



ARB CORPORATION LTD

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18 February 2020

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

**APPENDIX 4D, CHAIRMAN'S STATEMENT AND FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

ARB Corporation Limited herewith lodges:

1. Appendix 4D for the half year ended 31 December 2019;
2. Chairman's Statement for the half year ended 31 December 2019; and
3. Financial Report for the half year ended 31 December 2019.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'Damon Page', written in a cursive style.

Damon Page
Company Secretary

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APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. The reporting period is the half year ended 31 December 2019.
The previous corresponding period is the half year ended 31 December 2018.

2. Results for announcement to the market

Six months ended	Dec 2019 \$'000	Dec 2018 \$'000	% Change
Sales Revenue	233,396	217,582	7.3%
2.1 Revenues from ordinary activities	234,139	218,708	7.1%
Profit from ordinary activities before tax attributable to members	34,388	37,521	(8.3%)
2.2 Profit from ordinary activities after tax attributable to members	25,293	27,317	(7.4%)
2.3 Net profit for the period attributable to members	25,293	27,317	(7.4%)

Interim Dividend	Dec 2019	Dec 2018	% Change
Interim Dividend per Ordinary Share (fully franked at 30%)	18.5 cents	18.5 cents	0.0%

- 2.5 Refer to section 5 below for dividend details.

3. Net tangible assets per security	Dec 2019	Dec 2018	% Change
Net tangible assets per security	\$3.45	\$3.34	3.3%

The calculation of net tangible assets per security includes lease liabilities but not the associated intangible lease right-of-use asset. To ensure comparability, net tangible assets per security disclosed for December 2018 of \$3.34 above has been calculated on the basis that *AASB 16 Leases* had already been adopted. The actual net tangible assets per security disclosed last year, prior to adopting *AASB 16 Leases*, was \$3.75.

4. There were no changes to controlled entities during the half year ended 31 December 2019.

5. Dividends	Amount per Security	Franked Amount per Security	Total \$'000	Record date	Payment date
Interim dividend - year ended 30 June 2019	18.5 cents	18.5 cents	14,713	4 Apr 2019	18 Apr 2019
Final dividend - year ended 30 June 2019	21.0 cents	21.0 cents	16,742	4 Oct 2019	18 Oct 2019
Interim dividend - year ended 30 June 2020	18.5 cents	18.5 cents	14,769	3 Apr 2020	17 Apr 2020

6. A Dividend Reinvestment Plan and Bonus Share Plan will be in operation for the interim dividend. The last date for the receipt of an election notice for participation in the plans is 8 April 2020.

7. Details of associates or joint venture entities are not applicable.

APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

8. Accounting standards used by foreign entities are not applicable.

9. The financial report has been independently reviewed by Pitcher Partners and is not subject to a modified opinion or emphasis of matter paragraph.

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Fax: +61 3 9721 9093
arb.com.auPostal Address:
PO Box 105, Kilsyth,
Victoria 3137 AustraliaStreet Address:
42-44 Garden Street, Kilsyth,
Victoria 3137 Australia**CHAIRMAN'S STATEMENT**

The Directors of ARB Corporation Limited ("ARB" or the "Company") report that the Company achieved a profit after tax of \$25.3 million for the half year ended 31 December 2019. This represents a reduction of 7.4% compared with the prior corresponding period. As previously indicated and explained below, the result reflects the significant strengthening of the Thai baht which increased the Company's costs on a range of products manufactured in ARB's Thai factories.

Pleasingly, sales for the half year were \$233 million, an increase of 7.3% over the prior corresponding period.

The half year results are summarised below:

Six months ended	31 Dec 19 \$'000	31 Dec 18 \$'000	Change
Sales revenue	233,396	217,582	7.3%
Other revenue	743	1,126	
Total revenue	234,139	218,708	
Profit before Tax	34,388	37,521	(8.3%)
Tax expense	(9,095)	(10,204)	
Profit after Tax	25,293	27,317	(7.4%)
EPS - cents	31.71	34.40	
Interim Dividend (cps)	18.5	18.5	-
Franking	100%	100%	

The Board has declared an interim fully franked dividend of 18.5 cents per share, in line with last year. The interim dividend will be paid on 17 April 2020 and the Record Date will be 3 April 2020. The ARB Dividend Reinvestment Plan and Bonus Share Plan (the "Plans") will be in operation for the interim dividend to assist with the funding of ARB's ongoing expansion programme.

Information about the Plans can be found on the Company's website at <http://www.arb.com.au/about/investor-relations>. Investors wishing to make or change an election to participate in the Plans can do so online via the Computershare Investor Centre website at www.computershare.com.au/easyupdate/arb or by phoning Computershare on 1300 850 505.

HIGHLIGHTS OF THE HALF YEAR TO 31 DECEMBER 2019

Sales

Sales for the period grew by a respectable 7.3% over the previous corresponding period.

Sales category performance for the period is summarised as follows:

Customer Category	Percentage of Sales		Sales Growth
	6 months to Dec 2019	6 months to Dec 2018	
Australian Aftermarket	62.0%	64.7%	2.8%
Exports	30.9%	27.2%	21.9%
Original Equipment	7.1%	8.1%	(6.1%)
	100.0%	100.0%	7.3%

Sales to the Australian aftermarket grew by 2.8% in challenging circumstances with new motor vehicle sales in Australia recently posting their 22nd consecutive month of declines. Sales of new vehicles in ARB's target market, including medium to large SUVs and four-wheel drive utilities, have remained relatively flat over the period. Nonetheless, sales growth was achieved in Queensland, South Australia, Tasmania and Western Australia, whilst sales in New South Wales and Victoria were only marginally behind the corresponding period last year.

Strong export sales growth of 21.9% was achieved. Export sales and distribution operations in Australia, the USA, the Czech Republic, the UAE, Thailand and New Zealand all contributed to this growth. Export sales now represent 30.9% of the Group's sales, up from 27.2% in the corresponding period last year.

Sales to original equipment manufacturers declined by 6.1% over the period, cycling off strong growth of 21.5% in the corresponding period last year. Original equipment products are exclusively sold on new vehicles and therefore are directly impacted by the slow down in new vehicle sales in Australia. ARB expects modest improvements in original equipment sales in the second half of the financial year as a number of new contracts begin.

As announced on 1 November 2019, Ford Motor Company and ARB continue to work closely on current and new model product and distribution opportunities. The winch-ready bumper for the North American Ranger is progressing through its complex product validation. Both Ford and ARB are working closely to get the product to market as early as possible.

Distribution

In the Australian aftermarket, the Company distributes through its market leading ARB store network, to retail customers, to ARB stockists, to new vehicle dealers and to various fleet operators. Currently, there are 66 ARB stores in Australia, of which 27 are Company owned. This compares with 65 stores at this time last year. The Company expects four additional ARB stores to open during 2020.

During the period, the Company acquired two ARB stores from an independent owner in Rockhampton and Bundaberg, Queensland. At the time of transition, ARB re-located the Rockhampton store to a new site with the enhanced flagship format. The Company is very pleased with the development of the central Queensland sales network facilitated by these two acquisitions.

The new Bunbury, Western Australia store opened in July 2019. An existing store located in Elizabeth, South Australia, was upgraded and the Company expects six existing stores to upgrade to the flagship format during 2020.

The Company also relocated its Western Australian distribution centre to larger premises in December 2019 which completes the upgrading of all state distribution centres.

ARB officially opened its new 20,000 sqm global warehousing facility in Thailand in October 2019. The modern warehouse situated in a free-trade zone has facilitated the consolidation of manufacturing and warehousing functions across the Company's three sites in Thailand. The location is important to ARB's international supply chain and will increase the efficiency of the global distribution network by directly supplying a broader range of products from a more central location at lower cost.

Products and Production

ARB regards product development as fundamental to maintaining the Company's long-term competitive advantage. The Company has increased its investment in and continues to focus on research and development of new products and applications. ARB's engineering resources are working on a number of long-term product development projects, some of which will be released to market during 2020.

Shareholders can learn more about ARB's new product releases via the Company's website at <https://www.arb.com.au/latest/news-and-releases/>.

Financial

Profit after tax was impacted by a weaker Australian dollar, particularly against the Thai baht, which has materially increased the cost of the Company's Thai manufactured product and negatively impacted on the half year result. The Thai baht persisted at its historically strongest level against the Australian dollar across the entire first half of the financial year. A number of steps were initiated throughout the half year to mitigate against this increased cost which will take full effect in the second half. The Board, however, remains cautious given the inherent volatility of the Australian dollar value against foreign currencies.

Net cash provided by operating activities increased \$15.2 million or 72% to \$36.4 million. The increased operating cash flows reflects the slower growth of inventories compared with the corresponding prior period as the Company more optimally manages its working capital requirements.

Consistent with last year, the Company had no net debt at the end of the period.

NEW ZEALAND ACQUISITION

ARB has reached in principle agreement to purchase the assets of Proform Plastics Ltd. Proform is based in Hamilton, New Zealand and provides customers with a complete large plastics service from design, tool making, production and international logistics. With approximately 120 staff, Proform sells to over 60 countries globally and is a tier-one accessory supplier to a number of global automotive OEM customers.

ARB and Proform have enjoyed a long and successful relationship, dating back to 1997 with the introduction of Proform canopy shells into the ARB product offering, which has grown to include distribution of most of Proform's product range.

The acquisition of Proform is not financially material to ARB. However, Proform is strategically important to ARB because it secures the Company's supply of canopy shells and provides a focus and opportunity to increase sales of Proform proprietary products through ARB's Australian and international businesses.

Proform neatly complements ARB's recent acquisition of the Beaut Utes business, also located in Hamilton, New Zealand, and entrenches ARB in the New Zealand market.

THE FUTURE

The Board is pleased to report that sales growth has been maintained in the first six weeks of the second half of the financial year. However, the economic and currency headwinds experienced by the Company in the first half of the financial year have continued into the second half, making profit growth difficult to achieve in the short term. Although this is likely to result in full year earnings being down by a similar amount to the first half, the Company continues to develop and pursue numerous growth opportunities across its global network where demand for ARB products remains healthy.

In the longer term, ARB remains positive with growth plans in place, both in Australia and in export markets, including new products and geographic expansion.

With strong brands around the world, very capable senior management and staff, a strong balance sheet and growth strategies in place, the Board believes ARB is well positioned to achieve on-going success.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R. Brown', enclosed within a large, hand-drawn oval.

Roger Brown
Chairman

18 February 2020



4X4 ACCESSORIES

ARB CORPORATION LTD
ABN 31 006 708 756

FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A

This half year financial report is to be read in conjunction with
the financial report for the year ended 30 June 2019.

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CORPORATE INFORMATION

The half year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by ARB Corporation Limited during the half year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

COMPANY ABN

31 006 708 756

DIRECTORS

Roger G Brown B.E., M.B.A.

Andrew H Brown

Adrian R Fitzpatrick B.Com., FCA

John R Forsyth B.E., M.B.A.

Robert D Fraser B.Ec., LLB (Hons)

Karen L Phin BA., LLB (Hons), GAICD

Andrew P Stott

COMPANY SECRETARY

John R Forsyth B.E., M.B.A. (Resigned 1 July 2019)

Damon Page B.Bus., CA (Appointed 1 July 2019)

PRINCIPAL REGISTERED OFFICE

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AUDITORS

Pitcher Partners

Level 13

664 Collins Street

Docklands Victoria 3008

LOCATION OF REGISTER OF SECURITIES

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Abbotsford Victoria 3067

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Fax: +61 3 9473 2500

STOCK EXCHANGE

Australian Securities Exchange

Level 4, North Tower

Rialto, 525 Collins Street

Melbourne Victoria 3000

DIRECTORS' REPORT

The Directors present their report together with the condensed financial report of the consolidated entity of ARB Corporation Limited, being the Company and its controlled entities ("the Group"), for the half year ended 31 December 2019 and the independent auditor's review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors Names

The Directors listed below each held office as a Director of the Company at all times during or since the end of the financial half year.

Name	Period of Directorship
Mr. Roger G Brown	Since 1987
Mr. Andrew H Brown	Since 1987
Mr. Adrian R Fitzpatrick	Since 2016
Mr. John R Forsyth	Since 1987
Mr. Robert D Fraser	Since 2004
Mrs. Karen Phin	Since 2019
Mr. Andrew P Stott	Since 2006

Review of Operations

Further information on the Group's operations is disclosed in the attached half yearly results announcement.

The principal activities of the Group during the course of the half year remained unchanged and were the design, manufacture, distribution and sale of motor vehicle accessories and light metal engineering works.

The consolidated profit attributable to members of the parent entity after income tax expense for the half year was \$25,293,000 (2018: \$27,317,000).

Significant Changes in the State of Affairs

During the period, the Company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Rounding Amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' report and in the financial statements have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar (where indicated).

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half year is included at page 17 of this report.

Signed in accordance with a resolution of the Directors.



R.G. Brown
Director



J.R. Forsyth
Director

Melbourne, 18 February 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Dec 2019 \$'000	Dec 2018 \$'000
Sales revenue		233,396	217,582
Other revenue		743	1,126
Total revenue		234,139	218,708
Materials and consumables used		(107,656)	(94,885)
Employee expenses		(58,486)	(54,613)
Depreciation and amortisation expense	1 (b)	(10,097)	(6,816)
Advertising expense		(3,691)	(3,753)
Distribution expense		(5,556)	(5,290)
Finance expense	1 (b)	(863)	(135)
Occupancy expense	1 (b)	(5,859)	(7,808)
Maintenance expense		(2,229)	(2,422)
Other expenses		(5,314)	(5,465)
Profit before income tax expense		34,388	37,521
Income tax expense		(9,095)	(10,204)
Profit attributable to members of the parent entity		25,293	27,317
Basic and Diluted Earnings per share (cents)		31.71	34.40

The accompanying notes form part of these financial statements.

Prior year comparatives have been reclassified to ensure consistency with current half year disclosures.

The Group has initially applied *AASB 16 Leases* using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1 (b)).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Dec 2019 \$'000	Dec 2018 \$'000
Profit attributable to members of the parent entity	25,293	27,317
Other comprehensive income		
Items that may be reclassified subsequently to Profit or Loss		
Movement in fair value of cash flow hedges	16	8
Exchange differences on translation of foreign operations	1,880	5,923
Other comprehensive income for the half year	1,896	5,931
Total comprehensive income for the half year attributable to members of the parent entity	27,189	33,248

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Dec 2019 \$'000	Jun 2019 \$'000
Current assets			
Cash and cash equivalents		9,587	8,464
Receivables		53,318	59,445
Derivative financial instruments	5	2	-
Inventories		134,798	125,340
Current tax assets		2,461	-
Other assets		7,743	3,133
Total current assets		207,909	196,382
Non-current assets			
Property, plant and equipment		174,220	169,420
Deferred tax assets	1 (b)	5,706	3,722
Intangible assets		35,098	29,575
Right-of-use assets	1 (b)	45,446	-
Total non-current assets		260,470	202,717
Total assets		468,379	399,099
Current liabilities			
Payables		41,743	35,883
Derivative financial instruments		-	14
Borrowings		3,000	-
Current tax liabilities		2,249	1,239
Lease liabilities	1 (b)	4,568	-
Provisions		13,981	14,066
Total current liabilities		65,541	51,202
Non-current liabilities			
Lease liabilities	1 (b)	46,024	-
Provisions		1,247	1,303
Total non-current liabilities		47,271	1,303
Total liabilities		112,812	52,505
NET ASSETS		355,567	346,594
EQUITY			
Contributed equity		116,915	115,181
Reserves		24,703	22,807
Retained profits	1 (b)	213,949	208,606
TOTAL EQUITY		355,567	346,594

The accompanying notes form part of these financial statements.

Prior year comparatives have been reclassified to ensure consistency with current half year disclosures.

The Group has initially applied *AASB 16 Leases* using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1 (b)).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2018		109,801	12,831	180,430	303,062
Profit for the half year		-	-	27,317	27,317
Movement in fair value of cash flow hedges, net of tax		-	8	-	8
Exchange differences on translation of foreign operations, net of tax		-	5,923	-	5,923
Total comprehensive income for the half year		-	5,931	27,317	33,248
Transactions with owners in their capacity as owners:					
Contributions		2,202	-	-	2,202
Share issue		202	-	-	202
Dividends paid	2	-	-	(14,573)	(14,573)
Total transactions with owners in their capacity as owners		2,404	-	(14,573)	(12,169)
Balance as at 31 December 2018		112,205	18,762	193,174	324,141

Balance as at 1 July 2019		115,181	22,807	208,606	346,594
Adjustment on change of accounting policy, net of tax	1 (b)	-	-	(3,381)	(3,381)
Restated opening balance		115,181	22,807	205,225	343,213
Profit for the half year		-	-	25,293	25,293
Movement in fair value of cash flow hedges, net of tax		-	16	-	16
Exchange differences on translation of foreign operations, net of tax		-	1,880	-	1,880
Total comprehensive income for the half year		-	1,896	25,293	27,189
Transactions with owners in their capacity as owners:					
Contributions		1,534	-	-	1,534
Share issue		200	-	-	200
Dividends paid	2	-	-	(16,569)	(16,569)
Total transactions with owners in their capacity as owners		1,734	-	(16,569)	(14,835)
Balance as at 31 December 2019		116,915	24,703	213,949	355,567

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Dec 2019 \$'000	Dec 2018 \$'000
Cash Flows From Operating Activities			
Receipts from customers		272,986	243,720
Payments to suppliers and employees		(224,780)	(209,831)
Interest received		30	36
Finance costs	1 (b)	(863)	(135)
Income tax paid		(10,987)	(12,618)
Net cash provided by Operating activities		36,386	21,172
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(10,063)	(8,242)
Payments for development costs		(1,279)	(994)
Payments for intangible software assets		(398)	(333)
Payments for business acquisitions	4	(9,869)	-
Proceeds from sales of property, plant & equipment		355	396
Net cash used in Investing activities		(21,254)	(9,173)
Cash Flows From Financing Activities			
Dividends paid		(15,035)	(12,371)
Payments for lease liabilities	1 (b)	(1,981)	-
Proceeds from borrowings		3,000	-
Repayment of borrowings		-	(1,490)
Net cash used in Financing activities		(14,016)	(13,861)
Foreign exchange differences		7	392
Net increase/(decrease) in cash held		1,123	(1,470)
Cash at the beginning of the financial year		8,464	9,187
Cash at the end of the half year		9,587	7,717

The accompanying notes form part of these financial statements.

Prior year comparatives have been reclassified to ensure consistency with current half year disclosures.

The Group has initially applied *AASB 16 Leases* using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1 (b)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION

This condensed, consolidated half year financial report does not include all the notes of the type usually included in the annual financial report.

It is recommended that this half year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by ARB Corporation Limited during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

This condensed half year financial report covers the Company and its controlled entities as a consolidated entity. ARB Corporation Ltd is a company limited by shares, incorporated and domiciled in Australia. The Company is a for-profit entity for the purpose of preparing the financial statements.

The half year financial report was authorised for issue by the Directors as at the date of the Directors' Report.

(a) Basis of preparation of the half year financial report

This condensed, consolidated half year financial report has been prepared in accordance with Australian Accounting Standard *AASB 134 Interim Financial Reporting* as appropriate for for-profit entities and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*.

The half year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Where necessary, comparative information has been reclassified for consistency with current year disclosures.

(b) Summary of the significant accounting policies

Except as described below, the accounting policies applied in this half year financial report are the same as those used in the annual financial report for the year ended 30 June 2019.

New accounting standards and interpretations issued

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half year.

Changes in significant accounting policies

The Group adopted *AASB 16 Leases* (AASB 16) at the commencement of the half year. AASB 16 replaced *AASB 117 Leases* (AASB 117) and introduced an on balance sheet accounting model for leases. AASB 16 requires a lessee to recognise right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments for all leases with a term greater than 12 months.

Right-of-use assets are initially measured at their cost comprising the amount of the initial measurement of the lease liability, lease payments made prior to commencing the lease and other direct costs incurred including an estimate of required make good costs at the end of the lease term less any lease incentives received. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. Lease costs are depreciated over the shorter of the lease term or the estimated useful life of the asset.

Lease liabilities are initially measured at the present value of the lease payments over the lease term using the Group's incremental borrowing rate. Lease liabilities are subsequently measured at the present value of the remaining lease payments adjusted to reflect changes to lease terms or payments. Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

As a result of adopting AASB 16, the Group recognises depreciation expense of right-of-use assets and interest expense associated with lease liabilities in lieu of expensing lease payments made which were recognised as occupancy related rental expenses under AASB 17 in previous periods.

The Group has also elected (i) to not recognise right-of-use assets and lease liabilities for low value assets, rather, lease payments associated with these assets are recognised as an expense on a straight-line basis over the lease term, (ii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics, and (iii) to use hindsight to determine the lease term for contracts that include renewal options.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION (continued)

In accordance with the transition requirements of AASB 16, the Group has elected to use the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information has not been restated.

On transition to AASB 16 at 1 July 2019, the Group recognised:

- Right-of-use assets of \$29.3 million;
- Lease liabilities of \$34.1 million;
- A deferred tax asset of \$1.4 million; and
- A reduction in retained earnings of \$3.4 million.

During the half year, in relation to the right-of-use assets and lease liabilities recognised at transition, the Group recognised:

- Amortisation expense of \$2.2 million; and
- Finance expense of \$0.8 million,

These expenses are in lieu of occupancy expenses (operating leases / rental expenses) of \$2.7 million that would have previously been recognised under AASB 117.

The following is a reconciliation of operating lease commitments disclosed at the end of the prior reporting period (i.e., at 30 June 2019) to the aggregate carrying amount of lease liabilities recognised at the date of the initial application (i.e., at 1 July 2019):

	1 July 19 \$'000
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	14,689
Lease payments previously included in lease commitments for leases with remaining terms of less than 12 months	(327)
Impact of discounting lease payments to their present value at 1 July 2019	(1,089)
Extension options reasonably certain to be exercised	20,785
Lease liabilities recognised at 1 July 2019	<u>34,058</u>

(c) Rounding amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial statements have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

2. DIVIDENDS

	Dec 2019 \$'000	Dec 2018 \$'000
Dividends paid or recommended by the Company are:		
Recognised Amounts		
A final fully franked ordinary dividend of 21 cents per share paid on 18 October 2019 (2018: 19.5 cents per share fully franked)	16,569	14,573
Unrecognised Amounts		
An interim fully franked ordinary dividend of 18.5 cents per share to be paid on 17 April 2020 (2018: 18.5 per share fully franked)	14,769	14,713

The interim dividend proposed was declared subsequent to the reporting period and has therefore not been recognised as a liability.

The dividends paid by the Company were fully franked at the tax rate of 30% (2018: 30%) and the recommended interim dividend will be fully franked at the tax rate of 30%.

3. ISSUES OF EQUITY SECURITIES

Number of fully paid ordinary shares:

	Dec 2019 Shares	Dec 2018 Shares
Balance at the beginning of the half year	79,725,131	79,343,950
Dividend reinvestment plan and Bonus share plan	93,744	175,177
Other shares issued	11,650	12,650
Balance at the end of the half year	79,830,525	79,531,777

Weighted average number of ordinary shares used in the calculation of basic earnings per share is 79,767,457 (2018: 79,415,158).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

4. BUSINESS COMBINATIONS

During the half year the consolidated entity purchased retail stores in Bundaberg, Queensland (July 2019) and Rockhampton, Queensland (September 2019) and the assets of Advanced Equipment Limited in New Zealand (October 2019).

A summary of these aggregated transactions is:

	Dec 2019 \$'000
Total cost of combination	9,869
Assets and liabilities acquired:	
Inventory	3,553
Plant and equipment	807
Goodwill	5,723
Deferred Tax Asset	71
Employee Entitlements	(267)
Other assets/ (liabilities)	(18)
Net assets acquired	9,869

The goodwill on acquisition arises as a result of the reputation, employees and profitability of the businesses acquired.

The acquisitions have been accounted for on a provisional basis as at 31 December 2019.

Contributions since acquisition

For the half year ended 31 December 2019, the businesses acquired contributed revenue of \$7,644,000 and a profit after tax of \$581,000 which is included within the consolidated profit for that period. ARB was previously a major supplier to each of the three businesses acquired and the Company's sales to these businesses and profits generated on those sales since acquisition are included in these numbers.

Prior year

There were no changes to Business Combinations during the prior half year.

5. FAIR VALUE MEASUREMENTS

As at 31 December 2019, the Company had foreign exchange contracts to sell various foreign currencies with a purchase value of A\$3,350,000 (2018: A\$317,000). The unrealised fair value gain of \$2,000 (2018: gain of \$3,000) is represented by a Derivative Financial Instrument asset, and recorded in the cash flow hedge reserve. The movement in the reserve from the previous reporting period is recorded as Other Comprehensive Income as shown in the Condensed Consolidated Statement of Changes in Equity.

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Condensed Consolidated Statement of Financial Position.

The fair values of derivative hedging instruments have been determined based on observable inputs including foreign currency forward exchange rates. Derivative hedging instruments are classified as Level 2 in the fair value measurement hierarchy. These foreign currency forward contracts are valued on a discounted cash flow basis using forward exchange rates. All other financial assets and liabilities carrying amounts are a reasonable approximation of fair values as they are short term trade receivables and payables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

6. SEGMENT INFORMATION

The major products/services from which the economic entity derived revenue during the half year remained unchanged and were the design, manufacture, distribution and sale of motor vehicle accessories and light metal engineering works.

The reportable segments of the consolidated entity are based on geographical locations comprising operations in Australasia, USA, Thailand and Middle East & Europe.

The following table includes the disaggregation of revenue disclosures in line with *AASB 15 Revenue from Contracts with Customers*.

	Australasia	USA	Thailand	Middle East & Europe	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Segment revenue						
Total segment revenue	225,511	30,595	38,385	10,505	(70,857)	234,139
Intersegmental revenues	(35,387)	-	(35,464)	(6)	70,857	-
Segment revenue from external source	190,124	30,595	2,921	10,499	-	234,139
Total segment result	18,768	990	4,549	652	334	25,293
Intersegmental eliminations	4,537	-	(4,203)	-	(334)	-
Segment result from external source	23,305	990	346	652	-	25,293
Total segment assets	396,572	33,386	95,285	14,479	(71,343)	468,379
Total segment liabilities	122,614	15,782	7,526	6,042	(39,152)	112,812
2018						
Segment revenue						
Total segment revenue	209,654	27,730	36,462	9,920	(65,058)	218,708
Intersegmental revenues	(31,831)	-	(33,227)	-	65,058	-
Segment revenue from external source	177,823	27,730	3,235	9,920	-	218,708
Total segment result	21,350	584	5,160	1,062	(839)	27,317
Intersegmental eliminations	3,863	-	(4,702)	-	839	-
Segment result from external source	25,213	584	458	1,062	-	27,317
Total segment assets	323,690	27,880	83,878	12,430	(68,329)	379,549
Total segment liabilities	68,234	13,147	8,288	6,061	(40,322)	55,408

New Zealand is included in Australasia in 2019 for the first time as a result of the acquisitions disclosed in Note 4.

7. SUBSEQUENT EVENTS

With the exception of the declaration of an interim dividend in Note 2, no other matters or circumstances have arisen since 31 December 2019 that have significantly affected or may significantly affect:

- the operations, in financial periods subsequent to 31 December 2019, of the consolidated entity, or
- the results of those operations, or
- the state of affairs, in financial periods subsequent to 31 December 2019, of the consolidated entity.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 4 to 13 are in accordance with the *Corporations Act 2001*, and:

- (a) comply with the Australian Accounting Standard AASB 134 "Interim Financial Reporting", and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that ARB Corporation Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Roger G Brown
Director



John R Forsyth
Director

Melbourne, 18 February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ARB CORPORATION LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ARB Corporation Limited, "the Company", and its controlled entities, "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ARB Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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ARB CORPORATION LIMITED
ABN 31 006 708 756
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ARB CORPORATION LIMITED

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



K L BYRNE
Partner

18 February 2020



PITCHER PARTNERS
Melbourne

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ARB CORPORATION LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 2019, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of ARB Corporation Limited and the entities it controlled during the period.



K L BYRNE
Partner

18 February 2020



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Melbourne

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