

- *Turnover up 7% to R1,55 billion*
- *Headline EPS up 12% to 415 cents*
- *Dividend increased 13% to 144 cents per share*

Bearings and Power Transmission products



Distributor of oil and hydraulic seals.



Distributor of bearings, seals and transmission products.



Distributor of power transmission and conveyor belting products and industrial hose.



Manufacturer of conveyor drive pulleys.



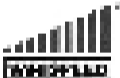
Manufacturer and distributor of hydraulic and pneumatic equipment.



Distributor of Valeo clutch kits.



Distributor of electrical cabling, plugs and other related products.



Distributor of controllers, monitors and regulators of the speed of standard AC motors.

Powered products



Distributor of Deutz diesel engines and provider of after-market services.



Distributor of power tools, outboard motors, survey equipment and rivets.

Security equipment



Distributor of intruder detection, closed circuit television, access control and fibre-optic equipment.

Results

Hudaco is a South African group engaged in the business of importing and distributing industrial consumable products. Its customers are mainly within the southern African manufacturing, mining, automotive aftermarket and security industries.

Sales of power tools, outboard motors and security equipment were well up on 2004, benefiting from continued robust consumer spending on housing and leisure products. Demand from mining companies was weak. Gold output this year fell 15% to about 300 tons and plans to expand mining of coal, platinum and iron ore, to take advantage of the higher prices for these commodities, only started falling into place towards the year-end. Sales to manufacturers were generally weak with a dearth of project business from mining houses and construction companies.

On average the Rand was slightly stronger than 2004 and was not as volatile as the previous four years. This put an end to the significant price deflation Hudaco has experienced since the second half of 2002, but the firmer Rand made it difficult to increase selling prices. With expenses rising by inflation, the group was faced with a profit squeeze which particularly affected the Bearings and Power Transmission division which had no volume sales growth.

Hudaco's financial results this year are nevertheless satisfactory given the mix of markets served. Total sales at R1,55 billion are 7% up on last year. Sales in continuing businesses are up a pleasing 5%. Acquisitions added R118 million or 8% to sales offsetting the R91 million in sales lost from businesses discontinued in 2004. Operating profit is up 13% to R183 million with most of this increase coming from the acquisition of the Powermite group and Ekurhuleni Bearings and Seals. Net interest received was R4 million (last year R6 million) and the tax rate before capital items declined 1% after the rate cut. Headline earnings per share increased 12% to 415 cents. A final dividend of 102 cents per share has been declared bringing total dividends this year to 144 cents per share, an increase of 13%.

The balance sheet is healthy. Working capital (inventories, accounts receivable and accounts payable) at R364 million is R95 million above 2004 levels of which R47 million is from acquisitions. The balance of the increase is from normal business demands although, due to lower sales than expected, stock levels are about R25 million higher than ideal. Net cash on hand (cash balances less interest bearing debt) at year-end is R182 million, slightly down on last year notwithstanding cash outlays of R59 million on acquisitions.

Prospects

Over the next few years the South African economy could be entering a particularly prosperous period. It appears that spending on infrastructure is about to get underway and if high Rand commodity prices are sustained and certainty is reached on various regulatory issues, an upsurge in mining investment will take place. This would spin off to manufacturers supporting that industry whilst the consumer side of the economy should remain strong as employment levels pick up.

Providing the Rand exchange rate does not strengthen significantly, this could be a very realistic scenario and one could expect sales levels in our Bearings and Power Transmission businesses to improve steadily in 2006 and accelerate rapidly from 2007, whilst sales levels in our Powered Products and Security Equipment businesses should remain strong. Hudaco's earnings could be expected to grow commensurate with this outlook, modestly in 2006 but more rapidly thereafter.

Dividend

Notice is hereby given that final dividend No. 37 of 102 cents per share has been declared in respect of the year ended 30 November 2005.

The last day to trade in order to participate in the dividend ("cum" the dividend), will be Friday, 10 March 2006. The share will commence trading "ex" the dividend from the commencement of business on Monday, 13 March 2006 and the record date will be Friday, 17 March 2006. The dividend will be paid on Monday, 20 March 2006. Share certificates may not be dematerialised between Monday, 13 March 2006 and Friday, 17 March 2006, both days inclusive.

Audit opinion

Grant Thornton have signed an unqualified audit opinion on the financial statements for the year. These have been approved by the board and abridged for purposes of this report. Both the auditors' opinion and the financial statements are available for inspection at the company's registered office.

For and on behalf of the Board

PL Campbell (Chairman)

SJ Connelly (Chief executive)

26 January 2006

Segment analysis

R million	Turnover			Operating profit			Average net operating assets		
	30 Nov 2005	% change	30 Nov 2004	30 Nov 2005	% change	30 Nov 2004	30 Nov 2005	% change	30 Nov 2004
Bearings and Transmission Products	911,4	17	778,7	92,0	(2)	93,6	335,2	44	232,4
– Continuing operations	793,8	2	778,7	70,7	(24)	93,6	273,2	18	232,4
– Operations acquired in 2005	117,6			21,3			62,0		
Powered Products	375,7	7	350,2	72,1	20	59,9	55,8	(11)	63,0
Security Equipment	262,8	14	229,7	23,7	35	17,5	71,9	(8)	78,4
Internal/head office	(0,7)		(1,3)	(4,6)		(4,6)	(17,7)		(25,7)
Operations discontinued in 2004*			91,1			(4,3)			43,1
Total Group	1 549,2	7	1 448,4	183,2	13	162,1	445,2	14	391,2

*Comparative figures have been reclassified following the closure of Hudaco Friction and sale of Vivian Regina.

Income statement

R million	30 Nov 2005	% change	30 Nov 2004
Turnover	1 549,2	7	1 448,4
– Continuing operations	1 431,6	5	1 357,3
– Operations acquired in 2005	117,6		
– Operations discontinued in 2004			91,1
Cost of sales	930,9		896,5
Gross profit	618,3	12	551,9
Operating expenses	422,9		376,1
EBITDA	195,4	11	175,8
Depreciation less recoupments	12,2		13,7
Operating profit	183,2	13	162,1
– Continuing operations	161,9	(3)	166,4
– Operations acquired in 2005	21,3		
– Operations discontinued in 2004			(4,3)
Closure of discontinued operations	6,2		(18,6)
Capital items	(3,4)		(5,5)
Profit before interest	186,0		138,0
Net finance revenue	3,6		6,1
Profit before taxation	189,6		144,1
Taxation	60,4		50,4
Profit after taxation	129,2	38	93,7
Attributable to minorities	5,0		5,0
Profit attributable to shareholders	124,2	40	88,7

Headline earnings per share (cents)	415,0	12	370,6
– Continuing operations	374,8	(2)	381,4
– Operations acquired in 2005	40,2		
– Operations discontinued in 2004			(10,8)
Basic earnings per share (cents)	419,7		302,8
Diluted earnings per share (cents)	408,0		298,6
Reconciliation to headline earnings			
Profit attributable to shareholders	124,2		88,7
Adjusted for:			
Closure of discontinued operation	(4,8)		14,4
Capital items	3,4		5,5
Impact of acquisitions and disposals	(11,9)		3,1
Headline earnings from continuing operations	110,9	(1)	111,7
Profit after taxation of operations acquired in 2005	11,9		
Loss after taxation in operations discontinued in 2004			(3,1)
Headline earnings	122,8	13	108,6
Dividends			
– Per share (cents)	144	13	128
– Amount (Rm)	42,8		37,7
Shares in issue	29 756		29 438
– Total (000)	32 264		31 946
– Held by subsidiary company (000)	(2 508)		(2 508)
Weighted average shares in issue			
– Basic (000)	29 592		29 289
– Diluted (000)	30 440		29 702

Cash flow statement

R million	30 Nov 2005	30 Nov 2004
Cash generated from trading	195,6	175,8
Cash applied to working capital	(60,4)	37,8
Cash generated from operating activities	135,2	213,6
Net finance revenue	5,0	5,9
Taxation paid	(62,9)	(62,9)
Cash flow from operations	77,3	156,6
Dividends	(42,1)	(39,3)
NET CASH RETAINED FROM OPERATIONS	35,2	117,3
Investment in new operations, etc	(71,2)	(10,6)
Proceeds from operations discontinued	25,9	
Cash applied to capital items	(1,6)	
Investment in plant and equipment	(9,0)	(14,0)
NET CASH INVESTED	(55,9)	(24,6)
Cash applied	(30,7)	92,7
Shareholder funding	3,3	3,1
DECREASE IN NET CASH	(17,4)	95,8

Balance sheet

R million	30 Nov 2005	30 Nov 2004
ASSETS		
Non-current assets	110,8	102,0
Property, plant and equipment	38,2	42,9
Deferred taxation – net	8,4	16,5
Goodwill	64,2	42,6
Current assets	886,6	779,4
Inventories	375,0	284,6
Accounts receivable	279,2	245,0
Bank deposits and balances	232,4	249,8
TOTAL ASSETS	997,4	881,4
EQUITY AND LIABILITIES		
Equity	619,6	532,4
Shareholders' equity	595,8	506,5
Minority interest	23,8	25,9
Non-current liabilities	61,0	62,4
Interest bearing debt	50,0	50,0
Due to vendors – interest bearing	11,0	12,4
Current liabilities	316,8	286,6
Accounts payable	290,7	261,3
Due to vendors – interest bearing	12,7	
Taxation	13,4	25,3
TOTAL EQUITY AND LIABILITIES	997,4	881,4

Statement of changes in equity

R million	30 Nov 2005	30 Nov 2004
Equity at beginning of period	506,5	457,8
Prior year adjustment		(4,4)
Attributable profit for the period	124,2	88,7
Deferred on hedging instruments	0,2	(0,1)
Shares issued	3,7	3,2
Translation of foreign entities	1,1	(2,0)
Dividends	(39,9)	(36,7)
Equity at the end of the period	595,8	506,5

Supplementary information

These results were prepared applying accounting policies which conform with South African Statements of Generally Accepted Accounting Practice and are consistent with those applied in the previous financial year, except for the following:

- Rent paid on operating leases of fixed property is now expensed on a straight line basis where it was previously expensed on a basis that represented the cash flow of such payments.
- Goodwill arising on the acquisition of foreign entities is now translated at closing rates of exchange where it was previously translated at the rate of exchange that ruled at the time of the acquisition.

The resulting restatement of opening reserves is reflected in the Statement of Changes in Equity. These changes had no effect on the reported income in 2004 or 2005.

	30 Nov 2005	30 Nov 2004
Average net operating assets (Rm)	445,2	391,2
Operating profit margin (%)	11,8	11,2
Average NOA turn (times)	3,5	3,7
Return on average NOA (%)	41,1	41,4

Gearing – net (%)	nil	nil
Net asset value per share (cents)	2 002	1 720

Capital expenditure		
– Spent during the year (Rm)	11,4	18,3
– Budgeted for 2006 (Rm)	12,8	
Operating lease commitments – property (Rm)	40,0	32,1

Net cash comprises (Rm)	182,4	199,8
– Bank call deposits and balances	232,4	249,8
– Interest bearing debt – non-current	(50,0)	(50,0)

Capital items (Rm)	3,4	5,5
– Amortisation of goodwill		5,8
– Impairment of goodwill and properties	2,5	
– Fees paid on unsuccessful acquisition	1,6	
– Profit on disposal of businesses and properties	(0,7)	(0,3)

There is a contingent liability in respect of an unresolved dispute with the Financial Services Board on whether the rules of one of the group's defined contribution retirement funds authorised an employer contribution holiday of approximately R2,5 million per annum from 1992 to 2001.

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JB Gibbon# PG Joubert# YKN Molefi# PM Poole
Independent non-executive

Secretary
RGL Arnestad