730 924</b>
Capital distribution from share premium		(23 500 000)	–	(23 500 000)	–
Loans payable advances		–	–	30 375 337	(10 265 998)
Loans receivable collected		–	–	17 345 938	83 996 922
Loans repaid		–	(10 265 998)	–	–
<b>Increase in cash resources</b>		<b>60 422 111</b>	<b>88 009 028</b>	<b>30 266 852</b>	<b>96 219 091</b>
<b>Cash resources at beginning of year</b>		<b>200 515 416</b>	<b>112 506 388</b>	<b>181 184 699</b>	<b>84 965 608</b>
<b>Cash resources at end of year</b>	26.3	<b>260 937 527</b>	<b>200 515 416</b>	<b>211 451 551</b>	<b>181 184 699</b>



# Notes to the Annual Financial Statements

for the year ended 30 June 2010

The annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa. These policies have been applied consistently to all years presented, unless otherwise stated.

## 1. BASIS OF PREPARATION

The annual financial statements are prepared on the historical cost basis and incorporate the principal accounting policies listed below except financial instruments carried at amortised cost using the effective interest rate method and investment property stated at fair value. Non-current and disposal groups held for sale are stated at the lower of carrying amount and fair value less cost to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

These standards and interpretations have not had a significant impact on the financial statements, but may affect the accounting for any future transactions.

### Standards and interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected presentation and disclosure in these financial statements. Details of other Standards and Interpretations adopted in these financial statements, but that have had no effect on the amounts reported are set out below:

Standard	Details of amendment
IAS 1 (as revised in 2007): Presentation of Financial Statements	<ul style="list-style-type: none"> <li>IAS 1 (2007) has resulted in amendments to terminology and structure of the financial statements</li> <li>The revised standard requires the presentation of a third statement of financials at 1 January 2008 because the company has applied a new accounting policy retrospectively</li> </ul>
IFRS 8: Operating Segments	<ul style="list-style-type: none"> <li>The new standard on segment reporting has resulted in changes to the classification of operating segments</li> </ul>

### Standards and interpretations adopted with no effect on the financial statements

These Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had a significant impact on the amounts reported in these financial statements, but may affect the accounting for any future transactions or arrangements:

Standard	Details of amendment	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	<ul style="list-style-type: none"> <li>Measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time</li> </ul>	1 January 2009
IFRS 2: Share-based Payment	<ul style="list-style-type: none"> <li>Amendment relating to vesting conditions and cancellations</li> <li>Clarification of scope of IFRS 2 and IFRS 3 revised</li> </ul>	1 January 2009 1 July 2009
IFRS 3: Business Combinations	<ul style="list-style-type: none"> <li>Amendments to accounting for business combinations</li> </ul>	1 July 2009
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	<ul style="list-style-type: none"> <li>Plan to sell the controlling interest in a subsidiary</li> </ul>	1 July 2009

## 1. BASIS OF PREPARATION (continued)

### ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

#### Standards and interpretations adopted with no effect on the financial statements (continued)

Standard	Details of amendment	Annual periods beginning on or after
IFRS 7: Financial Instruments: Disclosures	<ul style="list-style-type: none"> <li>Presentation of finance costs</li> <li>Amendment dealing with improving disclosures about financial instruments</li> <li>Amendments enhancing disclosures about fair value and liquidity risk</li> </ul>	1 January 2009
IFRS 8: Operating Segments	<ul style="list-style-type: none"> <li>New standard on segment reporting (replaces IAS 14)</li> </ul>	1 January 2009
IAS 1: Presentation of Financial Statements	<ul style="list-style-type: none"> <li>Amendments to the structure of the financial statements</li> <li>Current/non-current classification of derivatives</li> </ul>	1 January 2009
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	<ul style="list-style-type: none"> <li>Status of the implementation guidance</li> </ul>	1 January 2009
IAS 10: Events after the Reporting Period	<ul style="list-style-type: none"> <li>Dividends declared after the end of the reporting period</li> <li>Amendment resulting from the issue of IFRIC 17</li> </ul>	1 January 2009 1 July 2009
IAS 16: Property, Plant and Equipment	<ul style="list-style-type: none"> <li>Recoverable amount</li> <li>Sale of assets held for rental</li> </ul>	1 January 2009
IAS 18: Revenue	<ul style="list-style-type: none"> <li>Costs of originating a loan</li> </ul>	1 January 2009
IAS 19: Employee Benefits	<ul style="list-style-type: none"> <li>Curtailments and negative past service cost</li> <li>Plan administration costs</li> <li>Replacement of term 'fall due'</li> <li>Guidance on contingent liabilities</li> </ul>	1 January 2009
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance	<ul style="list-style-type: none"> <li>Government loans with a below-market rate of interest</li> <li>Consistency of terminology with other IFRS</li> </ul>	1 January 2009
IAS 21: The Effects of Changes in Foreign Exchange Rates	<ul style="list-style-type: none"> <li>Consequential amendments from changes to Business Combinations</li> </ul>	1 July 2009
IAS 23: Borrowing Costs	<ul style="list-style-type: none"> <li>Amendment requiring capitalisation only model</li> <li>Components of borrowing costs</li> </ul>	1 January 2009
IAS 27: Consolidated and Separate Financial Statements	<ul style="list-style-type: none"> <li>Amendments dealing with measurement of the cost of investments when adopting IFRS for the first time</li> <li>Consequential amendments from change to Business Combinations</li> <li>Measurement of subsidiary held for sale in separate financial statements</li> </ul>	1 January 2009 1 July 2009 1 January 2009
IAS 28: Investments in Associates	<ul style="list-style-type: none"> <li>Consequential amendments from changes to Business Combinations</li> <li>Required disclosures when investments in associates are accounted for at fair value through profit or loss</li> <li>Impairment of investment in associates</li> </ul>	1 July 2009 1 January 2009
IAS 29: Financial Reporting in Hyperinflationary Economies	<ul style="list-style-type: none"> <li>Description of measurement basis in financial statements</li> <li>Consistency of terminology with other IFRS</li> </ul>	1 January 2009

# Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

## 1. BASIS OF PREPARATION (continued)

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

Standards and interpretations adopted with no effect on the financial statements (continued)

Standard	Details of amendment	Annual periods beginning on or after
IAS 31: Interests in Joint Ventures	<ul style="list-style-type: none"> <li>Required disclosures when interest in jointly controlled entities is accounted for at fair value through profit or loss</li> <li>Consequential amendments from changes to Business Combinations</li> </ul>	1 January 2009  1 July 2009
IAS 32: Financial Instruments: Presentation	<ul style="list-style-type: none"> <li>Certain financial instruments will be classified as equity whereas prior to these amendments they would have been classified as financial liabilities</li> </ul>	1 January 2009
IAS 34: Interim Financial Reporting	<ul style="list-style-type: none"> <li>Earnings per share disclosures in interim financial reports</li> </ul>	1 January 2009
IAS 36: Impairment of Assets	<ul style="list-style-type: none"> <li>Disclosure of estimates used to determine recoverable amount</li> </ul>	1 January 2009
IAS 38: Intangible Assets	<ul style="list-style-type: none"> <li>Advertising and promotional activities</li> <li>Unit of production method of amortisation</li> <li>Additional consequential amendments arising from revised IFRS 3</li> <li>Measuring the fair value of an intangible asset acquired in a business combination</li> </ul>	1 January 2009  1 July 2009
IAS 39: Financial Instruments: Recognition and Measurement	<ul style="list-style-type: none"> <li>Reclassification of derivatives into or out of the classification of at fair value through profit or loss</li> <li>Designating and documenting hedges at the segment level</li> <li>Applicable effective interest rate on cessation of fair value hedge accounting</li> <li>Clarifies two hedge accounting issues:               <ul style="list-style-type: none"> <li>– Inflation in a financial hedged item</li> <li>– A one-sided risk in a hedged item</li> </ul> </li> <li>Amendments for embedded derivatives when reclassifying financial instruments</li> </ul>	1 January 2009  1 July 2009  30 June 2009
IAS 40: Investment Property	<ul style="list-style-type: none"> <li>Property under construction or development for future use as investment property</li> <li>Consistency of terminology with IAS 8</li> <li>Investment property under lease</li> </ul>	1 January 2009
IAS 41: Agriculture	<ul style="list-style-type: none"> <li>Discount rate for fair value calculations</li> <li>Additional biological transformation</li> <li>Examples of agricultural produce and products</li> <li>Point-of-sale costs</li> </ul>	1 January 2009

Interpretations	Annual periods beginning on or after
IFRIC 9: (amended): Reassessment of Embedded Derivatives <i>Scope of IFRIC 9 and revised IFRS 3</i>	1 July 2009
IFRIC 15: Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16: (amended): Hedges of a Net Investment in a Foreign Operation Amendment to the restriction on the entity that can hold hedging instruments	1 July 2009
IFRIC 17: Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 18: Transfer of Assets to Customers	1 July 2009

## 1. BASIS OF PREPARATION (continued)

### ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

#### Standards and Interpretations in issue not yet adopted

Standard	Details of amendment	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	<ul style="list-style-type: none"> <li>Amendments relating to oil and gas assets and determining whether an arrangement contains a lease</li> <li>Amendment relieves first-time adopters of IFRS from providing the additional disclosures introduced through Amendments to IFRS 7 in March 2009</li> <li>Amendment clarifies that changes in accounting policies in the year of adoption fall outside the scope of IAS 8</li> <li>Amendment permits the use of revaluation carried out after the date of transition as a basis for deemed cost</li> <li>Amendment permits the use of carrying amount under previous GAAP as deemed cost for operations subject to rate regulation</li> </ul>	1 January 2010  1 July 2010  1 January 2011
IFRS 2: Share-based Payment	<ul style="list-style-type: none"> <li>Amendments relating to group cash-settled share-based payment transactions.</li> <li>Clarity of the definition of the term "group" and where in a group, share-based payments must be accounted for</li> </ul>	1 January 2010
IFRS 3: Business Combinations	<ul style="list-style-type: none"> <li>Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS</li> <li>Clarification on the measurement of non-controlling interests</li> <li>Additional guidance provided on unreplaced and voluntarily replaced share-based payment awards</li> </ul>	1 January 2011
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	<ul style="list-style-type: none"> <li>Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations</li> </ul>	1 January 2010
IFRS 7: Financial Instruments: Disclosures	<ul style="list-style-type: none"> <li>Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading</li> </ul>	1 January 2011
IFRS 8: Operating Segments	<ul style="list-style-type: none"> <li>Disclosure of information about segment assets</li> </ul>	1 January 2010
IFRS 9: Financial Instruments	<ul style="list-style-type: none"> <li>New standard that forms the first part of a three-part project to replace IAS 39: Financial Instruments: Recognition and Measurement</li> </ul>	1 January 2013
IAS 1: Presentation of Financial Statements	<ul style="list-style-type: none"> <li>Current/non-current classification of convertible instruments</li> <li>Clarification of statement of changes in equity</li> </ul>	1 January 2010  1 January 2011
IAS 7: Statement of Cash Flows	<ul style="list-style-type: none"> <li>Classification of expenditures on unrecognised assets</li> </ul>	1 January 2010
IAS 17: Leases	<ul style="list-style-type: none"> <li>Classification of leases of land and buildings</li> </ul>	1 January 2010

# Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

## 1. BASIS OF PREPARATION (continued)

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

Standards and Interpretations in issue not yet adopted (continued)

Standard	Details of amendment	Annual periods beginning on or after
IAS 21: The Effects of Changes in Foreign Exchange Rates	<ul style="list-style-type: none"> <li>Consequential amendments from changes to IAS 27: Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)</li> </ul>	1 July 2010
IAS 24: Related Party Disclosures	<ul style="list-style-type: none"> <li>Simplification of the disclosure requirements for government-related entities</li> <li>Clarification of the definition of a related party</li> </ul>	1 January 2011
IAS 27: Consolidated and Separate Financial Statements	<ul style="list-style-type: none"> <li>Transition requirements for amendments arising as a result of IAS 27: Consolidated and Separate Financial Statements</li> </ul>	1 July 2010
IAS 28: Investments in Associates	<ul style="list-style-type: none"> <li>Consequential amendments from changes to IAS 27: Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)</li> </ul>	1 July 2010
IAS 31: Interests in Joint Ventures	<ul style="list-style-type: none"> <li>Consequential amendments from changes to IAS 27: Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)</li> </ul>	1 July 2010
IAS 32: Financial Instruments: Presentation	<ul style="list-style-type: none"> <li>Accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer</li> </ul>	1 February 2010
IAS 34: Interim Financial Reporting	<ul style="list-style-type: none"> <li>Clarification of disclosure requirements around significant events and transactions including financial instruments</li> </ul>	1 January 2011
IAS 36: Impairment of Assets	<ul style="list-style-type: none"> <li>Unit of accounting for goodwill impairment test</li> </ul>	1 January 2010
IAS 39: Financial Instruments: Recognition and Measurement	<ul style="list-style-type: none"> <li>Treating loan prepayment penalties as closely related embedded derivatives</li> <li>Scope exemption for business combination contracts</li> <li>Cash flow hedge accounting</li> </ul>	1 January 2010

Interpretations	Annual periods beginning on or after
IFRIC 13: Consumer Loyalty Programmes	1 January 2011
<ul style="list-style-type: none"> <li>Clarification on the intended meaning of the term "fair value" in respect of award credits</li> </ul>	
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company.

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF CONSOLIDATION

#### Subsidiaries

Subsidiaries, which are those entities in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which the control is transferred to the group and are no longer consolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

In the stand-alone company accounts, investments in subsidiaries are held at amortised cost, less accumulated impairment losses.

### 2.2 REVENUE RECOGNITION

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

### 2.3 COST OF SALES

Cost of sales comprises costs that relate directly to revenue.

### 2.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except for land and buildings are stated at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is computed by allocating the depreciable amount of an asset on a systematic basis over its useful life and is applied separately to each identifiable component. Residual values and useful lives are assessed at the end of every financial year and the year's depreciation determined.

The carrying amounts of property, plant and equipment are reviewed annually for an indication whether or not the relevant asset is impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. Impairment losses and reversals are recognised directly in the statement of comprehensive income under the line item "other expenses" unless such reversals relate to previously recognised revaluation reserves in equity.

Land and buildings held for use in the production or supply of goods or services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation and less any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

# Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

## 2. ACCOUNTING POLICIES (continued)

### 2.4 PROPERTY, PLANT AND EQUIPMENT (continued)

Any revaluation increase arising on revaluation of such land and buildings is credited in equity to the properties' revaluation reserve except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties' revaluation reserve relating to a previous revaluation of that asset.

Property, plant and equipment are depreciated over their useful lives as follows:

Plant and equipment	5 to 15 years
Office furniture and fittings	6 years
Office equipment	5 to 6 years
Computer equipment	3 years
Vehicles	4 to 5 years
Buildings	50 years

Land is not depreciated.

Where the estimated residual value of an asset is above its carrying value, no depreciation is raised.

### 2.5 INVESTMENT PROPERTIES

Investment property in the company, which is property held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

### 2.6 INVENTORY

Inventory consists of power and instrumentation cable, overhead line conductors and equipment and general electrical contracting materials purchased for resale and is valued at the lower of cost or net realisable value. Cost is determined using the weighted average cost basis. Adequate provision is made for obsolete, redundant and slow moving inventory.

### 2.7 TAXATION

#### Current tax

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the reporting date.

#### Deferred tax

Deferred tax is provided on the comprehensive basis computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

### 2.8 BUSINESS COMBINATIONS (GOODWILL)

The purchase method of accounting is used when an entity is acquired. On acquisition date, fair values are attributed to the identifiable assets, liabilities and contingent liabilities.

Fair values of the identifiable assets and liabilities are deemed by return to market value of those for similar items, where available, or by discounting expected future cash flows to achieve present values.

The cost of acquisition is the fair value of the group's contribution in the form of assets transferred, shares issued and liabilities assumed at the acquisition date plus costs attributable to the acquisition.

At acquisition date, goodwill is recognised when the cost of the acquisition exceeds the fair value of the group's interest in the net identifiable assets of the entity acquired.



## 2. ACCOUNTING POLICIES (continued)

### 2.9 IMPAIRMENT

The carrying amounts of the assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated as the higher of the net selling price and value in use.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses and reversals of impairment losses are separately disclosed in the statement of comprehensive income, above the profit before tax subtotal.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

### 2.10 INVESTMENTS

All investments in subsidiaries are recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

### 2.11 LEASED ASSETS

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Assets held for operating leases are depreciated over their estimated useful lives. Income is recognised on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefits are diminished.

### 2.12 BORROWING COSTS

Borrowing costs, incurred in respect of assets that require a substantial period to prepare for its intended use, are capitalised up to the date that the development of the asset is substantially complete in order for the asset to be ready for its intended use. Borrowing costs are capitalised at the rates applicable to the related liability. Other borrowing costs are recognised directly in profit and loss when incurred.

### 2.13 EMPLOYEE BENEFITS

#### Short-term employee benefits

The cost of all short-term benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the company has a present obligation to pay as a result of employees' services provided to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

#### Retirement benefits

The company and its subsidiaries contribute to defined contribution funds. Contributions to defined contribution funds are charged against income as incurred.

### 2.14 PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and when a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate.

# Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

## 2. ACCOUNTING POLICIES (continued)

### 2.15 FINANCIAL INSTRUMENTS

#### Financial assets

Financial assets are recognised in the financial statements on the contractual commitment date. Regular way purchases of financial assets are accounted for at trade date/settlement date. Financial assets are initially measured at their cost; which is the fair value of the consideration given, plus the transaction costs, except in the case of financial assets carried at fair value through profit or loss where transaction costs are immediately expensed. Subsequent to initial recognition, these instruments are measured as follows:

- Loans and receivables and held-to-maturity investments are measured at amortised costs using the effective interest rate method.
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.
- Other financial assets, including derivatives, at fair values, without any deduction for transaction costs which may occur on sale or other disposal.
- Any gain or loss arising from a change in a financial asset is recognised as follows:
  - A gain or loss on a financial asset classified as fair value through profit or loss is recognised in profit or loss;
  - A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss; and
  - Financial assets carried at amortised cost: a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortisation process.

#### Financial liabilities

Financial liabilities are recognised in the financial statements on the contractual commitment date.

Financial liabilities are initially measured at their cost; which is the fair value of the consideration given, less the transaction costs. Subsequent to initial recognition, these instruments are measured as follows:

- Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- Other financial liabilities are measured at amortised cost using the effective interest method.
- Any gain or loss arising from a change in a financial liability is recognised as follows:
  - A gain or loss on a financial liability classified at fair value through profit or loss is recognised in profit or loss; and
  - Financial liabilities carried at amortised cost: a gain or loss is recognised in profit or loss when the financial liability is derecognised or impaired, and through the amortisation process.

### 2.16 SET-OFF OF FINANCIAL ASSETS AND LIABILITIES

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and the company intends to settle on a net basis or to realise the asset and liability simultaneously, all related financial effects are netted.

### 2.17 DIVIDENDS

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are declared by the company's directors.

### 2.18 SHARE-BASED PAYMENTS

Options are measured at fair value at grant date using the Black Scholes Pricing Market Model. The fair value is expensed on a straight-line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

Equity settled share-based payments are not adjusted for subsequent changes in the fair value of the instruments granted but rather the number of equity instruments that are granted is adjusted based on the fulfilment of the attached non-market related vesting conditions.

### 2.19 EARNINGS PER SHARE

Earnings per share is based on attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year. Fully diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on the earnings per share.

## 2. ACCOUNTING POLICIES (continued)

### 2.20 HEADLINE EARNINGS PER SHARE

Headline earnings per share is based on the same calculation as in 2.19 above except that attributable profit specifically excludes items as set out in Circular 3/2009: "Headline Earnings" issued by the South African Institute of Chartered Accountants. Fully diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on headline earnings per share.

### 2.21 INTANGIBLE ASSETS

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

The carrying value of intangible assets is reviewed for impairment annually.

### 2.22 RELATED PARTY TRANSACTIONS

All subsidiaries, associated companies and key management personnel of the group are related parties. A list of all transactions with major subsidiaries, associated companies and key management personnel is included in note 31 of this annual report. All transactions entered into with subsidiaries and associated companies were on terms no more favourable than those with third parties and have been eliminated in the consolidated group accounts. Directors' and key management personnel emoluments as well as transactions with other related parties are set out in notes 21 to 23 and 31 respectively. There were no other material contracts with related parties.

### 2.23 CONTINGENCIES AND COMMITMENTS

Transactions are classified as contingent liabilities where the group's obligations depend on uncertain events and principally consist of contract specific third party obligations underwritten by banking institutions. Items are classified as commitments where the group commits itself to future transactions, particularly in the acquisition of property, plant and equipment.

## 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### 3.1 KEY SOURCES OF ESTIMATION UNCERTAINTY

#### **Impairment of inventory**

The inventory obsolescence provision is management's estimate, based on historic sales trends and its assessment of quality and volume, and the extent to which the merchandise for resale on hand at reporting date will not be sold.

#### **Impairment of trade receivables**

Provision is made for doubtful debts based on management's estimate of the prospect of recovering the debt. Where management has determined that the recovery of the debt is doubtful, the amount is provided for immediately.

#### **Residual values and useful lives of items of property, plant and equipment**

Property, plant and equipment is depreciated over its useful life taking into account residual values where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as relevant market information, the condition of the asset and management's consideration. In assessing the residual values, the group considers the remaining life of the assets, their projected disposal value and future market conditions.

## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

### 3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### 3.1 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

##### **Residual values and useful lives of items of property, plant and equipment (continued)**

###### *Motor vehicles*

The group has a policy of utilising all motor vehicles for a period of five years. It is estimated that motor vehicles have a residual value approximating 20% – 60%, depending on their age, of their initial purchase price based on historical sales trends.

###### *Delivery vehicles*

The group has a policy of utilising all delivery vehicles for a period of four years. It is estimated that delivery vehicles have a residual value approximating 30% of their initial purchase price based on historical sales trends.

###### *Plant and equipment*

Due to the specialised nature of the group's plant and equipment, the residual values of these assets have been estimated to be nil. The group estimates that the useful life of these assets, being the period of time for which the assets can be utilised without significant modifications, replacements or improvements, is five to fifteen years based on the current levels of use and repairs and maintenance costs incurred.

###### **Intangible assets**

The group has classified its development costs of an accounting software package as an intangible asset. No amortisation has been provided for as the software is in its development stage. This software is expected to generate future revenue once complete.

###### **Revaluation of land and buildings and investment properties**

The group values the land and buildings and investment properties with reference to current market conditions, recent sales transactions of similar geographical locations and the present value of future rental income.

#### 3.2 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

##### **Operating lease commitments**

The company has entered into leases over properties, motor vehicles and equipment. As management has determined that the company has not obtained substantially all the risks and rewards of ownership of the properties, motor vehicles and equipment, the leases have been classified as operating leases and accounted for accordingly.

##### **Contingent liabilities**

Management applies its judgement to advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability in the form of a provision or disclosed as a contingent liability.

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	Cost/ valuation R	2010 Accumulated depreciation R	Carrying value R	Cost/ valuation R	2009 Accumulated depreciation R	Carrying value R
<b>4. PROPERTY, PLANT AND EQUIPMENT GROUP</b>						
Land and buildings	118 132 259	–	118 132 259	94 654 551	–	94 654 551
Plant and equipment	9 392 920	4 411 651	4 981 269	7 697 718	3 333 412	4 364 306
Vehicles	22 243 251	9 248 122	12 995 129	20 457 850	9 636 992	10 820 858
Office furniture and fittings	2 758 180	1 675 277	1 082 903	2 345 651	1 198 901	1 146 750
Office equipment	1 463 066	952 149	510 917	1 292 099	742 635	549 464
Computer equipment	4 759 591	3 738 143	1 021 448	3 722 746	2 811 413	911 333
	<b>158 749 267</b>	<b>20 025 342</b>	<b>138 723 925</b>	<b>130 170 615</b>	<b>17 723 353</b>	<b>112 447 262</b>
<b>COMPANY</b>						
Plant and equipment	3 907 459	1 819 406	2 088 053	3 720 037	1 578 667	2 141 370
Vehicles	22 096 531	9 204 106	12 892 425	20 311 130	9 607 648	10 703 482
	<b>26 003 990</b>	<b>11 023 512</b>	<b>14 980 478</b>	<b>24 031 167</b>	<b>11 186 315</b>	<b>12 844 852</b>

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year R	Additions R	Re- valuation R	Disposals R	De- preciation R	Carrying value at end of year R
<b>GROUP</b>						
<b>2010</b>						
Land and buildings	94 654 551	14 537 216	8 940 492	–	–	118 132 259
Plant and equipment	4 364 306	1 738 833	–	(16 147)	(1 105 723)	4 981 269
Vehicles	10 820 858	5 511 566	–	(1 362 605)	(1 974 690)	12 995 129
Office furniture and fittings	1 146 750	449 545	–	(12 997)	(500 395)	1 082 903
Office equipment	549 464	181 733	–	(9 128)	(211 152)	510 917
Computer equipment	911 333	1 063 588	–	(13 018)	(940 455)	1 021 448
	<b>112 447 262</b>	<b>23 482 481</b>	<b>8 940 492</b>	<b>(1 413 895)</b>	<b>(4 732 415)</b>	<b>138 723 925</b>
<b>2009</b>						
Land and buildings	77 374 880	7 206 582	10 073 089	–	–	94 654 551
Plant and equipment	3 774 506	1 548 654	–	(60 670)	(898 184)	4 364 306
Vehicles	10 563 100	2 337 787	–	(182 683)	(1 897 346)	10 820 858
Office furniture and fittings	1 070 463	721 863	–	–	(645 576)	1 146 750
Office equipment	458 432	280 259	–	–	(189 227)	549 464
Computer equipment	926 377	881 122	–	–	(896 166)	911 333
	<b>94 167 758</b>	<b>12 976 267</b>	<b>10 073 089</b>	<b>(243 353)</b>	<b>(4 526 499)</b>	<b>112 447 262</b>

#### Land and buildings

Described as:

- Sub 20 of Lot 1543, Isipingo, situate at 10 Mack Road, Prospecton, in extent 23 500 square metres;
- Sub 12 of Lot 2131, Pietermaritzburg, situate at 307 Boom Street, Pietermaritzburg, in extent 3 528 square metres;
- Erf 7704, Richards Bay (extension 24), situate at 63 Dollar Drive, Richards Bay, in extent 4 210 square metres;
- Erf 19168, East London, situate at 27 Raydon Road, East London, in extent 3 610 square metres;
- Lot 322, Alrode Extension 2, Johannesburg, situate at 8 Bosworth Street, Johannesburg, in extent 13 220 square metres;
- Erf 6794, Montague Gardens, Cape Town, situate at 14 -16 Track Crescent, Cape Town, in extent 6 856 square metres;

## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

### 4. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP (continued)

#### Land and buildings (continued)

- Erf 85 Rocky Drift Extension 3 Township Registration Division JT situate at 31 Wilkeusweg, Rocky Drift, Nelspruit, in extent 2 027 square metres;
- Erf 110 Rocky Drift Extension 3 Township Registration Division JT situate at 6 Victor Street, Rocky Drift, Nelspruit, in extent 2 088 square metres;
- Erf 21 Riverside Industrial Park Township Registration division JT, situate at 15 Waterfall Avenue, Riverside Industrial Park, Nelspruit, in extent 4 687 square metres;
- Erf 849 and 850, Zwartkop Extension 4, situate at 11 Larch Close, Centurion, in extent 1 226 and 1 004 square metres respectively;
- Erf 768, Gezina, situate at 600 Fredrika Street, Gezina, in extent 3 440 square metres;
- Erf 289 and 290, Wolmer, situate at 745 President Steyn Street, Pretoria North, in extent 1 276 and 1 276 square metres respectively; and
- Portion 1 of Erf 1827, Pretoria West, situate at 154 Soutter Street, Pretoria West, in extent 1 249 square metres.

The fair value of properties is determined every three years and updated annually by independent professionally qualified valuers, Glen MacMillan (MIVSA; SACV No 2964) and Grant McIntosh (MIVSA; SACPVP No 5500). In determining the valuations on 25 June 2010 and 12 October 2009 respectively, the valuers referred to current market conditions, recent sales transactions of similar properties in similar geographical locations and the present value of future rental income expected to be earned in respect of the properties in their current condition. The cash flows were estimated based on external evidence of current rentals for similar properties in similar locations.

If the cost model had been applied, the carrying value of land and buildings would have been R57 020 760 (2009: R42 483 542).

Included in additions in 2010 are the following additions which were acquired as part of the Paragon Electrical group acquisition:

	R
Land and buildings	10 700 000
Plant and equipment	352 274
Vehicles	1 200 000
Office equipment	56 158
Computer equipment	191 568
	12 500 000

#### COMPANY

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year R	Additions R	Disposals R	Depreciation R	Carrying value at end of year R
<b>2010</b>					
Plant and equipment	2 141 370	212 422	–	(265 739)	2 088 053
Vehicles	10 703 482	5 511 566	(1 362 605)	(1 960 018)	12 892 425
	12 844 852	5 723 988	(1 362 605)	(2 225 757)	14 980 478
<b>2009</b>					
Plant and equipment	2 292 785	200 000	(60 670)	(290 745)	2 141 370
Vehicles	10 431 052	2 337 787	(182 683)	(1 882 674)	10 703 482
	12 723 837	2 537 787	(243 353)	(2 173 419)	12 844 852

Included in additions to vehicles in 2010 are additions to the amount of R1 200 000 which were acquired as part of the Paragon Electrical group acquisition.

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>5. INTANGIBLE ASSET</b>				
Software development costs				
Opening cost	194 358	–	–	–
Additions	177 762	194 358	–	–
Closing cost	372 120	194 358	–	–
Intangible assets have been valued as stated in note 2.21.				
<b>6. INVESTMENT PROPERTIES</b>				
Opening carrying value	–	–	94 654 551	77 374 880
Additions at cost	–	–	14 537 216	7 206 582
Net revaluation			6 329 311	10 073 089
Revaluation	–	–	8 940 492	10 073 089
Deferred lease smoothing	–	–	(2 611 181)	–
Closing carrying value	–	–	115 521 078	94 654 551

Described as:

- Sub 20 of Lot 1543, Isipingo, situate at 10 Mack Road, Prospecton, in extent 23 500 square metres;
- Sub 12 of Lot 2131, Pietermaritzburg, situate at 307 Boom Street, Pietermaritzburg, in extent 3 528 square metres;
- Erf 7704, Richards Bay (extension 24), situate at 63 Dollar Drive, Richards Bay, in extent 4 210 square metres;
- Erf 19168, East London, situate at 27 Raydon Road, East London, in extent 3 610 square metres;
- Lot 322, Alrode Extension 2, Johannesburg, situate at 8 Bosworth Street, Johannesburg, in extent 13 220 square metres;
- Erf 6794, Montague Gardens, Cape Town, situate at 14 –16 Track Crescent, Cape Town, in extent 6 856 square metres;
- Erf 85 Rocky Drift Extension 3 Township Registration Division JT situate at 31 Wilkeusweg, Rocky Drift, Nelspruit, in extent 2 027 square metres;
- Erf 110 Rocky Drift Extension 3 Township Registration Division JT situate at 6 Victor Street, Rocky Drift, Nelspruit, in extent 2 088 square metres;
- Erf 21 Riverside Industrial Park Township Registration division JT, situate at 15 Waterfall Avenue, Riverside Industrial Park, Nelspruit, in extent 4 687 square metres;
- Erf 849 and 850, Zwartkop Extension 4, situate at 11 Larch Close, Centurion, in extent 1 226 and 1 004 square metres respectively;
- Erf 768, Gezina, situate at 600 Fredrika Street, Gezina, in extent 3 440 square metres;
- Erf 289 and 290, Wolmer, situate at 745 President Steyn Street, Pretoria North, in extent 1 276 and 1 276 square metres respectively, and;
- Portion 1 of Erf 1827, Pretoria West, situate at 154 Soutter Street, Pretoria West, in extent 1 249 square metres.

The fair value of investment properties is determined every three years and updated annually by independent professionally qualified valuers, Glen MacMillan (MIVSA; SACV No 2964) and Grant McIntosh (MIVSA; SACPVP No. 5500). In determining the valuations on 25 June 2010 and 12 October 2009 respectively, the valuers referred to current market conditions, recent sales transactions of similar properties in similar geographical locations and the present value of future rental income expected to be earned in respect of the properties in their current condition. The cash flows were estimated based on external evidence of current rentals for similar properties in similar locations.

If the cost model had been applied, the carrying value of investment properties would have been R57 020 760 (2009: R42 483 542).

Included in additions in 2010 are additions to the amount of R10 700 000 which were acquired as part of the Paragon Electrical group acquisition.



## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
<b>7. INVESTMENT IN SUBSIDIARIES</b>				
ARB Electrical Wholesalers (Pty) Limited – at cost				
7 400 ordinary shares of R1 each	–	–	7 400	7 400
ARB IT Solutions (Pty) Limited – at cost				
100 ordinary shares of R1 each	–	–	100	100
ARB Global (Pty) Limited – at cost				
100 ordinary shares of R1 each	–	–	100	100
	–	–	7 600	7 600
<b>8. DEFERRED TAXATION</b>				
<b>Deferred tax asset</b>				
The balance comprises:				
– Provision for credit notes	15 256	–	–	–
– Unutilised STC credit	99 543	40 135	–	–
– Lease smoothing effect	27 218	19 198	–	–
– Doubtful debt allowance	1 119 634	488 503	–	–
– Provision for leave pay	488 450	373 800	–	–
– Interest accrual	95 266	49 194	–	–
– Inventory obsolescence allowance	910 408	207 170	–	–
– Provision for bonuses	409 426	324 721	–	–
	3 165 201	1 502 721	–	–
Balance at beginning of year	1 502 721	2 113 481	–	–
Movements during the year attributable to:				
– Provision for credit notes	15 256	–	–	–
– Unutilised STC credit	59 408	40 135	–	–
– Lease smoothing effect	8 020	(264 711)	–	–
– Doubtful debt allowance	631 131	(203 380)	–	–
– Provision for leave pay	114 650	208 333	–	–
– Interest accrual	46 072	(13 207)	–	–
– Inventory obsolescence allowance	703 238	(198 885)	–	–
– Provision for bonuses	84 705	(179 045)	–	–
Balance at end of year	3 165 201	1 502 721	–	–
<b>Deferred tax liability</b>				
The balance comprises:				
– Intangible asset	(97 734)	(46 776)	–	–
– Investment properties	–	–	(16 610 864)	(14 717 896)
– Property, plant and equipment	(19 101 097)	(16 532 076)	(1 740 616)	(1 801 855)
– Lease smoothing effect	–	–	(731 131)	–
– Provision for leave pay	–	–	10 642	6 687
– Unutilised STC credit	–	–	99 543	40 135
	(19 198 831)	(16 578 852)	(18 972 426)	(16 472 929)
Balance at beginning of year	(16 578 852)	(14 032 634)	(16 472 929)	(14 026 472)
Movements during the year attributable to:				
– Intangible asset	(50 958)	(46 776)	–	–
– Investment properties	–	–	(1 892 968)	(2 255 878)
– Property, plant and equipment	(2 569 021)	(2 780 413)	61 239	(518 372)
– Lease smoothing effect	–	280 971	(731 131)	280 971
– Provision for leave pay	–	–	3 955	6 687
– Unutilised STC credit	–	–	59 408	40 135
Balance at end of year	(19 198 831)	(16 578 852)	(18 972 426)	(16 472 929)

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>9. DEFERRED LEASE INCOME</b>				
Arising on the straight-lining of income earned under operating leases:				
– Long-term asset	–	–	3 985 498	–
– Current liability	–	–	(1 374 317)	–
Net deferred lease income	–	–	2 611 181	–
<b>10. INVENTORY</b>				
Merchandise for resale	187 617 616	177 062 126	–	–
Allowance for impairment	(6 569 234)	(1 173 858)	–	–
	181 048 382	175 888 268	–	–
Inventory has been valued as stated in note 2.6.				
<b>Impairment losses</b>				
Allowance for impairment in respect of inventory can be reconciled as follows:				
Opening balance	1 173 858	2 837 980	–	–
Impairments recognised in profit and loss	5 395 376	(1 664 122)	–	–
Closing balance	6 569 234	1 173 858	–	–
The following factors were considered in determining the amount of the impairment of inventory:				
Historic sales trends				
Merchandise for resale on hand at reporting date which will not be sold.				
<b>11. TRADE AND OTHER RECEIVABLES</b>				
Gross trade receivables	180 109 964	163 176 632	–	–
Allowance for impairment	(5 331 588)	(2 326 206)	–	–
	174 778 376	160 850 426	–	–
VAT refundable	1 064 130	45 588	34 263	–
Prepayments	195 360	143 188	–	–
Deposits	110 645	105 857	–	–
Other receivables	26 888	3 922 100	26 888	–
	176 175 399	165 067 159	61 151	–
The carrying value of trade and other receivables approximated their fair value due to the short-term nature of these instruments.				
<b>Impairment losses</b>				
Allowance for impairment in respect of trade receivables can be reconciled as follows:				
Opening balance	2 326 206	3 294 684	–	–
Reversals of provisions	(1 045 845)	(2 516 366)	–	–
Provision utilised	(286 635)	(651 585)	–	–
New provisions raised	4 337 862	2 199 473	–	–
Closing balance	5 331 588	2 326 206	–	–

## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

	2010 Gross trade receivables R	Group 2010 Impairment allowance R	2009 Gross trade receivables R	Group 2009 Impairment allowance R
<b>11. TRADE AND OTHER RECEIVABLES (continued)</b>				
The following table illustrates the relationship between aged gross trade receivables and the impairment allowance:				
Not past due	160 384 114	1 303 526	143 926 130	444 693
Past due 0 to 30 days	9 805 150	1 205 825	17 467 191	507 117
Past due 30 to 60 days	7 244 196	1 157 756	366 917	359 569
Past due 60 days +	2 676 504	1 664 481	1 416 394	1 014 827
	<b>180 109 964</b>	<b>5 331 588</b>	163 176 632	2 326 206
The following factors were considered in determining the amount of the impairment of trade receivables:				
Financial difficulties				
Abscondences				
Disputes				
<b>Exposure to credit risk</b>				
Gross trade receivables represent the maximum credit exposure	<b>180 109 964</b>		163 176 632	
The gross trade receivables at the reporting date by type of customer was spread across the following categories:				
<ul style="list-style-type: none"> <li>• Government/parastatals/municipalities</li> <li>• Large industry/mining sector</li> <li>• Large contractors</li> <li>• Small contractors</li> <li>• Wholesalers</li> </ul>				
The group's trade receivable balances with government, parastatals, municipalities, large industry, the mining sector and large contractors, reduces the group's exposure to credit risk.				
Credit risk in respect of small contractors and wholesalers is controlled through the use of credit vetting agencies and the setting and monitoring of credit limits by senior financial management.				
The credit risk in respect of other receivables is considered by the directors to be minimal as it relates to transactions with major corporations within the Republic of South Africa.				
Credit evaluations are performed using the reports and tools of the credit vetting agencies amongst other things, on new customers and existing customers requiring credit above their previously authorised levels. Listings of overdue customer balances are reviewed daily and any customer exceeding their credit terms must settle their overdue balance before any further credit is extended. Overdue trade receivables are handed over to attorneys for collection as soon as it becomes apparent that recovery may be uncertain.				
A subsidiary has an overdraft facility in terms of which it has ceded all of its book debts in favour of Nedbank Limited as security for this facility. This facility was unutilised at 30 June 2010.				

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>12. LOANS RECEIVABLE</b>				
ARB Electrical Wholesalers (Pty) Limited	–	–	–	16 287 143
ARB IT Solutions (Pty) Limited	–	–	–	54 533
ARB Global (Pty) Limited	–	–	613 167	1 617 429
	–	–	613 167	17 959 105

These loans are unsecured, bear interest at prime (2009: prime) per annum, and have no fixed dates of repayment.

	Number of shares	R
<b>13. SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
<b>Balance at 30 June 2008</b> – 1 000 000 000 ordinary shares of 0,01 cents each	1 000 000 000	100 000
Movements during the year	–	–
<b>Balance at 30 June 2009</b>	1 000 000 000	100 000
Movements during the year	–	–
<b>Balance at 30 June 2010</b>	1 000 000 000	100 000
<b>ISSUED</b>		
<b>Balance at 30 June 2008</b> – 235 000 000 ordinary shares of 0,01 cents	235 000 000	23 500
Movements during the year	–	–
<b>Balance at 30 June 2009</b>	235 000 000	23 500
Movements during the year	–	–
<b>Balance at 30 June 2010</b>	235 000 000	23 500

The directors are authorised, until the forthcoming annual general meeting, to issue and allot 5% of the unissued shares for any purpose and upon such terms and conditions as they deem fit.

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>14. SHARE PREMIUM</b>				
Balance at beginning of year	171 374 999	171 374 999	171 374 999	171 374 999
Distribution to shareholders on 9 November 2009	(23 500 000)	–	(23 500 000)	–
Balance at end of year	147 874 999	171 374 999	147 874 999	171 374 999
<b>15. DEFERRED LEASE PAYMENTS</b>				
Arising on the straight-lining of payments made under operating leases:				
– Long-term liability	94 076	97 209	–	–
– Current liability	3 133	(28 648)	–	–
Net deferred lease payments	97 209	68 561	–	–
<b>16. TRADE AND OTHER PAYABLES</b>				
Trade payables	135 693 667	97 569 233	–	–
Accruals	1 475 484	1 749 930	694 786	419 713
Payroll accruals	2 082 775	1 609 991	–	–
VAT payables	2 759 813	3 982 841	–	290 504
Other payables	507 278	257 305	52 800	5 846
	142 519 017	105 169 300	747 586	716 063

The carrying value of trade and other payables approximated their fair value due to the short-term nature of these instruments.

## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

	Carrying amount at beginning of period R	Additional provisions R	Carrying amount at end of period R
<b>17. PROVISIONS</b>			
<b>GROUP</b>			
<b>2010</b>			
Provision for leave pay	1 334 993	409 477	1 744 470
Provision for bonus	1 159 719	302 515	1 462 234
	<b>2 494 712</b>	<b>711 992</b>	<b>3 206 704</b>
<b>2009</b>			
Provision for leave pay	590 955	744 038	1 334 993
Provision for bonus	1 799 166	(639 447)	1 159 719
	<b>2 390 121</b>	<b>104 591</b>	<b>2 494 712</b>
<b>COMPANY</b>			
<b>2010</b>			
Provision for leave pay	<b>23 880</b>	<b>14 129</b>	<b>38 009</b>
<b>2009</b>			
Provision for leave pay	–	23 880	23 880

### Provision for leave pay

Provision is made for the unpaid portion of accumulated leave pay accruing to employees as a result of services rendered during the period.

### Provision for bonus

Provision is made for bonuses payable to employees in December.

The carrying value of provisions approximates their fair value due to the short-term nature of these instruments. The provisions have been determined based on assessments and estimates made by management. Actual results could differ from estimates and there is no certainty as to the timing of the cash flows relating to these provisions.

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
<b>18. LOANS PAYABLE</b>				
ARB IT Solutions (Pty) Limited	–	–	457 184	–
ARB Electrical Wholesalers (Pty) Limited	–	–	29 918 153	–
	<b>–</b>	<b>–</b>	<b>30 375 337</b>	<b>–</b>

These loans are unsecured, bear interest at call rates and have no fixed terms of repayment.

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>19. PROFIT BEFORE INTEREST AND TAXATION</b>				
Profit before interest and taxation is stated after taking the following items into account:				
<b>Income</b>				
Lease rentals	119 908	87 966	24 059 696	18 099 844
Surplus on disposal of property, plant and equipment	19 298	6 403	19 298	6 403
Fair value adjustment to investment properties	–	–	6 329 311	10 073 089
Profit on foreign exchange	–	1 336 013	–	–
<b>Expenditure</b>				
Auditors' remuneration	676 600	483 000	334 200	318 000
– Audit fee	486 000	421 000	226 000	226 000
– Prior year underprovision	30 000	8 800	–	38 800
– Other services	160 600	53 200	108 200	53 200
Depreciation				
– Plant and equipment	4 732 415	4 526 499	2 225 757	2 173 419
Lease rentals and rates				
– Premises	1 299 094	1 771 367	362 248	658 904
Loss on foreign exchange	833 724	101 918	–	–
Allowance for impairment – inventory	5 395 376	(1 664 122)	–	–
Allowance for impairment – trade receivables	3 005 382	(968 478)	–	–
Research and development training	18 749	30 000	–	–

Included in depreciation for 2009 is a change in estimate (increase in depreciation) of R165 131 arising from the decision to reassess residual values of motor vehicles (refer note 3.1).

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>20. STAFF COSTS</b>				
Short-term employee benefits	49 564 810	49 649 149	–	–
Contributions to retirement funds	3 956 453	3 649 676	–	–
Other employment benefits	2 642 442	2 277 520	–	–
Other staff costs	3 489 596	3 330 730	58 308	29 865
	59 653 301	58 907 075	58 308	29 865

Short-term employee benefits comprise salaries, commissions and bonuses paid.

Other employment benefits comprise travel allowances, fringe benefits on the use of company vehicles and contributions to medical aid funds.

	Group	
	2010	2009
	Number	Number
Average number of persons employed by the group during the year	382	367

## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>21. DIRECTORS' EMOLUMENTS</b>				
<b>Emoluments received</b>				
Salary	3 438 665	3 405 051	1 161 002	485 755
Directors' fees	474 914	165 000	474 914	165 000
Contributions to retirement funds	348 070	284 522	116 100	48 575
Other employment benefits	561 308	518 262	232 984	87 938
<b>Total emoluments received</b>	<b>4 822 957</b>	<b>4 372 835</b>	<b>1 985 000</b>	<b>787 268</b>

Received as follows:

	Salary	Directors' fees	Contributions to retirement funds	Other employment benefits	Total
	R	R	R	R	R
<b>GROUP</b>					
<b>2010</b>					
<i>Executive directors</i>					
B Nichles	1 161 002	–	116 100	162 898	1 440 000
CC Robertson	1 296 588	–	133 863	207 506	1 637 957
WR Neasham	981 075	–	98 107	120 818	1 200 000
<i>Non-executive directors</i>					
AR Burke – Chairman	–	169 914	–	70 086	240 000
ST Downes	–	105 000	–	–	105 000
JR Modise	–	7 500	–	–	7 500
DF Muhlwa	–	45 000	–	–	45 000
RB Patmore	–	85 000	–	–	85 000
M Sibisi	–	62 500	–	–	62 500
	<b>3 438 665</b>	<b>474 914</b>	<b>348 070</b>	<b>561 308</b>	<b>4 822 957</b>
<b>2009</b>					
<i>Executive directors</i>					
B Nichles	485 755	–	48 575	65 670	600 000
CC Robertson	1 368 284	–	136 828	174 888	1 680 000
WR Neasham	991 195	–	99 119	109 686	1 200 000
<i>Non-executive directors</i>					
AR Burke – Chairman	559 817	32 500	–	168 018	760 335
ST Downes	–	52 500	–	–	52 500
JR Modise	–	22 500	–	–	22 500
DF Muhlwa	–	37 500	–	–	37 500
RB Patmore	–	7 500	–	–	7 500
M Sibisi	–	12 500	–	–	12 500
	<b>3 405 051</b>	<b>165 000</b>	<b>284 522</b>	<b>518 262</b>	<b>4 372 835</b>



	Salary R	Directors' fees R	Contributions to retirement funds R	Other employment benefits R	Total R
<b>21. DIRECTORS' EMOLUMENTS (continued)</b>					
<b>COMPANY</b>					
<b>2010</b>					
<i>Executive director</i>					
B Nichles	1 161 002	–	116 100	162 898	1 440 000
<i>Non-executive directors</i>					
AR Burke – Chairman	–	169 914	–	70 086	240 000
ST Downes	–	105 000	–	–	105 000
JR Modise	–	7 500	–	–	7 500
DF Muhlwa	–	45 000	–	–	45 000
RB Patmore	–	85 000	–	–	85 000
M Sibisi	–	62 500	–	–	62 500
	1 161 002	474 914	116 100	232 984	1 985 000
<b>2009</b>					
<i>Executive director</i>					
B Nichles	485 755	–	48 575	65 670	600 000
<i>Non-executive directors</i>					
AR Burke – Chairman	–	32 500	–	22 268	54 768
ST Downes	–	52 500	–	–	52 500
JR Modise	–	22 500	–	–	22 500
DF Muhlwa	–	37 500	–	–	37 500
RB Patmore	–	7 500	–	–	7 500
M Sibisi	–	12 500	–	–	12 500
	485 755	165 000	48 575	87 938	787 268

## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>24. TAXATION</b>				
SA Normal				
Current taxation	33 501 496	34 667 788	9 133 253	11 111 824
Prior year overprovision	(87 202)	978 138	(181 379)	978 138
Deferred tax				
Current period				
Temporary differences	(1 455 900)	1 042 280	2 549 937	3 152 223
STC credits	(59 408)	(40 135)	(59 408)	(40 135)
Prior year overprovision	(30 531)	(665 633)	8 968	(665 633)
	31 868 455	35 982 438	11 451 371	14 536 417
Secondary Tax on Companies	–	3 991 000	–	391 000
Tax for the year	31 868 455	39 973 438	11 451 371	14 927 417
<b>Reconciliation of tax charge</b>	%	%	%	%
SA Normal tax rate	28,00	28,00	28,00	28,00
Adjusted for:				
Exempt income	(0,14)	(0,09)	(0,39)	(9,74)
Special allowances	(0,02)	(0,02)	–	–
Non-deductible expenses	0,02	0,05	0,04	0,08
STC charges	(0,05)	3,09	(0,14)	0,45
Prior year overprovision	(0,10)	0,25	(0,45)	0,40
Effective rate	27,71	31,28	27,06	19,19
	R	R	R	R
The liability for Secondary Tax on Companies which would arise on the full distribution by cash dividend of all distributable reserves would amount to	36 681 536	29 124 535	9 625 895	7 234 138

	Group	
	2010	2009
	R	R
<b>25. EARNINGS, DIVIDENDS AND/OR DISTRIBUTION PER SHARE</b>		
<b>25.1 BASIC AND DILUTED EARNINGS PER SHARE</b>		
Basic earnings as disclosed	68 691 924	72 654 002
Weighted average number of shares	235 000 000	235 000 000
Basic earnings per share (cents)	29,23	30,92
Diluted earnings per share (cents)	29,17	30,84
<b>25.2 HEADLINE AND DILUTED HEADLINE EARNINGS PER SHARE</b>		
Basic earnings as disclosed	68 691 924	72 654 002
Surplus on disposal of property, plant and equipment (net of taxation)	(13 895)	(4 610)
Headline earnings	68 678 029	72 649 392
Headline earnings per share (cents)	29,22	30,91
Diluted headline earnings per share (cents)	29,16	30,83
<b>25.3 RECONCILIATION OF WEIGHTED AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES</b>		
Issued shares at beginning of the year	235 000 000	235 000 000
Weighted average number of shares	235 000 000	235 000 000
Dilutive effect of share options	480 000	620 000
Diluted weighted average number of shares	235 480 000	235 620 000

	Group	
	2010 R	2009 R
<b>25. EARNINGS, DIVIDENDS AND/OR DISTRIBUTION PER SHARE (continued)</b>		
<b>25.4 DIVIDENDS PER SHARE</b>		
Dividends declared during the year	–	30 550 000
Number of shares	235 000 000	235 000 000
Dividends per share (cents)	–	13,00
The final dividend has not been included as a liability in the financial statements.		
<b>25.5 DISTRIBUTION PER SHARE</b>		
Distribution declared during the year	23 500 000	–
Number of shares	235 000 000	235 000 000
Distribution per share (cents)	10,00	–

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
<b>26. NOTES TO THE STATEMENTS OF CASH FLOW</b>				
<b>26.1 CASH GENERATED BY OPERATING ACTIVITIES</b>				
Profit before taxation	114 992 865	127 800 607	42 317 797	77 774 889
Adjustments for:				
Fair value adjustment to investment properties	–	–	(6 329 311)	(10 073 087)
Depreciation	4 732 415	4 526 499	2 225 757	2 173 419
Investment income	(594 077)	(401 345)	(594 077)	(401 345)
Dividend received	–	–	–	(26 640 000)
Interest received	(18 004 364)	(14 043 616)	(14 565 712)	(26 680 603)
Interest paid	239 912	1 345 714	700 850	1 138 190
Operating lease smoothing	28 648	58 061	(2 611 181)	1 003 464
Movement in provisions	711 992	104 591	14 129	23 880
Surplus on disposal of property, plant and equipment	(19 298)	(6 403)	(19 298)	(6 403)
	102 088 093	119 384 108	21 138 954	18 312 404
Movements in working capital:				
Decrease in inventory	5 028 316	132 077 350	–	–
Increase in trade and other receivables	(11 108 240)	69 907 990	(61 151)	–
Increase in trade and other payables	37 349 717	(143 517 495)	31 523	343 608
	133 357 886	177 851 953	21 109 326	18 656 012
<b>26.2 TAXATION PAID</b>				
Charged per statement of comprehensive income	(31 868 455)	(39 973 438)	(11 451 371)	(14 927 417)
Adjusted for deferred tax and STC	(1 545 839)	4 327 512	2 499 497	2 837 455
Movement in taxation balance	(1 964 530)	(2 546 166)	(1 691 513)	1 436 185
	(35 378 824)	(38 192 092)	(10 643 387)	(10 653 777)

## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
<b>26. NOTES TO THE STATEMENTS OF CASH FLOW (continued)</b>				
<b>26.3 CASH RESOURCES</b>				
Cash resources consist of cash on hand and balances with banks and investment managers. Cash resources included in the statement of cash flows comprise the following statement of financial position amounts:				
Cash on hand	64 397	27 200	500	–
Cash at banks	260 873 130	149 804 193	211 451 051	130 454 780
Cash with investment managers	–	50 730 166	–	50 730 166
	260 937 527	200 561 559	211 451 551	181 184 946
Bank overdraft	–	(46 143)	–	(247)
	260 937 527	200 515 416	211 451 551	181 184 699
<b>26.4 SIGNIFICANT NON-CASH TRANSACTIONS</b>				
During the period the group and company acquired vehicles which were acquired by means of instalment sale agreements	–	2 337 787	–	2 337 787

## 27. SIGNIFICANT BUSINESS COMBINATION EFFECTED DURING THE YEAR

The group acquired the operations of the Paragon Electrical group of companies and effectively gained control on 1 March 2010.

The business acquired contributed revenue of R47 131 082 and profit before tax of R985 442 to the group from the date of effective control to 30 June 2010.

	Group		Company	
	Carrying value before acquisition R	Fair value determined on acquisition R	Carrying value before acquisition R	Fair value determined on acquisition R
The following assets were acquired:				
Land and buildings	10 700 000	10 700 000	10 700 000	10 700 000
Property, plant and equipment	1 800 000	1 800 000	1 200 000	1 200 000
Inventory	16 973 919	10 188 430	–	–
Total assets acquired	29 473 919	22 688 430	11 900 000	11 900 000
Total purchase price consideration settled in cash		22 688 430		11 900 000
Acquisition related costs				
– Legal fees and Competition Commission fees		169 307		1 960
– Property valuation fees		22 000		22 000

The group has not disclosed the revenue and profit before tax of the combined entity on an annual basis as if the business combination had occurred at the beginning of the year due to the structure of the acquisition transaction (refer to note 15 in the Directors' report).

## 28. EMPLOYEE BENEFITS

### Defined contribution retirement plan

It is the policy of the group to provide retirement benefits to all its employees. A number of defined contribution provident funds operating as umbrella funds, all of which are governed by the Pensions Fund Act of 1956, exist for this purpose, namely The Alexander Forbes Retirement Fund and Investment Solutions. All the schemes are funded by group contributions, which are charged to the statement of comprehensive income as they are incurred. The total group contribution to such schemes in 2010 was R4 304 523 (2009: R3 934 198) and for the company was R116 100 (2009: R48 575).

## 29. COMMITMENTS

### GROUP

#### Operating lease commitments

The group has two operating lease agreements in place as follows:

A Nelspruit property, described as 46 Wilkensweg, is leased monthly from 1 May 2008 to 30 April 2013. The period of the lease is 60 months and the average monthly instalment of R35 493 is payable in advance.

The Pretoria East property, described as Shop 1 and Office 1, Paragon Centre, 191 Corobay Avenue, Waterkloof Glen, is leased monthly from 1 March 2010 to 28 February 2011 from an external party. The period of the lease is 12 months and its monthly instalment of R30 613 is payable in advance.

	Up to 1 year R	1 to 5 years R	Total R
Future minimum lease payments payable under these non-cancellable operating leases are as follows:			
Nelspruit	429 048	874 920	1 303 968
Pretoria East	244 904	–	244 904
	673 952	874 920	1 548 872

### COMPANY

#### Capital commitments

After year-end the company has signed a number of agreements for the purchase of vehicles and equipment amounting to R1 012 575.

#### Operating lease commitments

The company has six (2009: six) operating lease agreements in place with a subsidiary. The premises are leased monthly from 1 July 2009 to 30 June 2014. The period of the lease is 60 months and the average monthly instalment is R1 318 442 (2009: R1 318 442).

	Up to 1 year R	1 to 5 years R	Total R
Future minimum lease payments receivable under these non-cancellable operating leases are as follows:			
<b>2010</b>			
Durban	5 782 008	20 659 896	26 441 904
East London	1 011 360	3 613 668	4 625 028
Johannesburg	3 213 228	11 309 772	14 523 000
Richards Bay	1 056 840	3 776 220	4 833 060
Pietermaritzburg	1 540 584	5 504 712	7 045 296
Cape Town	1 842 972	6 585 156	8 428 128
	14 446 992	51 449 424	65 896 416
<b>2009</b>			
Durban	5 304 600	26 441 904	31 746 504
East London	927 888	4 625 028	5 552 916
Johannesburg	2 903 880	14 523 000	17 426 880
Richards Bay	969 576	4 833 060	5 802 636
Pietermaritzburg	1 413 384	7 045 296	8 458 680
Cape Town	1 690 800	8 428 128	10 118 928
	13 210 128	65 896 416	79 106 544

## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

### 30. SEGMENT REPORT

#### 30.1 ADOPTION OF IFRS 8: OPERATING SEGMENTS

The group has adopted IFRS 8: Operating Segments with effect from 1 July 2009. IFRS 8 requires operating segments to be identified on the basis of internal reporting on operating divisions of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14: Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. There have been no changes in the group's reportable segments as a result of the adoption of the new standard.

30.2 Based on the management's monthly significant reporting segments, the segment report has been prepared by operating segment. As a result, the primary reporting format is by business segments with no secondary reporting format.

The following table presents revenue and profit information and certain asset and liability information regarding the group's business segments for the years ended 30 June 2010 and 30 June 2009 respectively:

	Investment and rental income R	Electrical wholesaling R	IT services R	Inter- company elimination R	Re- allocation R	Total R
<b>2010</b>						
<b>Revenue</b>						
Segment revenue	24 653 773	1 087 570 772	5 373 309	(30 376 747)	(713 985)	1 086 507 122
Inter-segment revenue	(23 939 788)	(2 813 003)	(3 623 956)	30 376 747	-	-
Sales to external customers	713 985	1 084 757 769	1 749 353	-	(713 985)	1 086 507 122
<b>Results</b>						
Gross profit	713 985	199 165 400	3 874 984	(2 818 653)	(15 218 176)	200 221 731
Profit before interest and taxation	28 003 358	73 398 851	1 671 438	(5 845 234)	(594 077)	96 634 336
Investment income	-	-	-	-	594 077	594 077
Interest received	14 565 712	4 180 721	17 046	(759 115)	-	18 004 364
Interest paid	(700 850)	(296 011)	(2 166)	759 115	-	(239 912)
Profit before taxation	41 868 220	77 283 561	1 686 318	(5 845 234)	-	114 992 865
Taxation	11 451 371	21 741 231	448 060	731 131	(2 503 338)	31 868 455
Profit for the year	30 416 849	55 542 330	1 238 258	(6 576 365)	2 503 338	83 124 410
Depreciation	2 225 757	2 471 552	35 106	-	-	4 732 415
Capital expenditure	20 261 204	3 192 278	28 999	-	-	23 482 481
Segment assets	346 997 763	474 331 846	2 149 434	(62 738 033)	148 312	760 889 322
Segment liabilities	51 507 675	152 232 192	395 352	(38 376 402)	148 312	165 907 129
<b>Entity wide disclosure</b>						
Sub-Saharan revenue	-	74 826 574	-	-	-	74 826 574

	Investment and rental income R	Electrical wholesaling R	IT services R	Inter- company elimination R	Re- allocation R	Total R
<b>30. SEGMENT REPORT (continued)</b>						
<b>2009</b>						
<b>Revenue</b>						
Segment revenue	45 141 189	1 209 411 530	4 368 391	(71 773 083)	(489 310)	1 186 658 717
Inter-segment revenue	(44 651 879)	(24 611 402)	(2 509 802)	71 773 083	–	–
Sales to external customers	489 310	1 184 800 128	1 858 589	–	(489 310)	1 186 658 717
<b>Results</b>						
Gross profit	489 310	207 009 634	3 013 614	(1 820 471)	(489 310)	208 202 777
Profit before interest and taxation	52 232 476	98 878 727	704 588	(36 713 086)	(401 345)	114 701 360
Investment income	–	–	–	–	401 345	401 345
Interest received	26 680 603	4 239 999	–	(16 876 986)	–	14 043 616
Interest paid	(1 138 190)	(17 030 252)	(54 258)	16 876 986	–	(1 345 714)
Profit before taxation	77 774 889	86 088 474	650 330	(36 713 086)	–	127 800 607
Taxation	14 927 417	27 708 159	158 326	–	(2 820 464)	39 973 438
Profit for the year	62 847 472	58 380 315	492 004	(36 713 086)	2 820 464	87 827 169
Depreciation	2 173 419	2 316 628	36 452	–	–	4 526 499
Capital expenditure	9 744 369	3 199 874	32 024	–	–	12 976 267
Segment assets	306 651 054	392 503 291	994 191	(44 535 653)	100 292	655 713 175
Segment liabilities	18 527 392	125 980 465	478 369	(18 293 972)	100 292	126 792 546
<b>Entity wide disclosure</b>						
Sub-Saharan revenue	–	78 805 531	–	–	–	78 805 531

### 31. RELATED PARTY TRANSACTIONS

The subsidiaries of the group are identified in note 6 to the Directors' report. All of these entities are related parties to the company.

Details of material transactions with related parties are disclosed below and also as follows:

Interest received	Note 22
Interest paid	Note 23
Directors' emoluments	Note 21
Investments in subsidiaries	Note 7
Loans receivable from subsidiaries	Note 12
Loans payable to subsidiaries	Note 18
Directors' shareholding	Note 11 to the Directors' report



## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

	Relationship to company	Nature of business	2010 R	2009 R
<b>31. RELATED PARTY TRANSACTIONS (continued)</b>				
Other transactions not disclosed elsewhere:				
<b>Rentals paid to ARB Holdings Limited by</b>				
ARB Electrical Wholesalers (Pty) Limited	Subsidiary	Electrical wholesaler	21 477 489	18 844 420
ARB IT Solutions (Pty) Limited	Subsidiary	IT service provider	143 630	143 427
ARB Global (Pty) Limited	Subsidiary	Export/import electrical wholesaler	–	27 500
<b>Rentals paid by ARB Electrical Wholesalers (Pty) Limited to</b>				
The Burke Investment Trust	Shareholder	Investment trust	65 000	60 000
<b>Purchases made by ARB IT Solutions (Pty) Limited from</b>				
Prottime Computer Systems CC	Common director/ member	IT service provider	65 244	76 247
<b>Purchases made by ARB Electrical Wholesalers (Pty) Limited from</b>				
ARB IT Solutions (Pty) Limited	Subsidiary	IT service provider	3 622 456	2 485 939
ARB Global (Pty) Limited	Subsidiary	Export/import electrical wholesaler	2 809 790	9 072 036
<b>Sales made by ARB Electrical Wholesalers (Pty) Limited to</b>				
ARB IT Solutions (Pty) Limited	Subsidiary	IT service provider	3 213	471
ARB Global (Pty) Limited	Subsidiary	Export/import electrical wholesaler	–	15 538 895
The Burke Investment Trust	Shareholder	Investment trust	400 510	686 017
<b>Management fee paid to ARB Holdings Limited by</b>				
ARB Electrical Wholesalers (Pty) Limited	Subsidiary	Electrical wholesaler	3 428 725	2 063 740
ARB IT Solutions (Pty) Limited	Subsidiary	IT service provider	16 741	7 412
ARB Global (Pty) Limited	Subsidiary	Export/import electrical wholesaler	–	45 397
<b>Purchases made by ARB Global (Pty) Limited from</b>				
ARB IT Solutions (Pty) Limited	Subsidiary	IT service provider	1 500	23 863

### KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly and indirectly, and include directors of the subsidiaries, divisional directors, branch managers and department managers.

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
Short-term employment benefits	11 907 695	13 932 468	–	–
Contributions to retirement funds	924 437	1 149 819	–	–
Other employment benefits	1 827 453	1 858 169	–	–
	14 659 585	16 940 456	–	–

Short-term employment benefits comprise salaries, commission and bonuses paid.

Other employment benefits comprise travel allowances, fringe benefits on the use of company's vehicles and contributions to medical aid funds.

Information regarding the earnings of directors, executive and non-executive, have been disclosed separately in note 21.

## 32. FINANCIAL RISK MANAGEMENT

### CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Non-financial instruments R	Loans and receivables R	Liabilities at amortised cost R	Carrying value R
<b>GROUP</b>				
<b>2010</b>				
<b>Assets</b>				
Trade and other receivables	1 397 023	174 778 376	–	176 175 399
Cash resources	–	260 937 527	–	260 937 527
<b>Liabilities</b>				
Trade and other payables	6 825 350	–	135 693 667	142 519 017
Provisions	3 206 704	–	–	3 206 704
<b>2009</b>				
<b>Assets</b>				
Trade and other receivables	4 216 733	160 850 426	–	165 067 159
Cash resources	–	200 561 559	–	200 561 559
<b>Liabilities</b>				
Trade and other payables	7 600 067	–	97 569 233	105 169 300
Bank overdraft	–	46 143	–	46 143
Provisions	2 494 712	–	–	2 494 712
<b>COMPANY</b>				
<b>2010</b>				
<b>Assets</b>				
Trade and other receivables	342 631	26 888	–	61 151
Loans receivable	–	613 167	–	613 167
Cash resources	–	211 451 551	–	211 451 551
<b>Liabilities</b>				
Loans payable	–	–	30 375 337	30 375 337
Trade and other payables	747 586	–	–	747 586
Provisions	38 009	–	–	38 009
<b>2009</b>				
<b>Assets</b>				
Loans receivable	–	17 959 105	–	17 959 105
Cash resources	–	181 184 946	–	181 184 946
<b>Liabilities</b>				
Trade and other payables	716 063	–	–	716 063
Bank overdraft	–	247	–	247
Provisions	23 880	–	–	23 880

The group's operations expose it to a number of financial risks, namely credit, liquidity, interest rate, foreign exchange and commodity price risk. The group has financial risk management processes in place to protect against and minimise the potential adverse effects of these financial risks. This note presents information regarding the exposure to each of these risks and processes for managing them.

#### CREDIT RISK

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the group's gross trade receivables and cash resources held at banking institutions.

The group trades only with recognised, creditworthy third parties and it is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. The group also believes that it has no significant exposure to credit risk due to the large number of customers comprising the company's customer base and their dispersion across different industries and geographical areas. The maximum exposure is the carrying amount as disclosed in note 11.

# Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

## 32. FINANCIAL RISK MANAGEMENT (continued)

### CREDIT RISK (continued)

With respect to credit risk arising from the other financial assets of the group, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

To limit this exposure, the group's cash is placed only with reputable financial institutions of high credit standing and limits its exposure to only three counterparties.

### LIQUIDITY RISK

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group ensures, as far as possible, that it has sufficient liquidity available to meet its liabilities as and when they fall due. Daily and monthly cash flow requirements are monitored to ensure sufficient cash is available on demand or that access to facilities is available to meet expected operational expenses. Any surplus cash is appropriately invested. The group maintains a balance between continuity of funding and flexibility through the use of bank facilities and inter-company funding.

The company has access to unutilised mortgage bond finance with Investec Bank Limited to the value of R28 020 000 registered over land and buildings with a carrying value of R83 000 000 (2009: R77 537 000).

In addition, a subsidiary company has an unutilised overdraft facility of R80 000 000 available to finance any working capital requirements.

In terms of the company's articles of association, there is no limit on the group's authority to raise interest bearing debt.

### INTEREST RATE RISK

Interest rate risk is the risk that changes in the interest rate will affect the group's income or value of its financial instruments, namely its cash resources and interest bearing borrowings.

The group's exposure to the risk of changes in market interest rates relates primarily to the borrowing obligations and loans receivable within the group, with a variable interest rate. As part of the process of managing the group's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movement in the interest rate. Full details of interest rates relating to borrowings and loans receivable are detailed in notes 12 and 18.

Surplus cash resources exposed to interest rate risk are placed with institutions and facilities which yield the highest rate of return, but which are still within acceptable risk parameters.

The group's income and operating cash flows are substantially independent of changes in the interest rates.

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
<b>SENSITIVITY ANALYSIS</b>				
<b>Net loans payable</b>				
Increase of 100 basis points would result in a reduction of profit before tax of	–	–	(297 622)	179 591
Decrease of 200 basis points would result in an improvement of profit before tax of	–	–	595 244	(359 182)
<b>Cash resources</b>				
Increase of 100 basis points would result in an improvement of profit before tax of	2 609 375	2 005 616	2 114 516	1 811 849
Decrease of 200 basis points would result in a reduction of profit before tax of	(5 218 750)	(4 011 231)	(4 229 032)	(3 623 699)

## 32. FINANCIAL RISK MANAGEMENT (continued)

### FOREIGN EXCHANGE RISK

The group hedges its exposure to foreign currency risk against stronger currencies by entering into forward exchange contracts. Such exposure arises from purchases in currencies other than in South African Rands. It is the group's policy to make use of forward exchange contracts to eliminate the currency exposure on any individual transaction for which the payment is anticipated to be more than one month after the group has entered into a firm commitment for a purchase. The forward exchange contracts must be in the same currency as the hedged item.

Forward exchange contracts which relate to future commitments:

Amount in foreign currency purchased	Forward exchange rate	Maturity date
EUR71 656,00	1 EUR = R10,5705	23 September 2010
USD373 180,75	1 USD = R7,6359	31 August 2010

The group reviews its foreign exchange exposure, including commitments, on an ongoing basis. The group expects its foreign exchange contracts to hedge foreign exchange exposure.

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
<b>SENSITIVITY ANALYSIS</b>				
<b>Change in USD</b>				
Increase of 10% in the rate would result in a reduction of profit before tax of	(284 957)	(39 376)	–	–
Decrease of 10% in the rate would result in an improvement of profit before tax of	284 957	39 376	–	–
<b>Change in Euro</b>				
Increase of 10% in the rate would result in a reduction of profit before tax of	(75 744)	(197 460)	–	–
Decrease of 10% in the rate would result in an improvement of profit before tax of	75 744	197 460	–	–

### COMMODITY PRICE RISK

Exposure to commodity price risk is reduced through the rationalisation of inventory levels of copper, aluminium and steel related products. Stockholding levels are maintained at an average of two to three months.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The group's financial instruments consist mainly of cash resources, trade and other receivables, trade and other payables and interest bearing borrowings. Due to the relatively short-term nature of these instruments, their carrying value approximates their fair value and there is therefore no difference between their fair value and carrying value.

### FINANCIAL LIABILITIES

#### Maturity analysis

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments:

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
Payable in 1 to 6 months				
Trade and other payables	139 759 204	101 186 459	747 586	716 063
Provisions	3 206 704	2 494 712	38 009	23 880
	142 965 908	103 681 171	785 595	739 943

The maturity profile of interest bearing borrowings consists of actual payments due in respect of instalment sale agreements.

## Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2010

### 32. FINANCIAL RISK MANAGEMENT (continued)

#### CAPITAL MANAGEMENT

The group considers equity and long-term interest bearing borrowings as capital.

The group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group changes the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase shares or sell assets to reduce debt.

There were no changes in the group's approach to capital management during the year. The group is not subject to any externally imposed capital requirements.

The group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents.

Capital comprises all components of equity.

The debt-to-adjusted capital ratio at 30 June was as follows:

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
Total debt	165 907 129	126 792 546	51 507 675	18 527 392
Less: Cash and cash equivalents	(260 937 527)	(200 561 559)	(211 451 551)	(181 184 946)
Net debt	(95 030 398)	(73 769 013)	(159 943 876)	(162 657 554)
Total equity	594 982 193	528 920 629	295 490 088	288 123 662
Debt to adjusted capital ratio	(0,16):1	(0,14):1	(0,54):1	(0,56):1

The decrease in the debt-to-capital ratio during 2010 resulted primarily from the increase in cash resources.

## Shareholders' Diary



Listed on JSE	20 November 2007
Interim period end	31 December
Financial year-end	30 June
Annual general meeting	18 October 2010
Announcement of interim results	February
Announcement of annual results	August
Annual report posted	September

# Analysis of Shareholders

at June 2010

	Number of shareholders	%	Number of shares	%
<b>SHAREHOLDER SPREAD</b>				
1 – 1 000 shares	164	15,9	104 657	0,0
1 001 – 10 000 shares	480	46,6	2 021 981	0,9
10 001 – 100 000 shares	296	28,7	10 643 729	4,5
100 001 – 1 000 000 shares	68	6,6	25 318 908	10,8
1 000 001 shares and over	23	2,2	196 910 725	83,8
	1 031	100,0	235 000 000	100,0
<b>DISTRIBUTION OF SHAREHOLDERS</b>				
Individuals	852	82,6	96 754 594	41,2
Trusts	61	6,0	106 947 292	45,5
Private companies and CCs	47	4,6	6 257 234	2,7
Institutions and asset managers	52	5,0	23 816 920	10,1
Other corporations	19	1,8	1 223 960	0,5
	1 031	100,0	235 000 000	100,0
<b>PUBLIC/NON-PUBLIC SHAREHOLDERS</b>				
Public	1 012	98,2	64 998 147	27,7
Non-public	19	1,8	170 001 853	72,3
– Directors of holding company	12	1,1	143 358 261	61,0
– Directors of subsidiary companies	5	0,5	26 560 592	11,3
– Associates	2	0,2	83 000	0,0
	1 031	100,0	235 000 000	100,0
<b>DIRECT OR INDIRECT BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE</b>				
AR Burke			116 131 582	49,4
CC Robertson			16 448 236	7,0
C Cockerell			12 161 846	5,2
B Sloley			12 153 846	5,2
			156 895 510	66,8

# Notice of Annual General Meeting

for the year ended 30 June 2010

## ARB HOLDINGS LIMITED

[Registration number: 1986/002975/06]

Share code: ARH

ISIN: ZAE000109435

["ARB" or "the company"]

Notice is hereby given that the Annual General Meeting of the members of ARB will be held at the company's registered office located at 10 Mack Road, Prospecton, Durban on Monday, 18 October 2010 at 10:00 for the following purposes:

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

## ORDINARY RESOLUTIONS

### 1. ORDINARY RESOLUTION 1: ADOPTION OF ANNUAL FINANCIAL STATEMENTS

"RESOLVED that the annual financial statements of the company for the year ended 30 June 2010, including the reports of the directors and auditors, be and are hereby received and adopted."

### 2. ORDINARY RESOLUTION 2: GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

"RESOLVED that, subject to not less than 75% of the votes of those shareholders present in person or by proxy and entitled to vote being cast in favour of this resolution, the directors be and are hereby authorised by way of a general authority to allot and issue any ordinary shares for cash, at such times, at such prices and for such purposes as they may determine, at their discretion, provided that any such general authority shall be valid only until the next Annual General Meeting of the company or 15 months from the date of the passing of this resolution, whichever is the earlier and subject to the requirements of the Companies Act, 1973 as amended ("the Act"), and the Listings Requirements of the JSE Limited ("JSE") including the following limitations:

- The allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE and not to related parties;
- The shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class of shares already in issue;
- The number of shares issued for cash shall not in the aggregate in any one financial year exceed 5% of the company's issued ordinary share capital, provided that this limitation will not apply to the issue of ordinary shares in terms of any share incentive scheme. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue on the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including the announcement of the final terms) may be included as though they were in issue at the date of application;
- The maximum discount at which such ordinary shares may be issued is 10% of the weighted average price at which such ordinary shares have traded on the JSE, as determined over the 30 business days immediately preceding the date that the price of the issue is determined or agreed to by the directors of the company; and
- After the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares for the 30 business days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value and earnings per share), or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE as applicable from time to time."

### 3. ORDINARY RESOLUTION 3: PLACING UNISSUED SHARES UNDER THE CONTROL OF THE DIRECTORS

"RESOLVED that the authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the directors in terms of section 221 of the Act, until the next Annual General Meeting and that the directors be and are hereby authorised, by way of a general authority, to allot, issue and otherwise dispose of such unissued ordinary shares at their discretion, subject always to:

- The provisions of the Act, the company's articles of association and the Listings Requirements of the JSE; and
- Such directors' authority being limited to a maximum number of unissued ordinary shares equal to 5% of the number of ordinary shares in issue from time to time, provided that this limitation will not apply to the issue of ordinary shares in terms of any share incentive scheme and accordingly:
  - o In calculating the number of ordinary shares issued in any financial year for purposes of determining whether the aforementioned 5% threshold has been reached, any ordinary shares issued in terms of the rules of any share incentive scheme shall not be included in the calculation; and
  - o The number of ordinary shares which directors are authorised to allot and issue in terms of any share incentive scheme shall not be subject to limitation other than in terms of the rules applicable to any such scheme."



#### 4. ORDINARY RESOLUTION 4: RE-ELECTION OF RETIRING DIRECTOR

"RESOLVED that Alan R Burke, who retires by rotation in terms of the company's articles of association and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the company."

A brief *curriculum vitae* of Alan R Burke is set out on page 4 of the annual report of which this notice forms part.

#### 5. ORDINARY RESOLUTION 5: RE-ELECTION OF RETIRING DIRECTOR

"RESOLVED that Jacob Modise, who retires by rotation in terms of the company's articles of association and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the company."

A brief *curriculum vitae* of Jacob Modise is set out on page 5 of the annual report of which this notice forms part.

#### 6. ORDINARY RESOLUTION 6: RE-ELECTION OF RETIRING DIRECTOR

"RESOLVED that Dumisani Muhlwa, who retires by rotation in terms of the company's articles of association and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the company."

A brief *curriculum vitae* of Dumisani Muhlwa is set out on page 5 of the annual report of which this notice forms part.

#### 7. ORDINARY RESOLUTION 7: EXECUTIVE DIRECTORS' REMUNERATION FOR THE YEAR ENDED 30 JUNE 2010

"RESOLVED that the remuneration of the executive directors for the year ended 30 June 2010 as set out on pages 50 and 51 of the annual report, of which this notice forms part, be and is hereby confirmed."

#### 8. ORDINARY RESOLUTION 8: NON-EXECUTIVE DIRECTORS' REMUNERATION FOR THE YEAR ENDING 30 JUNE 2011

"RESOLVED that the remuneration of non-executive directors for the year ending 30 June 2011 as set out below, having been increased by 6%, be and is hereby approved:

Chairman of the board	Retainer of R159 000 per annum
	R15 900 per board meeting
	R7 950 per sub-committee meeting
Non-executive director	R7 950 per board meeting
Sub-committee chairman	R13 250 per sub-committee meeting
Sub-committee member	R7 950 per meeting."

#### 9. ORDINARY RESOLUTION 9: RE-APPOINTMENT OF AUDITORS AND FIXING OF REMUNERATION

"RESOLVED that the Audit Committee be and is hereby authorised to reappoint PKF Durban as the auditors of the company and its subsidiaries in accordance with section 270(1) of the Act, which auditors shall hold their office until the conclusion of the company's next Annual General Meeting and, in addition, the Audit Committee be and is hereby authorised to determine and pay the auditors' remuneration."

#### 10. ORDINARY RESOLUTION 10: GENERAL PAYMENTS TO SHAREHOLDERS

"RESOLVED that the directors of the company be and are hereby authorised by way of a general authority to make payments to its shareholders in terms of section 90 of the Act, from the company's share capital or share premium, in lieu of dividends, subject to the provisions of the company's articles of association, the Act and the Listings Requirements of the JSE and the following limitations:

- That this authority shall not extend beyond 15 months from the date of this resolution or the date of the next Annual General Meeting, whichever is the earlier date;
- That in terms of this authority the general payments may not exceed the Rand value of 20% of the company's issued share capital and reserves but excluding minority interests and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year; and
- That any general payment be made pro rata to all shareholders.

The directors of the company intend to utilise the authority in terms of this ordinary resolution 10 in order to make a general payment to shareholders, in lieu of a cash dividend, by way of a general payment from the company's share capital or share premium.

An announcement will be published on SENS and in the press setting out the terms and dates pertaining to any general payment and the financial effects of the general payment prior to such payment being effected and complying with section 11.31 and schedule 24 of the Listings Requirements of the JSE.

Please refer to the additional disclosure of information contained elsewhere in this notice required in terms of the Listings Requirements of the JSE.

# Notice of Annual General Meeting (continued)

for the year ended 30 June 2010

## 11. ORDINARY RESOLUTION 11: SIGNATURE OF DOCUMENTS

"RESOLVED that any director of the company or the company secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of the special and ordinary resolutions which are passed by the shareholders."

## SPECIAL RESOLUTION

### 1. SPECIAL RESOLUTION 1: GENERAL AUTHORITY TO REPURCHASE COMPANY SHARES

"RESOLVED that the directors of the company be and are hereby authorised, by way of a general authority, to repurchase on behalf of the company and/or any of its subsidiaries, ordinary shares issued by the company, in terms of sections 85 to 90 of the Act, the company's articles of association and the Listings Requirements of the JSE, and provided that:

- Any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- This general authority shall only be valid until the company's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution;
- An announcement setting out such details as may be required in terms of the Listings Requirements of the JSE will be published on SENS once the company or any of its subsidiaries has acquired ordinary shares constituting, on a cumulative basis, 3% of the initial number of ordinary shares in issue as at the time the general authority was granted and for each 3% in aggregate of the initial number of shares acquired thereafter;
- In terms of the general authority, the acquisition of ordinary shares in any one financial year may not exceed, in aggregate, 20% of the company's issued share capital of that class, at the time the approval is granted, and the acquisition of shares by a subsidiary of the company, in any one financial year, may not exceed, in aggregate, 10% of the number of issued shares of the company of that class;
- In determining the price at which the company's ordinary shares are acquired by the company and/or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average market price at which such ordinary shares are traded on the JSE, as determined over the five business days immediately preceding the date of the acquisition of such ordinary shares by the company and/or any of its subsidiaries;
- The company will only appoint one agent to effect any repurchase(s) on its behalf; and
- The company and/or its subsidiaries will not acquire the company's shares during a prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period."

### REASON FOR AND EFFECT OF SPECIAL RESOLUTION 1

The reason for and effect of special resolution 1 is to grant the directors of the company a general authority, up to and including the date of the next Annual General Meeting of the company or the expiration of 15 months from the date of the passing of this special resolution, whichever is the earlier date, for the acquisition by the company, or any of its subsidiaries, of shares issued by the company. A repurchase of shares is not contemplated at the date of this notice, however, the directors believe it to be in the interests of the company that shareholders grant a general authority to provide the board with the flexibility to facilitate the repurchase of company shares as and when the board considers it appropriate.

Please refer to the additional disclosure of information contained elsewhere in this notice required in terms of the Listings Requirements of the JSE.

To transact such other business as may be transacted at an Annual General Meeting.

## ADDITIONAL DISCLOSURE REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE LIMITED

The following additional information, some of which might appear elsewhere in the annual report of which this notice forms part, is provided in terms of the Listings Requirements of the JSE for purposes of considering ordinary resolution 10 and special resolution 1:

- Directors and management (refer to pages 4, 5 and 69 of this annual report);
- Major shareholders (refer to page 64 of this annual report);
- Directors' interests in securities (refer to page 22 of this annual report); and
- Share capital of the company (refer to page 47 of this annual report).

## DIRECTORS OF SUBSIDIARY COMPANIES

### **Clinton Cockerell** – Director of ARB Electrical Wholesalers (Pty) Limited

Prior to joining, Clinton spent six years as a sales representative for various businesses in the fasteners industry, gaining extensive knowledge and experience in the wholesaling trade. Clinton joined ARB in March 1987 and has been instrumental in establishing and maintaining the sound customer base. Clinton was appointed a director of ARB Electrical Wholesalers (Pty) Limited in March 1992 and is now responsible for all the purchasing, marketing and sales of power cables.

### **Bruce Sloley** – Director of ARB Electrical Wholesalers (Pty) Limited

Bruce qualified as an electrician in 1978 after which he was employed in the electrical wholesaling industry. Bruce joined ARB in 1983 and was appointed a director in 1989. Bruce assisted in developing the market in the greater Zululand region. Bruce currently operates from the Richards Bay branch. After founder, Alan R Burke, Bruce is the longest serving director of ARB Electrical Wholesalers (Pty) Limited.

### **Jason Burke** – Director of ARB Electrical Wholesalers (Pty) Limited

Jason joined ARB Electrical Wholesalers (Pty) Limited in October 1997. Jason is a product of ARB's internal training and development programme. Once Jason gained experience, he started developing the Eastern Cape market from the Durban branch. Jason's ability to penetrate this market prompted management to commit to opening a new branch in East London in June 2004, with Jason relocating as branch manager. In January 2006, Jason was appointed divisional director for Transmission Line and relocated back to Durban to take national responsibility for the Transmission Line division. In addition, Jason currently manages the Durban branch. On 1 March 2007, Jason was appointed a director of ARB Electrical Wholesalers (Pty) Limited.

### **Derrick Muller** – Director of ARB IT Solutions (Pty) Limited

In the late 1980's Derrick founded Xact IT Solutions, with the primary focus of developing a suite of multi-branch accounting systems. In 1992, Alan R Burke approached Derrick to implement a multi-branch communication network and accounting solution for ARB Electrical Wholesalers (Pty) Limited. In 2007, ARB acquired Xact IT Solutions and created ARB IT Solutions (Pty) Limited. The primary focus of ARB IT Solutions (Pty) Limited is the management of all ARB's technology requirements and, in addition, the company also services external clients. Derrick is currently leading the development of ARB's new accounting system.

## BUSINESS ADDRESSES

### **Company directors**

- Alan R Burke 10 Mack Road, Prospecton, Durban
- Craig Robertson 10 Mack Road, Prospecton, Durban
- William Neasham 10 Mack Road, Prospecton, Durban
- Byron Nichles 11 Larch Nook, Zwartkop X4, Centurion
- Simon Downes 1290 South Coast Road, Mobeni, Durban
- Ralph Patmore 1172 Aspen Drive, Dainfern, Johannesburg
- Jacob Modise 1st Floor, North Downs Office Park, 17 Georgian Crescent, Bryanston, Johannesburg
- Dumisani Muhlwa 1st Floor, North Downs Office Park, 17 Georgian Crescent, Bryanston, Johannesburg

### **Subsidiary directors**

- Clinton Cockerell 10 Mack Road, Prospecton, Durban
- Jason Burke 10 Mack Road, Prospecton, Durban
- Derrick Muller 10 Mack Road, Prospecton, Durban
- Bruce Sloley 63 Dollar Drive, Richards Bay

## WORKING CAPITAL UNDERTAKING

The directors of the company undertake that they will not implement the general payments or the repurchase of shares unless, for a period of 12 months following the date of the Annual General Meeting:

- The company and the subsidiaries of the company ("the group") are able to repay their debts as such debts become due in the ordinary course of business;
- The assets of the company and group, fairly valued in accordance with International Financial Reporting Standards and on a basis consistent with the previous financial year, exceed the liabilities of the company and group;
- The company and the group have adequate share capital and reserves for ordinary business purposes;
- The company and the group have sufficient working capital for ordinary business purposes; and
- The sponsor of the company provides a letter to the JSE on the adequacy of working capital in terms of section 2.12 of the Listings Requirements of the JSE.

# Notice of Annual General Meeting (continued)

for the year ended 30 June 2010

## LITIGATION STATEMENT

The directors, whose names are given on pages 4 and 5 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that may have or have had in the recent past, being at least the previous 12 months, a material effect on the financial position of the company or any of its subsidiaries.

## DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 4 and 5 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to ordinary resolution 10 and special resolution 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all information required by law and the Listings Requirements of the JSE.

## MATERIAL CHANGES

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

## VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead. On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every ordinary share held in the company by such shareholder.

Dematerialised shareholders who have elected own-name registration in the sub-register through a Central Securities Depository Participant ("CSDP") and who are unable to attend but wish to vote at the Annual General Meeting, should complete and return the attached form of proxy and lodge it with the transfer secretaries of the company.

Shareholders who have dematerialised their shares through a CSDP or broker other than through own-name registration and who wish to attend the Annual General Meeting must instruct their CSDP or broker to issue them with the necessary written authority to attend. If such shareholders are unable to attend but wish to vote at the Annual General Meeting they should timeously provide their CSDP or broker with their voting instructions in terms of the agreement entered into between that shareholder and his/her CSDP or broker.

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address below, to be received at least 48 hours prior to the Annual General Meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting should the shareholder subsequently decide to do so.

By order of the board



**William Neasham CA(SA)**

*Company Secretary*

23 September 2010

### Registered office

10 Mack Road  
Prospecton  
Durban, 4110  
(PO Box 26426, Isipingo Beach, 4115)  
Telephone: +27 31 910 0200

### Transfer secretaries

Computershare Investor Services (Pty) Limited  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)  
Telephone: +27 11 370 5000

# Form of Proxy



## ARB HOLDINGS LIMITED

[Registration number: 1986/002975/06]

Share code: ARH

ISIN: ZAE000109435

("ARB" or "the company")

For use at the Annual General Meeting of the members of the company to be held at the company's registered office located at 10 Mack Road, Prospecton, Durban on Monday, 18 October 2010 at 10:00 and at any adjournment thereof.

For use by the holders of the company's certificated ordinary shares ("certificated shareholders") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("CSDP") or broker who have selected own-name registration ("own-name dematerialised shareholders"). Additional forms of proxy are available from the transfer secretaries of the company.

Not for use by the holders of the company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the Annual General Meeting and request that they be issued with the necessary written authorisation to do so, or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person but wish to be represented thereat.

I/We (full name in block letters)

of (address)

being the registered holder(s) of ordinary shares in the capital of the company, hereby appoint:

1. of or failing him/her,

2. of or failing him/her,

3. the chairman of the Annual General Meeting

as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting of the members of the company which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the ARB ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	In favour of*	Against*	Abstain*
<b>Ordinary resolutions</b>			
1. To adopt the annual financial statements for the year ended 30 June 2010			
2. To approve a general authority to issue shares for cash			
3. To place unissued shares under the directors' control			
4. To re-elect Alan R Burke as a director of the company			
5. To re-elect Jacob Modise as a director of the company			
6. To re-elect Dumisani Muhlwa as a director of the company			
7. To confirm the remuneration of the executive directors for the year ended 30 June 2010			
8. To approve the remuneration of non-executive directors for the year ending 30 June 2011			
9. To re-appoint the auditors and fix their remuneration			
10. To approve general payments to shareholders			
11. To authorise directors and/or the company secretary to act and sign documentation			
<b>Special resolution</b>			
1. To approve a general authority for the repurchase of company shares			

*\*Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.*

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) on (date) 2010

Member's signature

Assisted by (where applicable)

Please read the notes on the reverse side.

### Registered office

10 Mack Road

Prospecton

Durban, 4110

[PO Box 26426, Isipingo Beach, 4115]

Telephone: +27 31 910 0200

## Notes to the Form of Proxy

1. This form of proxy is to be completed only by those members who:
  - a. hold shares in certificated form; or
  - b. are recorded in the sub-register in electronic form in their own-name.
2. Members who have dematerialised their shares, other than own-name dematerialised shareholders, and who wish to attend the Annual General Meeting must contact their Central Securities Depository Participant ("CSDP") or broker who will furnish them with the necessary written authority to attend the Annual General Meeting, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker.
3. Each member is entitled to appoint one or more proxies (who need not be member(s) of the company) to attend, speak and on a poll, vote in place of that member at the Annual General Meeting.
4. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space provided, with or without deleting "the chairman of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.
6. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the resolutions or in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the Annual General Meeting.
8. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
10. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
11. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
12. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.
13. Completed forms of proxy must be lodged with the transfer secretaries at the address provided below at least 48 hours prior to the Annual General Meeting.

### Transfer secretaries

Computershare Investor Services (Pty) Limited  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)  
Telephone: +27 11 370 5000

# Corporate Information



## COMPANY REGISTRATION NUMBER

1986/002975/06

## REGISTERED OFFICE

10 Mack Road  
Prospecton  
Durban, 4110  
(PO Box 26426, Isipingo Beach, 4115)  
Telephone: +27 31 910 0200

## CORPORATE OFFICE

11 Larch Nook  
Zwartkop X4  
Centurion, 0046  
(PO Box 23305, Gezina, 0031)  
Telephone: +27 12 663 5244

## COMPANY SECRETARY

William Neasham CA(SA)  
10 Mack Road  
Prospecton  
Durban, 4110  
(PO Box 26426, Isipingo Beach, 4115)  
Telephone: +27 31 910 0213

## REPORTING ACCOUNTANTS AND AUDITORS

PKF Durban  
2nd Floor, 12 on Palm Boulevard  
Gateway  
Umhlanga Rocks, 4319  
(PO Box 1858, Durban, 4000)  
Telephone: +27 31 573 5000

## COMMERCIAL BANKERS

Nedbank Limited  
90 Ordinance Road  
Kingsmead  
Durban, 4001  
(PO Box 3560, Durban, 4000)  
Telephone: +27 31 364 1111

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited  
Ground Floor, 70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)  
Telephone: +27 11 370 5000

## SPONSOR

Grindrod Bank Limited  
Building 3, Commerce Square  
39 Rivonia Road  
Sandton, 2146  
(PO Box 78011, Sandton, 2146)  
Telephone: +27 11 459 1860

## ATTORNEYS

Garlicke & Bousfield Inc.  
7 Torsvale Crescent  
La Lucia Ridge Office Estate  
Umhlanga Rocks, 4319  
(PO Box 1219, Umhlanga Rocks, 4320)  
Telephone: +27 31 570 5479

## INVESTOR RELATIONS AGENCY

ChilliBush Investor Relations  
Chilli House  
58 Jan Smuts Avenue  
Forest Town, 2193  
(PO Box 1432, Cramerview, 2060)  
Telephone: +27 11 646 7152