



# **4X4 ACCESSORIES**

**ARB CORPORATION LTD**

ABN 31 006 708 756

AND CONTROLLED ENTITIES

**HALF YEAR INFORMATION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

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 2017.

**APPENDIX 4D**

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

1. The reporting period is the half year ended 31 December 2017.  
The previous corresponding period is the half year ended 31 December 2016.

**2. Results for announcement to the market**

Six months ended	Dec 2017 \$'000	Dec 2016 \$'000	% Change
Sales Revenue	208,085	185,150	Up 12.4%
2.1 Revenues from ordinary activities	210,047	186,233	Up 12.8%
Profit from ordinary activities before tax attributable to members	35,705	32,189	Up 10.9%
2.2 Profit from ordinary activities after tax attributable to members	23,447	23,358	Up 0.4%
2.3 Net profit for the period attributable to members	23,447	23,358	Up 0.4%
Add back: Underprovision of taxes in prior years (i)	3,041	-	
Net profit for the period attributable to members excluding the underprovision of taxes in prior years (i)	26,488	23,358	Up 13.4%

(i) Non-IFRS measures that have not been subject to audit or review.

	Dec 2017	Dec 2016	% Change
2.4 Interim Dividend per Ordinary Share (fully franked)	17.5 cents	16.0 cents	Up 9.4%

2.5 Refer to section 5 below.

- 2.6 In accordance with ARB's previous market update to ASX on 15 December 2017, the reported results in the current half year include a provision for additional taxes of \$3,041,000 in relation to the period from 1 July 2013 to 30 June 2017.

Further explanation of the results is included in the attached Chairman's statement.

3. Net tangible assets per security	Dec 2017	Dec 2016	% Change
Net tangible assets per security	\$3.27	\$2.99	Up 9.3%

4. There were no changes to controlled entities during the half year ended 31 December 2017.

5. Dividends	Amount per Security	Franked Amount per Security	Total \$'000	Record date	Payment date
Interim dividend - year ended 30 June 2017	16.0 cents	16.0 cents	12,670	7 Apr 2017	21 Apr 2017
Final dividend - year ended 30 June 2017	18.0 cents	18.0 cents	14,253	6 Oct 2017	20 Oct 2017
Interim dividend - year ending 30 June 2018	17.5 cents	17.5 cents	13,861	6 Apr 2018	20 Apr 2018

## APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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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 11 April 2018.
7. Details of associates or joint venture entities are not applicable.
8. Accounting standards used by foreign entities are not applicable.
9. The financial report has been independently reviewed and is not subject to a modified opinion or emphasis of matter paragraph.



**ARB Corporation Ltd**

4X4 ACCESSORIES

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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 net profit after tax of \$23.4 million for the half year ended 31 December 2017. Excluding an under-provision for taxes in prior years expensed in the current half of \$3.0 million, net profit after tax was \$26.5 million compared with \$23.4 million in the previous corresponding period. This represents an increase of 13.4%.

Net profit before tax of \$35.7 million represents an increase of 10.9% compared with \$32.2 million in the prior corresponding half year period. The Board believes the pre-tax result, which excludes the material impact of taxation in the current half, more accurately reflects the operating performance of the Company during the period.

Sales for the half year were \$208 million, an increase of 12.4% over the prior corresponding period.

The half year results are summarised below:

<b>Six months ended</b>	<b>31 Dec 17</b> \$'000	<b>31 Dec 16</b> \$'000	<b>Change</b>
<b>Sales</b>	<b>208,085</b>	<b>185,150</b>	<b>12.4%</b>
Other Revenue	1,962	1,083	
<b>Total Revenue</b>	<b>210,047</b>	<b>186,233</b>	
<b>Profit before Tax</b>	<b>35,705</b>	<b>32,189</b>	<b>10.9%</b>
Tax	(12,258)	(8,831)	
<b>Profit after Tax</b>	<b>23,447</b>	<b>23,358</b>	<b>0.4%</b>
<b>Add back:</b>			
<b>Under-provision of taxes in prior years<sup>1</sup></b>	<b>3,041</b>	-	
<b>Net profit excluding under-provision of taxes in prior years<sup>1</sup></b>	<b>26,488</b>	<b>23,358</b>	<b>13.4%</b>
EPS (cents)	29.61	29.50	
<b>Interim Dividend (cps)</b>	<b>17.5</b>	<b>16.0</b>	<b>9.4%</b>
Franking	100%	100%	

<sup>1</sup> In accordance with ARB's previous market update to ASX on 15 December 2017, the reported results in the current half year include a provision for additional taxes of \$3.0 million in relation to the period from 1 July 2013 to 30 June 2017. The Board believes the results adjusted for the impact of this expense more accurately reflect the operating performance of the Company in the current period.

The Company intends to pay an interim fully franked dividend of 17.5 cents per share. The interim dividend will be paid on 20 April 2018 and the Record Date will be 6 April 2018. A Dividend Reinvestment Plan and a Bonus Share Plan will be in operation for the interim dividend. Information regarding the Plans will be sent to shareholders in the next few days.

## HIGHLIGHTS OF THE HALF YEAR TO 31 DECEMBER 2017

### Sales

Sales for the period grew by a pleasing 12.4% over the previous corresponding period.

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

Customer Category	Percentage of Total Sales		Sales Growth
	6 months to Dec 2017	6 months to Dec 2016	
Australian Aftermarket	66.0%	67.5%	10.0%
Exports	27.0%	25.2%	20.2%
Original Equipment	7.0%	7.3%	7.6%
	100.0%	100.0%	12.4%

Sales to the Australian aftermarket grew by a strong 10.0% compared with the previous corresponding period. Sales growth was achieved in all states of Australia, with above average growth in New South Wales and Queensland.

Excellent growth of 20.2% was achieved in total exports made from Australia, the USA, Europe, Thailand and the Middle East. The high Australian dollar against the US dollar limited the positive impact of even higher sales growth in the USA during the half.

Sales to Original Equipment Manufacturers (OEM's) recovered from slower rates of growth last year to increase by 7.6% compared with the previous corresponding half. The Company is working on a number of new contracts with OEM's that should improve sales in this category in the 2017/18 year and beyond.

It should be noted that improved stock availability was a critical factor in achieving the improved sales growth.

Over the past two calendar years, ARB's inventory has grown by 16% from \$91 million to \$106 million as at 31 December 2017. During the same period, sales revenue has grown by almost 20%.

## Distribution

In the Australian aftermarket, the Company distributes through its market leading ARB store network, to ARB stockists, to new vehicle dealers and to various fleet operators. Currently, there are 61 ARB stores in Australia, of which 25 are Company owned. This compares with 58 stores at this time last year. The Company expects a further three ARB stores will become operational in the second half of the current financial year.

During the period a new Company owned ARB store was established at Canning Vale in Perth, Western Australia. This building was completely renovated in the new ARB livery. The original Canning Vale store which operated out of the state warehouse has been closed and the space used for much needed warehouse expansion. Also, the Company owned store at Regency Park in Adelaide, South Australia was completely renovated to include up-to-date showroom facilities and larger fitting facilities. The Board is pleased that these store upgrades have been received positively by ARB's customers.

The new Victorian warehouse at Keysborough in Melbourne was completed in September 2017 and the major logistical exercise of transitioning warehouse functions and stock into the new premises was undertaken smoothly. This is the Company's main national warehouse and is now fully operational. The activities in ARB's leased facilities

near the Kilsyth Head Office in Melbourne, Victoria are being relocated within the Company and the premises will all be vacated by the end of February 2018. The total expensed cost of these moves is estimated to have been in excess of \$800,000 during the half year.

Finally, ARB expects to begin building new warehousing facilities on its land in Thailand by the end of this financial year. Apart from providing additional warehousing, this will also make further manufacturing space available in Thailand.

### **Products and Production**

ARB regards product development as a key element in maintaining the Company's long term competitive advantage. Research and development expenditure is continuing to increase in line with Company growth. During the year, more new vehicle releases have occurred both in Australia and overseas and new products for these vehicles are being released into the Company's factories on a weekly basis.

Work is also continuing on a number of long term development projects that will provide growth opportunities for the Company in the future. For shareholders to get a better idea of ARB's new product releases, the Company's website at [www.arb.com.au](http://www.arb.com.au) is a good source of information.

One of these long-term development projects has just been completed with the very successful release of LINX into the market in late January 2018.

LINX is a unique modern controller that de-clutters the dashboard and centralises the command of vehicle accessories by replacing classic switches, gauges and monitors with one sleek and smart driver interface. Built on an expandable platform, LINX will continue to evolve to give ARB's customers ongoing improvements to their on and off road driving experience.

### **Financial**

Growth in pre-tax profit of 10.9% was restricted by the relocation costs expensed during the period as previously noted. Pleasingly, however, sales margins were maintained during the half and costs were well controlled despite volatility in the key Thai baht and US dollar currencies. Infrastructure and resource investments have continued to be made to provide for future growth.

During the period, substantial investments in property, plant and equipment of \$26.6 million, including over \$20 million in the new Keysborough warehouse, and a \$17 million increase in inventory certainly had a material impact on free cash flow. However, the Company ended the period with no net debt.

### **THE FUTURE**

Sales in the first six weeks of the second half of the financial year have continued to grow, which is encouraging. In the medium term, economic conditions in some of ARB's main markets remain unpredictable. Together with fluctuating foreign exchange rates, these factors create some difficulties for business. Nonetheless, demand for the Company's products still remains healthy in many countries around the world and the Company believes that satisfactory growth remains achievable in this environment.

In the longer term, ARB has growth plans in place, both in Australia and in export markets, which include new products and improved distribution. The Company's significantly increased distribution capacity provides the platform for growth.

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 be 'R. Brown', enclosed within a large, hand-drawn oval.

**Roger Brown**  
Chairman

21 February 2018

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## CORPORATE INFORMATION

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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 financial report for the year ended 30 June 2017 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, CPA, MAICD

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

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

Andrew P Stott

### COMPANY SECRETARY

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

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### STOCK EXCHANGE

Australian Securities Exchange

Level 4, North Tower

Rialto, 525 Collins Street

Melbourne Victoria 3000

## DIRECTORS' REPORT

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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 2017 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
Mr. Andrew P Stott	Since 2006

### Review of Operations

Further discussions on the Group's operations are 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 \$23,447,000 (2016: \$23,358,000).

### 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 15 of this report.

Signed in accordance with a resolution of the Directors.




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R.G. Brown  
Director




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J.R. Forsyth  
Director

Melbourne, 21 February 2018

**CONDENSED CONSOLIDATED INCOME STATEMENT**

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	Dec 2017 \$'000	Dec 2016 \$'000
Sales revenue		<b>208,085</b>	185,150
Other revenue		<b>1,962</b>	1,083
<b>Total revenue</b>		<b>210,047</b>	186,233
Materials and consumables used		<b>(93,619)</b>	(83,554)
Employee expenses		<b>(50,164)</b>	(44,250)
Depreciation and amortisation expense		<b>(6,289)</b>	(5,655)
Advertising expense		<b>(3,251)</b>	(3,066)
Distribution expense		<b>(4,796)</b>	(4,340)
Finance expense		<b>(29)</b>	(9)
Occupancy expense		<b>(7,876)</b>	(6,318)
Other expenses		<b>(8,318)</b>	(6,852)
<b>Profit before income tax expense</b>		<b>35,705</b>	32,189
Income tax expense	5	<b>(12,258)</b>	(8,831)
<b>Profit attributable to members of the parent entity</b>		<b>23,447</b>	23,358
<b>Basic and Diluted Earnings per share (cents)</b>		<b>29.61</b>	29.50

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	<b>Dec 2017</b> <b>\$'000</b>	Dec 2016 \$'000
<b>Profit attributable to members of the parent entity</b>	<b>23,447</b>	23,358
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to Profit or Loss</b>		
Movement in fair value of cash flow hedges	<b>(48)</b>	(200)
Exchange differences on translation of foreign operations	<b>1,665</b>	739
<b>Other comprehensive income for the half year</b>	<b>1,617</b>	539
<b>Total comprehensive income for the half year attributable to members of the parent entity</b>	<b>25,064</b>	23,897

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2017

	Dec 2017 \$'000	Jun 2017 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	8,059	27,643
Receivables	46,918	50,840
Derivative financial instruments	-	49
Inventories	105,649	88,020
Other assets	3,945	2,625
Total current assets	<b>164,571</b>	169,177
<b>Non-current assets</b>		
Property, plant and equipment	149,192	126,989
Deferred tax assets	3,439	2,527
Intangible assets	24,772	24,550
Total non-current assets	<b>177,403</b>	154,066
<b>Total assets</b>	<b>341,974</b>	323,243
<b>Current liabilities</b>		
Payables	34,045	35,279
Derivative financial instruments	-	1
Borrowings	6,250	-
Current tax liabilities	5,050	2,810
Provisions	12,054	11,695
Total current liabilities	<b>57,399</b>	49,785
<b>Non-current liabilities</b>		
Provisions	1,077	1,117
Total non-current liabilities	<b>1,077</b>	1,117
<b>Total liabilities</b>	<b>58,476</b>	50,902
<b>NET ASSETS</b>	<b>283,498</b>	272,341
<b>EQUITY</b>		
Contributed equity	107,567	107,221
Reserves	9,623	8,006
Retained profits	166,308	157,114
<b>TOTAL EQUITY</b>	<b>283,498</b>	272,341

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance as at 1 July 2016</b>	106,938	8,579	134,091	249,608
Profit for the half year	-	-	23,358	23,358
Movement in fair value of cash flow hedges, net of tax	-	(200)	-	(200)
Exchange differences on translation of foreign operations, net of tax	-	739	-	739
<b>Total comprehensive income for the half year</b>	-	539	23,358	23,897
<b>Transactions with owners in their capacity as owners:</b>				
Employee share issue	283	-	-	283
Dividends paid	-	-	(13,459)	(13,459)
<b>Total transactions with owners in their capacity as owners</b>	283	-	(13,459)	(13,176)
<b>Balance as at 31 December 2016</b>	107,221	9,118	143,990	260,329
<b>Balance as at 1 July 2017</b>	107,221	8,006	157,114	272,341
Profit for the half year	-	-	23,447	23,447
Movement in fair value of cash flow hedges, net of tax	-	(48)	-	(48)
Exchange differences on translation of foreign operations, net of tax	-	1,665	-	1,665
<b>Total comprehensive income for the half year</b>	-	1,617	23,447	25,064
<b>Transactions with owners in their capacity as owners:</b>				
Employee share issue	346	-	-	346
Dividends paid	-	-	(14,253)	(14,253)
<b>Total transactions with owners in their capacity as owners</b>	346	-	(14,253)	(13,907)
<b>Balance as at 31 December 2017</b>	107,567	9,623	166,308	283,498

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Dec 2017 \$'000	Dec 2016 \$'000
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	227,550	203,363
Payments to suppliers and employees	(200,794)	(165,964)
Interest received	39	22
Finance costs	(29)	(9)
Income tax paid	(10,930)	(9,295)
Net cash provided by Operating activities	15,836	28,117
<b>Cash Flows From Investing Activities</b>		
Payments for property, plant and equipment	(26,641)	(15,942)
Payments for research & development	(1,157)	(883)
Proceeds from sales of property, plant & equipment	218	290
Net cash used in Investing activities	(27,580)	(16,535)
<b>Cash Flows From Financing Activities</b>		
Dividends paid	(14,253)	(13,459)
Net cash used in Financing activities	(14,253)	(13,459)
Foreign exchange differences	163	52
<b>Net increase/(decrease) in cash held</b>	<b>(25,834)</b>	<b>(1,825)</b>
Cash at the beginning of the financial year	27,643	13,776
<b>Cash at the end of the half year</b>	<b>1,809</b>	<b>11,951</b>
For the purposes of the statement of cash flows, cash includes cash on hand net of bank overdrafts:		
Cash per statement of financial position	8,059	11,951
Borrowings per statement of financial position	(6,250)	-
<b>Cash per statement of cash flows</b>	<b>1,809</b>	<b>11,951</b>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

**1. BASIS OF PREPARATION**

This 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 financial report be read in conjunction with the financial report for the year ended 30 June 2017 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*.

The half year financial report was authorised for issue by the Directors on 21 February 2018.

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

This general purpose half year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Act 2001*.

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.

**(b) Summary of the significant accounting policies**

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 2017.

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

**New accounting standards and interpretations issued**

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

**(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).

**2. DIVIDENDS**

Dec 2017	Dec 2016
\$'000	\$'000

Dividends paid or recommended by the Company are:

**Recognised Amounts**

(i) A final fully franked ordinary dividend of 18.0 cents per share paid on 20 October 2017 (2016: 17.0 cents per share fully franked)	14,253	13,459
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**Unrecognised Amounts**

(ii) An interim fully franked ordinary dividend of 17.5 cents per share (2016: 16.0 cents per share fully franked) to be paid on 20 April 2018	13,861	12,669
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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% (2016: 30%) and the recommended interim dividend will be fully franked at the tax rate of 30%.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

**3. ISSUES OF EQUITY SECURITIES**

	No. of fully paid ordinary shares
Balance at the beginning of the half year	79,184,214
Shares issued during the half year	<u>20,000</u>
Balance at the end of the half year	<u>79,204,214</u>

Weighted average number of ordinary shares used in the calculation of basic earnings per share is 79,191,823 (2016: 79,174,823).

**4. 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 Australia, USA, Thailand and Middle East & Europe.

	Australia	USA	Thailand	Middle East & Europe	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2017</b>						
<b>Segment revenue</b>						
Total segment revenue	203,844	25,389	36,040	9,415	(64,641)	210,047
Intersegmental revenues	<u>(31,658)</u>	-	<u>(32,983)</u>	-	<u>64,641</u>	-
<b>Segment revenue from external source</b>	<u>172,186</u>	<u>25,389</u>	<u>3,057</u>	<u>9,415</u>	-	<u>210,047</u>
Total segment result	16,667	487	6,774	616	(1,097)	23,447
Intersegmental eliminations	<u>5,102</u>	-	<u>(6,199)</u>	-	<u>1,097</u>	-
<b>Segment result from external source</b>	<u>21,769</u>	<u>487</u>	<u>575</u>	<u>616</u>	-	<u>23,447</u>
<b>Total segment assets</b>	313,307	24,736	65,233	11,724	(73,026)	341,974
<b>Total segment liabilities</b>	79,030	13,207	7,324	7,561	(48,646)	58,476
<b>2016</b>						
<b>Segment revenue</b>						
Total segment revenue	178,590	22,290	26,594	6,874	(48,115)	186,233
Intersegmental revenues	<u>(23,790)</u>	-	<u>(24,325)</u>	-	<u>48,115</u>	-
<b>Segment revenue from external source</b>	<u>154,800</u>	<u>22,290</u>	<u>2,269</u>	<u>6,874</u>	-	<u>186,233</u>
Total segment result	18,529	312	3,897	388	232	23,358
Intersegmental eliminations	<u>3,797</u>	-	<u>(3,565)</u>	-	<u>(232)</u>	-
<b>Segment result from external source</b>	<u>22,326</u>	<u>312</u>	<u>332</u>	<u>388</u>	-	<u>23,358</u>
<b>Total segment assets</b>	278,341	22,576	50,439	8,983	(60,386)	299,953
<b>Total segment liabilities</b>	53,064	11,237	5,943	6,995	(37,615)	39,624

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

<b>5. INCOME TAX EXPENSE</b>	<b>Dec 2017 \$'000</b>	Dec 2016 \$'000
Income tax relating to current year	9,217	8,831
Income tax relating to prior years	<b>3,041</b>	-
<b>Total income tax expense</b>	<b>12,258</b>	8,831

The reported results in the current half year include a provision for additional taxes of \$3,041,000 in relation to the period from 1 July 2013 to 30 June 2017.

**6. FAIR VALUE MEASUREMENTS**

As at 31 December 2017, the Company had foreign exchange contracts to buy various foreign currencies with a purchase value of A\$910,000 (2016: A\$5,904,000). The unrealised fair value loss of \$400 (2016: gain of \$101,000) is 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.

**7. SUBSEQUENT EVENTS**

There have been no other matters or circumstances, other than mentioned elsewhere in this report, which have arisen since 31 December 2017 that have significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 31 December 2017, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 31 December 2017, of the consolidated entity.

## DIRECTORS' DECLARATION

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The Directors declare that the financial statements and notes set out on pages 4 to 11 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 2017 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.



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Roger G Brown  
Director



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John R Forsyth  
Director

Melbourne, 21 February 2018

**ARB CORPORATION LIMITED  
ABN 31 006 708 756  
AND CONTROLLED ENTITIES**

**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 and controlled entities which comprises the condensed consolidated statement of financial position as at 31 December 2017, 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 of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

*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 2017 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 ARB Corporation Limited and controlled entities, 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.

**ARB CORPORATION LIMITED  
ABN 31 006 708 756  
AND CONTROLLED ENTITIES**

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

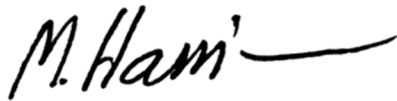
*Independence*

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.

*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 ARB Corporation Limited and controlled entities 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 2017 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*.



M J HARRISON  
Partner



PITCHER PARTNERS  
Melbourne

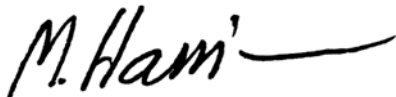
21 February 2018

**ARB CORPORATION LIMITED**  
**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 2017, 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*.

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



M J HARRISON  
Partner

21 February 2018



PITCHER PARTNERS  
Melbourne