

AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 NOVEMBER 2007

- Normalised headline earnings per share up 41% to R7,50
- Dividends for 2007 total R5,90 per share - normal R2,60 plus special dividend of R3,30
- Introduction of BEE shareholders



Stephen Connelly
Group chief executive

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, construction, automotive aftermarket and security industries.

Total sales of R2,23 billion for the year are up 21% on 2006.

It is estimated that half of this increase was volume and the other half price. All businesses achieved an increase in volume sales.

In the Bearings and Transmission division, sales increased 21% and operating profit showed an excellent increase of 49%, with Powermite, Bearings International and Bosworth the stand-out performers. Trading conditions in the division were better than last year with volume sales well up. There was sustained quoting on capital projects to mines and manufacturers during the year and Hudaco businesses that have an order book saw further backorder growth, which bodes well for sales in 2008.

In the Powered Products division sales increased 24% and operating profit increased 26%. DDPower had an excellent year, with strong demand for diesel engines for underground mining and power generation applications. In Rutherford sales of power tools increased but outboard motor sales declined in response to interest rate increases of the past few years and the new National Credit Act making credit harder to obtain.

In the Security Equipment division sales increased 17% and operating profit 23%. The South African business produced increased profits on good volume sales growth but the UK operation was disappointing and two loss-making branches were closed during the year.

The group gross profit margin, at 37,9%, was the same as 2006. Although expenses as a percentage of sales reduced from 25,2% to 23,6%, above-inflationary pressure is again being felt on rental costs as leases are renewed because of the increase in commercial property values and on salaries, particularly of technically skilled personnel as their scarcity grows. Group operating profit rose by 36% or R84 million to R318 million, with an operating margin to sales of 14,3% (last year 12,7%).

Net finance revenue was R1 million (last year R7 million). However, net interest paid was R65 million (last year R7 million interest received) and preference dividend income was R66 million (last year: nil), whilst the tax rate decreased from 32,9% to 31,4%. These significant changes from last year are mainly due to the BEE transaction discussed below. Capital items of R44 million were incurred, the main item being the IFRS 2 charge representing the value of the 15% shareholding issued to Hudaco Trading's new BEE shareholders at nominal cost. Headline earnings per share of 604 cents are up 14% on last year. However, normalised headline earnings per share, which excludes the cost to introduce BEE shareholders and STC on the special dividend, was 750 cents, up 41% on the 533 cents headline earnings per share of last year. The final dividend has been increased 39% to 195 cents (last year: 140 cents), which, with the interim dividend of 65 cents, brings total dividends this year to 260 cents per share, an increase of 37% over last year's 190 cents and covered 2,9 times by normalised earnings per share. A special dividend of 330 cents or R100 million was declared during the year and paid in December 2007.

The balance sheet now has a different shape following the BEE transaction. Working capital (inventories, accounts receivable and accounts payable), at R508 million, is R84 million or 20% above 2006 levels. The increase is the result of normal business demands as volume sales increased. Cash on hand at year-end is R317 million. Of this R100 million was committed to the special dividend and R95 million to the acquisition of Astore Africa, acquired subsequent to the year end. Astore Africa is an importer and distributor of specialised piping to South Africa's mining, construction and manufacturing sectors. The business generates sales of R150 million per annum.

Introduction of BEE shareholders

During the year the group's shareholders approved a transaction to introduce a direct 15% BEE shareholding to the group's main operating subsidiary. Through this transaction, Hudaco Trading, which now owns all the group's South African businesses except DDPower (the group's diesel engine business in which we have a 70% stake) has achieved direct and indirect BEE ownership of 25%.

External funding of R2,2 billion was raised by Hudaco Trading on a 10-year subordinated debenture at 10,7% pa to facilitate the transaction. The 15% shareholding that was then issued to the three BEE partners at a nominal amount has been valued for accounting purposes at R44 million (in terms of IFRS 2) and expensed in this financial year. The group also invested R2,2 billion in preference shares yielding 9,2% pa which have been pledged as security to the debenture holder.

Prospects

The group has good medium term prospects. Spending on South Africa's infrastructure is now underway and high commodity prices support continued investment in mining projects. Although the effect of electricity supply interruptions on economic growth is not known and will not be known for some time, investment spending looks set to continue for some years into the future. This will benefit local manufacturers and construction companies, key customers for Hudaco's product offering. Growth in the consumer side of the economy appears to be weakening but with fixed investment comes job creation which will ultimately support activity in this sector.

Using normalised 2007 earnings per share of R7,50 as the base, earnings growth in 2008 is unlikely to match the 41% growth enjoyed this year. Weaker consumer spending will impact on our outboard motor and security product businesses. However, unless electricity supply problems materially disrupt business activities, expected strong volume sales growth in our bearings and transmission and diesel engine businesses will result in another successful year.

Dividend

Notice is hereby given that final dividend No.42 of 195 cents per share has been declared in respect of the year ended 30 November 2007.

The last day to trade in order to participate in the dividend ("cum" the dividend), will be Friday, 7 March 2008. The share will commence trading "ex" the dividend from the commencement of business on Monday, 10 March 2008 and the record date will be Friday, 14 March 2008. The dividend will be paid on Monday, 17 March 2008. Share certificates may not be dematerialised between Monday, 10 March 2008 and Friday, 14 March 2008, 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)

31 January 2008

Income statement

R million	30 Nov 2007	change	30 Nov 2006
Turnover	2 226,9	+21%	1 837,8
Cost of sales	1 382,6		1 140,8
Gross profit	844,3		697,0
Operating expenses	526,3		462,5
Operating profit	318,0	+36%	234,5
Cost to introduce BEE shareholders	43,9		
Impairment of goodwill			9,6
Profit before dividends received, interest received and finance costs	274,1		224,9
Dividends received on preference shares	66,6		
Interest received	15,4		12,8
Finance costs	(80,7)		(5,7)
Profit before taxation	275,4		232,0
Taxation	86,5		76,3
Profit after taxation	188,9	+21%	155,7
Attributable to shareholders of the group	182,8		149,9
Attributable to minorities (see supplementary information)	6,1		5,8
	188,9		155,7
Normalised headline earnings per share (cents)	750	+41%	533
Headline earnings per share (cents)	604		533
Basic earnings per share (cents)	606		502
Diluted normalised headline earnings per share (cents)	726		519
Diluted headline earnings per share (cents)	585		519
Diluted basic earnings per share (cents)	586		489
Reconciliation to normalised headline earnings			
Profit attributable to shareholders of the group	182,8		149,9
Adjusted to eliminate the effect of the following items in attributable earnings:			
Surplus on disposal of plant and equipment	(0,4)		(0,4)
Impairment of goodwill			9,6
Headline earnings	182,4		159,1
Adjusted to eliminate the effect of the following items in headline earnings:			
Cost to introduce BEE shareholders	43,9		
Debt raising fees	3,3		
STC on special dividend	4,6		
Taxation effect of adjustments	(1,0)		
Minority effect of adjustments	(6,9)		
Normalised headline earnings	226,3	+42%	159,1
Normal dividends			
– Interim (cents)	65,0		50,0
– Final (cents)	195,0		140,0
– Total per share (cents)	260,0	+37%	190,0
– Amount (Rm)	79,6		56,9
Special dividend			
– Per share (cents)	330,0		
– Amount (Rm)	101,5		
Shares in issue	30 754		29 993
– Total (000)	33 262		32 501
– Held by subsidiary company (000)	(2 508)		(2 508)
Weighted average shares in issue			
– Basic (000)	30 178		29 870
– Diluted (000)	31 182		30 652

Balance sheet

R million	30 Nov 2007	30 Nov 2006
ASSETS		
Non-current assets	2 332,8	125,3
Property, plant and equipment	73,7	66,9
Investments in preference shares	2 181,0	
Goodwill	76,6	57,2
Deferred taxation	1,5	1,2
Current assets	1 260,1	1 095,0
Inventories	544,1	451,9
Accounts receivable	398,7	354,7
Bank deposits and balances	317,3	288,4
TOTAL ASSETS	3 592,9	1 220,3
EQUITY AND LIABILITIES		
Equity	835,4	749,9
Shareholders' equity	806,8	728,4
Minority interest	28,6	21,5
Non-current liabilities	2 181,0	6,3
Due to vendors – interest bearing		6,3
Subordinated debenture	2 181,0	
Current liabilities	576,5	464,1
Accounts payable	434,4	381,7
Interest bearing debt		50,0
Due to vendors – interest bearing	10,5	8,0
Shareholders for dividend	101,5	
Taxation	30,1	24,4
TOTAL EQUITY AND LIABILITIES	3 592,9	1 220,3

Cash flow statement

R million	30 Nov 2007	30 Nov 2006
Cash generated from trading	334,6	248,5
Applied to working capital	(71,2)	(62,6)
Cash generated from operating activities	263,4	185,9
Preference dividends and interest received	82,0	12,8
Finance costs	(80,1)	(4,7)
Taxation paid	(81,1)	(64,9)
Cash flow from operations	184,2	129,1
Dividends paid	(67,3)	(54,2)
NET CASH GENERATED	116,9	74,9
Investment in new operations – net	(35,4)	(11,3)
Investment in plant and equipment – net	(17,0)	(15,8)
Investment in preference shares	(2 181,0)	
NET CASH INVESTED	(2 233,4)	(27,1)
Cash utilised	(2 116,5)	47,8
Issue of shares	14,4	2,9
Issue of subordinated debentures	2 181,0	
INCREASE IN NET CASH	78,9	50,7

Segment analysis

	Turnover			Operating profit			Average net operating assets		
R million	30 Nov 2007	change	30 Nov 2006	30 Nov 2007	change	30 Nov 2006	30 Nov 2007	change	30 Nov 2006
Bearings and Power Transmission products	1 272,5	+21%	1 049,2	173,3	+49%	116,4	445,9	+15%	387,2
Powered products	589,1	24	477,0	124,0	26	98,5	100,3	26	79,4
Security equipment	365,4	17	312,6	44,0	23	35,8	79,6	3	77,1
Internal/head office	(0,1)		(1,0)	(23,3)		(16,2)	(13,6)		1,7
Total group	2 226,9	+21%	1 837,8	318,0	+36%	234,5	612,2	+12%	545,4

Statement of changes in equity

R million	30 Nov 2007	30 Nov 2006
Equity at beginning of the year	728,4	611,9
Attributable profit for the year	182,8	149,9
Increase in equity compensation reserve	4,7	3,0
Movement on fair value of cash flow hedges	0,2	0,2
Gain on translation of foreign operations	2,5	5,9
Arising on the introduction of BEE shareholders	37,3	
Shares issued	14,4	2,9
Dividends declared	(163,5)	(45,4)
Equity at the end of the year	806,8	728,4

Supplementary information

These results were prepared applying accounting policies that conform with International Financial Reporting Standards (IFRS) and are consistent with those applied in the previous financial year:

	30 Nov 2007	30 Nov 2006
Average net operating assets (Rm)	612,2	545,4
Operating profit margin (%)	14,3	12,7
Average NOA turn (times)	3,6	3,4
Return on average NOA (%)	51,9	42,9
Net asset value per share (cents)	2 623	2 429
Capital expenditure		
– Spent during the period (Rm)	20,6	18,1
– Budgeted for 2008 (Rm)	32,2	
Net cash comprises (Rm)	317,3	238,4
– Bank deposits and balances	317,3	288,4
– Interest-bearing debt		(50,0)
Profit after tax attributable to minorities	6,1	5,8
– Share of normalised earnings	13,0	5,8
– Share of cost to introduce BEE shareholders	(6,9)	
Commitments and contingencies		
– Operating leases on property (Rm)	75,9	36,9
– Break fee on debenture (Rm)	49,6	
– A contingent liability exists 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 correctly authorised an employer contribution holiday of approximately R1,7 million per annum from 1992 to 2001.		

Transfer secretaries

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Directors

PL Campbell[#] (Chairman) SJ Connelly (Chief Executive) GE Gardiner
JB Gibbon[#] YKN Molefi* PM Poole RT Vice[#]
[#]Independent non-executive *Non-executive

Group secretary

MMM Nkumanda

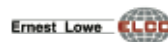
Bearings and Power Transmission products



Distributor of oil and hydraulic seals, clutch kits and automotive ignition leads.



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



Manufacturer and distributor of hydraulic and pneumatic equipment.



Distributor of electrical cabling, plugs, sockets, electric feeder systems and crane materials.



Distributor of bearings, seals and transmission products.



Manufacturer of conveyor drive pulleys, forgings and rollings.



Distributor of geared motors, frequency inverters and electric motors.



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.