



ARB CORPORATION LTD

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ASX ANNOUNCEMENT

16 February 2021

**APPENDIX 4D, CHAIRMAN'S STATEMENT AND FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

ARB Corporation Limited herewith lodges:

1. Appendix 4D for the half year ended 31 December 2020;
2. Chairman's Statement for the half year ended 31 December 2020; and
3. Financial Report for the half year ended 31 December 2020.

This announcement was approved for release by the Company Secretary.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'D. Page', with a large, stylized initial 'D'.

Damon Page
Company Secretary

APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

1. The reporting period is the half year ended 31 December 2020.
The previous corresponding period is the half year ended 31 December 2019.

2. Results for announcement to the market

Six months ended	Dec 2020 \$'000	Dec 2019 \$'000	% Change
Sales Revenue	283,921	233,396	21.6%
2.1 Revenues from ordinary activities	285,019	234,139	21.7%
Profit from ordinary activities before tax attributable to members	72,083	34,388	109.6%
2.2 Profit from ordinary activities after tax attributable to members	54,002	25,293	113.5%
2.3 Net profit for the period attributable to members	54,002	25,293	113.5%
2.4 Interim Dividend	Dec 2020	Dec 2019	% Change
Interim Dividend per Ordinary Share (fully franked at 30%)	29.0 cents	18.5 cents	56.8%

- 2.5 Refer to section 5 below for dividend details.

3. Net tangible assets per security	Dec 2020	Dec 2019	% Change
Net tangible assets per security (excluding lease right-of-use asset)	\$4.36	\$3.45	26.4%
Net tangible assets per security (including lease right-of-use asset)	\$4.89	\$4.01	21.9%

4. There were no changes to controlled entities during the half year ended 31 December 2020.

5. Dividends	Amount per Security	Franked Amount per Security	Total \$'000	Record date	Payment date
Interim dividend - year ended 30 June 2020	18.5 cents	18.5 cents	14,769	9 Oct 2020	23 Oct 2020
Final dividend - year ended 30 June 2020	21.0 cents	21.0 cents	16,317	9 Oct 2020	23 Oct 2020
Interim dividend - year ended 30 June 2021	29.0 cents	29.0 cents	23,448	9 Apr 2021	23 Apr 2021

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 14 April 2021.

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

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

ARB CORPORATION LIMITED

ABN 31 006 708 756

APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

- 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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CHAIRMAN'S STATEMENT

The Directors of ARB Corporation Limited ("**ARB**" or the "**Company**") are pleased to report that the Company achieved a profit after tax of \$54.0 million for the half year ended 31 December 2020. This represents an increase of 113.5% compared with the prior corresponding period.

Profit before tax of \$72.1 million in the half year was at the top end of the Company's earnings guidance released to ASX on 12 January 2021, representing a 109.6% increase on the December 2019 half year.

Sales for the half year were \$284 million, an increase of 21.6% over the prior corresponding period.

The half year results are summarised below:

Six months ended	31 Dec 20 \$'000	31 Dec 19 \$'000	Change
Sales revenue	283,921	233,396	21.6%
Other revenue	1,098	743	
Total revenue	285,019	234,139	
Profit before Tax	72,083	34,388	109.6%
Tax expense	(18,081)	(9,095)	
Profit after Tax	54,002	25,293	113.5%
Earnings per Share (cents)	67.32	31.71	
Interim Dividend (cents per share)	29.00	18.50	56.8%
Franking	100%	100%	

The Board has declared an interim fully franked dividend of 29.0 cents per share compared with 18.5 cents per share fully franked last year. The interim dividend payout ratio of 43% is well below ARB's historical payout ratio of between 53% and 58% over the last five years. The Board has decided to reduce the dividend payout ratio to enable the Company to increase investment in its business for future growth.

This decision also reflects the one-off government assistance provided during the period which has supported ARB's ability to invest heavily in its future expansion. ARB's investment includes significant research and development, store expansion, major capital expenditure and new manufacturing equipment, all of which are vitally important to increasing manufacturing capacity, facilitating export growth and supporting employment in Australia.

The interim dividend will be paid on 23 April 2021 and the Record Date will be 9 April 2021. 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 2020

COVID-19

The Company experienced a pleasing recovery during the financial half year ended 31 December 2020 from the worst of the COVID-19 impacts encountered during the final quarter of the previous financial year. The recovery can be attributed to satisfying pent up demand created during the early lockdown periods, an increased trend towards local touring in many countries and the impact of governments' financial stimulus on consumer demand and confidence.

It is still not feasible to quantify the historic or current impact of COVID-19 and associated government enforced preventative measures on the overall results of ARB as the effects, both positive and negative, and measures undertaken to manage the impact of COVID-19 are interrelated and very difficult to measure in isolation.

Sales

Sales for the period grew by 21.6% over the previous corresponding period with growth achieved across all regions of the business.

A summary of sales category performance for the period is as follows:

Customer Category	Percentage of Sales		Sales Growth
	6 months to Dec 2020	6 months to Dec 2019	
Australian Aftermarket	58.1%	62.0%	14.0%
Exports	34.7%	30.9%	36.7%
Original Equipment	7.2%	7.1%	22.6%
	100.0%	100.0%	21.6%

Sales to the Australian aftermarket grew by a respectable 14.0%. Sales growth was above average in New South Wales, Queensland, Western Australia and Tasmania, slightly below average in South Australia and relatively flat in Victoria which was impacted by a prolonged COVID-19 related shutdown during the first half of the financial year. The sales growth was achieved despite a decline of 3.4% in sales of new vehicles in ARB's target market, including medium to large SUVs and four-wheel drive utilities.

Export sales grew strongly by 36.7% and represented more than a third of the Company's total sales. Growth was achieved from all export sales and distribution operations in Australia, the USA, the Czech Republic, the UAE, Thailand and New Zealand. The Board is pleased with the contributions made by each of the two businesses acquired in New Zealand last year.

Sales to original equipment manufacturers increased 22.6% over the period, rebounding from the 12.9% decline reported in the prior financial year. The increase was achieved despite continued declines in the number of new vehicles sold and is attributable to new contracts with original equipment customers which are expected to continue through 2021.

Sales growth in all customer categories was impacted by global supply chain issues in the half and this situation will continue to be the case in the foreseeable future.

Distribution

In the Australian aftermarket, the Company distributes through its market leading ARB store network, to retail customers, ARB stockists, new vehicle dealers and various fleet operators. Currently, there are 69 ARB stores in Australia, of which 29 are Company owned. This compares with 66 stores at this time last year.

Two new Company owned stores were opened in late 2020 in Gosford, New South Wales and in Edwardstown, South Australia, and one new independently owned store was opened in March 2020 in Windsor, New South Wales. The Company expects two additional ARB stores to open during 2021.

The Company recently built a new flagship store in Seven Hills, New South Wales, and has commenced building a new flagship store in Wangara, Western Australia, to relocate nearby existing stores. Land has been acquired in Albury, New South Wales and in Alice Springs, Northern Territory, to relocate existing stores into larger flagship stores. Other independently owned stores will be upgraded over the next 12 to 18 months.

Products and Production

ARB regards product development as fundamental to maintaining the Company's long-term competitive advantage. The Company maintained its engineering and development of new products and applications throughout the COVID-19 disruptions. The Company's engineering resources are working on a number of long-term product development projects, some of which will be released to market during 2021.

ARB's new BASE roof rack, boasting a low mounting profile, lightweight design and greater flexibility to personalise the set-up, was successfully launched during the half year and has been very well received in the domestic and international markets.

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

ARB's growth in profit after tax achieved during the first half of the financial year comfortably exceeded sales growth and was driven by increased sales demand, cost containment, improved efficiencies and a stronger Australian dollar, particularly against the Thai baht. On the downside, the result was impacted by constrained global supply chains, subsequent stock availability and cost pressures on commodities and shipping.

Net cash provided by operating activities of \$58.1 million approximated the profit after tax generated of \$54.0 million during the half year. The Company retained a cash balance of \$84.3 million at the financial half year end, an increase of \$42.7 million from the June 2020 financial year end.

The Company paid a fully franked dividend of 39.5 cents per share on 23 October 2020. This comprised the fully franked interim dividend of 18.5 cents per share, originally scheduled for payment in April 2020 but deferred in response to the outbreak of COVID-19, and the fully franked final dividend of 21.0 cents per share. The ARB Dividend Reinvestment Plan and the ARB Bonus Share Plan were fully underwritten for the combined dividend to preserve cash for future expansion opportunities as they arise.

THE FUTURE

The Company maintains a positive short-term outlook based on a strong customer order book and a return to growth in new car sales in Australia over the past few months.

The Company's first half performance should not be used as an indicator for the second half of the financial year given continued uncertainty around COVID-19 related restrictions and trading conditions more generally and the inclusion of non-recurring government benefits received during the first half. The

Board also remains cautious of uncertainty in the current global economic environment and cannot provide guidance on the full year outlook.

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.

The Board would like to thank all ARB staff worldwide for their efforts during the COVID-19 period under very stressful and challenging conditions.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R. Brown', with a large, sweeping flourish underneath.

Roger Brown
Chairman

16 February 2021



4X4 ACCESSORIES

ARB CORPORATION LTD
ABN 31 006 708 756

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2020

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 2020.

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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 2020 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

Damon Page B.Bus., CA

PRINCIPAL REGISTERED OFFICE

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AUDITORS

Pitcher Partners

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LOCATION OF REGISTER OF SECURITIES

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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 2020 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
Ms. Karen Phin	Since 2019
Mr. Andrew P Stott	Since 2006

Review of Operations

Further information on the Group's operations, including the impact of COVID-19, 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 \$54,002,000 (2019: \$25,293,000).

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 16 of this report.

Signed in accordance with a resolution of the Directors.



R.G. Brown
Director



J.R. Forsyth
Director

Melbourne, 16 February 2021

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	Dec 2020 \$'000	Dec 2019 \$'000
Sales revenue		283,921	233,396
Other revenue		1,098	743
Total revenue		285,019	234,139
Materials and consumables used		(125,700)	(107,656)
Employee expenses		(62,276)	(58,486)
Government wage subsidies	2	9,819	-
Depreciation and amortisation expense		(11,337)	(10,097)
Advertising expense		(2,314)	(3,691)
Distribution expense		(6,186)	(5,556)
Finance expense		(950)	(863)
Occupancy expense		(6,648)	(5,859)
Maintenance expense		(2,177)	(2,229)
Other expenses		(5,167)	(5,314)
Profit before income tax expense		72,083	34,388
Income tax expense		(18,081)	(9,095)
Profit attributable to members of the parent entity		54,002	25,293
Basic and Diluted Earnings per share (cents)		67.32	31.71

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Dec 2020 \$'000	Dec 2019 \$'000
Profit attributable to members of the parent entity	54,002	25,293
Other comprehensive income		
Items that may be reclassified subsequently to Profit or Loss		
Movement in fair value of cash flow hedges	(428)	16
Exchange differences on translation of foreign operations	(10,295)	1,880
Other comprehensive income / (expense) for the half year	(10,723)	1,896
Total comprehensive income for the half year attributable to members of the parent entity	43,279	27,189

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Dec 2020 \$'000	Jun 2020 \$'000
Current assets			
Cash and cash equivalents		84,277	41,569
Receivables		65,596	60,102
Derivative financial instruments	6	9	-
Inventories		140,897	119,170
Other assets		6,564	3,683
Total current assets		297,343	224,524
Non-current assets			
Property, plant and equipment		182,069	180,399
Deferred tax assets		6,762	5,897
Intangible assets		35,111	35,524
Right-of-use assets		42,489	40,175
Total non-current assets		266,431	261,995
Total assets		563,774	486,519
Current liabilities			
Payables		60,781	35,709
Derivative financial instruments	6	442	5
Current tax liabilities		8,113	2,948
Lease liabilities		5,276	4,716
Provisions		15,496	29,904
Total current liabilities		90,108	73,282
Non-current liabilities			
Lease liabilities		42,264	39,814
Provisions		1,264	1,162
Total non-current liabilities		43,528	40,976
Total liabilities		133,636	114,258
NET ASSETS		430,138	372,261
EQUITY			
Contributed equity		147,831	116,916
Reserves		12,541	23,264
Retained profits		269,766	232,081
TOTAL EQUITY		430,138	372,261

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2019	115,181	22,807	208,606	346,594
Adjustment on change of lease accounting policy, net of tax (note 1(b))	-	-	(2,482)	(2,482)
Restated opening balance	115,181	22,807	206,124	344,112
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:				
Dividend reinvestment plan and bonus share plan	1,534	-	-	1,534
Share issue	200	-	-	200
Dividends paid (note 3)	-	-	(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	214,848	356,466
Balance as at 1 July 2020	116,916	23,264	232,081	372,261
Profit for the half year	-	-	54,002	54,002
Movement in fair value of cash flow hedges, net of tax	-	(428)	-	(428)
Exchange differences on translation of foreign operations, net of tax	-	(10,295)	-	(10,295)
Total comprehensive income for the half year	-	(10,723)	54,002	43,279
Transactions with owners in their capacity as owners:				
Dividend reinvestment plan and bonus share plan (net of underwriter's fee)	30,770	-	-	30,770
Share issue	145	-	-	145
Dividends paid (note 3)	-	-	(16,317)	(16,317)
Total transactions with owners in their capacity as owners	30,915	-	(16,317)	14,598
Balance as at 31 December 2020	147,831	12,541	269,766	430,138

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	Dec 2020 \$'000	Dec 2019 \$'000
Cash Flows From Operating Activities			
Receipts from customers		296,853	272,986
Payments to suppliers and employees		(224,059)	(224,780)
Interest received		78	30
Finance costs		(950)	(863)
Income tax paid		(13,808)	(10,987)
Net cash provided by Operating activities		58,114	36,386
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(12,285)	(10,063)
Payments for development costs		(948)	(1,279)
Payments for intangible software assets		(307)	(398)
Payments for business acquisitions	5	-	(9,869)
Proceeds from sales of property, plant & equipment		221	355
Net cash used in Investing activities		(13,319)	(21,254)
Cash Flows From Financing Activities			
Dividends paid		-	(15,035)
DRP underwriting fee		(315)	-
Payments for lease liabilities		(2,305)	(1,981)
Proceeds from borrowings		-	3,000
Net cash used in Financing activities		(2,620)	(14,016)
Foreign exchange differences		533	7
Net increase in cash held		42,708	1,123
Cash at the beginning of the financial year		41,569	8,464
Cash at the end of the half year		84,277	9,587

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

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 2020 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) Adjustment on change of lease accounting policy

The adjustment to opening retained earnings in the December 2019 half year report of \$3,381,000 assumed the extension of a 10 year option on a property subsequently exited. The final adjustment to opening retained earnings was reduced to \$2,482,000 in the June 2020 full year report.

(c) 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 2020.

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. There has been no material effect.

A number of new accounting standards and interpretations have been issued at the reporting date but are not yet effective. The Directors have not yet assessed the impact of these standards or interpretations.

(d) 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 2020

2. COVID-19

The Company experienced a recovery during the financial half year ended 31 December 2020 from the worst of the COVID-19 impacts encountered during the final quarter of the previous financial year. The current half year results include the receipt of the Australian government's JobKeeper wage subsidy of \$9.8m before tax or \$6.9m after tax (\$nil in the prior corresponding period).

It is still not feasible to quantify the historic or current impact of COVID-19 and associated government enforced preventative measures on the overall results of ARB as the effects, both positive and negative, and measures undertaken to manage the impact of COVID-19 are interrelated and very difficult to measure in isolation.

3. DIVIDENDS

	Dec 2020 \$'000	Dec 2019 \$'000
Dividends paid or recommended by the Company are:		
Recognised Amounts		
A final fully franked ordinary dividend of 21.0 cents per share paid on 23 October 2020 (2019: 21.0 cents per share fully franked)	16,317	16,569
Unrecognised Amounts		
An interim fully franked ordinary dividend of 29.0 cents per share to be paid on 23 April 2021 (2019: 18.5 per share fully franked)	23,448	14,769

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% (2019: 30%) and the recommended interim dividend will be fully franked at the tax rate of 30%.

The interim dividend for the financial year ended 30 June 2020 of 18.5 cents per share was ultimately deferred and paid concurrently with the final dividend for the financial year ended 30 June 2020 of 21.0 cents per share on 23 October 2020. The Dividend Reinvestment Plan and the Bonus Share Plan (the Plans) applied to the combined dividend and the Plans were fully underwritten.

4. ISSUES OF EQUITY SECURITIES

Number of fully paid ordinary shares:

	Dec 2020 Shares	Dec 2019 Shares
Balance at the beginning of the half year	79,830,525	79,725,131
Dividend Reinvestment Plan and Bonus Share Plan	1,018,671	93,744
Other shares issued	4,680	11,650
Balance at the end of the half year	80,853,876	79,830,525

Weighted average number of ordinary shares used in the calculation of basic earnings per share is 80,219,843 (2019: 79,767,457).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

5. BUSINESS COMBINATIONS

Current year

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

Prior year

During the prior 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 (trading as Beaut Utes) 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.

Contributions since acquisition during the prior half year

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. The contributions of the businesses acquired during the prior half year are included in the Australasia segment in Note 7.

6. FAIR VALUE MEASUREMENTS

As at 31 December 2020, the Company had foreign exchange contracts to buy various foreign currencies with a purchase value of A\$21,400,000 (2019: sell various currencies with a sale value of A\$3,350,000). The unrealised fair value loss of \$433,000 (2019: gain of \$2,000) is represented by a Derivative Financial Instrument asset of \$9,000 and a Derivative Financial Instrument liability of \$442,000 (2019: Derivative Financial Instrument Asset of \$2,000), as recorded in the cash flow hedge reserve.

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 2020

7. 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
2020						
Segment revenue						
Total segment revenue	284,002	43,049	53,818	12,223	(108,073)	285,019
Intersegmental revenues	(57,399)	-	(50,674)	-	108,073	-
Segment revenue from external source	226,603	43,049	3,144	12,223	-	285,019
Total segment result	42,381	3,811	14,093	1,290	(7,573)	54,002
Intersegmental eliminations	5,698	-	(13,271)	-	7,573	-
Segment result from external source	48,079	3,811	822	1,290	-	54,002
Total segment assets	500,903	36,873	112,846	15,099	(101,947)	563,774
Total segment liabilities	152,511	15,774	15,342	8,166	(58,157)	133,636
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

8. SUBSEQUENT EVENTS

With the exception of the declaration of an interim dividend in Note 3, no other matters or circumstances have arisen since 31 December 2020 that have significantly affected or may significantly affect:

- the operations, in financial periods subsequent to 31 December 2020, of the consolidated entity, or
- the results of those operations, or
- the state of affairs, in financial periods subsequent to 31 December 2020, of the consolidated entity.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 4 to 12 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 2020 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, 16 February 2021

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the 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 2020, 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, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of ARB Corporation Limited and its controlled entities, does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the ARB Corporation Limited and its controlled entities financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the ARB Corporation Limited and its controlled entities 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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

ARB CORPORATION LIMITED
ABN 31 006 708 756
AND CONTROLLED ENTITIES

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

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.



K L BYRNE
Partner



PITCHER PARTNERS
Melbourne

16th February 2021

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 2020, 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

16 February 2021



PITCHER PARTNERS
Melbourne