



- Normalised headline earnings per share down 19% to R8,01
- Dividends reduced 12,5% to R3,50 per share
- Cash increased to R335 million

AUDITED GROUP RESULTS

FOR THE YEAR ENDED
30 NOVEMBER 2009

Bearings and power transmission products

Bearings International Distributor of bearings, seals and transmission products.

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

AmbroSales Distributor of special solid and hollow round steel.

Astore Africa Distributor of specialised thermoplastic pipes and fittings.

Belting Supply Services Distributor of conveyer belting, industrial hose, fluid sealing and process control products.

Bosworth Manufacturer of conveyor drive pulleys, forgings and rollings.

Ernest Lowe ELCO Manufacturer and distributor of hydraulic and pneumatic equipment.

BAUER Distributor of geared motors, frequency inverters and electric motors.

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

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

Powered products

DEUTZ DIESELPOWER Distributor of Deutz diesel engines and provider of aftermarket services.

Rutherford Distributor of power tools, stern drives, outboard motors, survey equipment, nuclear gauges and rivets.

Security equipment

ELVEY The distribution of intruder detection, access control, related CCTV equipment and fibre-optic equipment.

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Directors
RT Vice (Chairman)# SJ Connelly (Chief executive)
CV Amoils (Financial director) GE Gardiner (Alt GR Dunford)
JB Gibbon# YKN Molefi# CWN Molope# SG Morris#

Independent non-executive

Group secretary
R Wolmarans

Sponsor
Nedbank Capital

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

Results

Total sales of R2,4 billion for the year are down 12% on 2008.

In October 2008, when it became clear that South Africa was going to follow the world into recession, a number of precautionary operational measures were put in place. These included a moratorium on acquisitions, a hiring freeze and a stock reduction programme. The effect of these measures means that Hudaco has weathered the worst of the recession and emerged in good shape.

Volume sales of bearings, power transmission products and diesel engines were well down on last year's levels, as mining and manufacturing customers acted to cut production in response to reduced demand and lower commodity prices. Infrastructure spending, particularly road and stadium building, continued but the group's exposure to this sector of the economy was not sufficient to outweigh the decline in demand from mining and manufacturing. Interest rate increases in 2007 and 2008 had already started to dampen consumer spending on housing and building related activities and the recession only accelerated the process. This resulted in sales of power tools and security equipment falling sharply this year.

Sales in the Bearings and power transmission division were down 8%, whilst sales in the Powered products division were down 17%. In the Security equipment division they were down 22%.The Rand strengthened steadily throughout the first half of 2009, resulting in prices decreasing across our product range, particularly in the second half, when new cheaper stock started arriving. This only added to the pressure on our sales line. There were signs towards year end that sales had stabilised somewhat but there are no signs of an upturn yet.

The group gross profit margin at 39,3% was up 0,2% on last year, which we regard as a fine achievement given the competition in the market place for scarce turnover. Operating expenses were down 2% on 2008 but as a percentage of sales they increased from 23,7% to 26,6%, understandable given the decline in sales.

Group operating profit fell by 28% or R120 million to R307 million with an operating margin to sales of 12,7% (last year: 15,4%). Headline and basic earnings per share are down 17% and 21% respectively on last year. Normalised headline earnings per share (which excludes capital items) are 801 cents, down 19% on the 995 cents of last year.

The group's dividend policy is to pay approximately 40% of normalised earnings annually. In view of the strong cash generation this year, a final dividend of 235 cents per share brings total dividends declared in respect of the 2009 financial year to 350 cents, 42% of normalised earnings.

The balance sheet is healthy. Working capital (inventories, accounts receivable and accounts payable) at R627 million has been managed down by R172 million or 22% from 2008 levels. The considerable decrease in inventories in 2009 of R183 million or 23% brings stockholding back into line with current trading levels. The group has R335 million cash on hand at year end (last year: net R69 million).

Prospects

The recession is not yet over. Although some economic indicators are showing an upturn, many others reflect only a slowdown in the rate of decline. In our businesses, volume demand declined steadily throughout the year and there were no indications that it had turned upwards by year end. Our view is that it will take until mid 2010 before the recession in South Africa is over and economic growth resumes across a broad front.

It is difficult to tell how strong this growth will be. There will be restocking throughout the economy which will give early impetus to growth and government infrastructure investment will gather pace, particularly power station building. Although commodity prices have turned upwards, some quite strongly, Rand strength removes much of the benefit for our mining industry. Renewed investment in mining projects and manufacturing capacity will be slow - it is natural to be wary of another bubble in demand and prices. As a result, we expect the recovery in the South African economy to also be slow until meaningful job creation gets underway. Consequently, consumer spending, to which we are indirectly exposed, could be weak for some time.

We are expecting trading in the first half of the year to continue to be difficult. However, an expected resumption of economic growth in the second half makes us optimistic that the group will post an earnings increase for the full year.

Declaration of final dividend no 46

Ordinary dividend number 46 of 235 cents per share is declared payable on Monday 15 March 2010 to ordinary shareholders recorded in the register at the close of business on Friday 12 March 2010. The timetable for the payment of the dividend is as follows:

Last day to trade <i>cum</i> dividend	Friday 5 March 2010
Trading ex dividend commences	Monday 8 March 2010
Record date	Friday 12 March 2010
Payment date	Monday 15 March 2010

Share certificates may not be dematerialised or rematerialised between Monday 8 March 2010 and Friday 12 March 2010, both days inclusive. The certificated register will be closed for this period.

Results presentation and annual general meeting

Hudaco will host presentations on the financial results in Johannesburg and Cape Town on Friday 29 January and Monday 1 February 2010 respectively. Anyone wishing to attend should contact Robin Benson at 011 345 8214.

The slides, which form part of the presentation, will be available on the company's website on Tuesday 2 February 2010.

The company's 25th annual general meeting will be held in the boardroom, Hudaco Park, 190 Barbara Road, Elandsfontein, Gauteng at 11:00 on Friday 26 March 2010. Further details on the company's annual general meeting will be included in the annual report that will be published on www.hudaco.co.za during the first week of February 2010 and will be posted to shareholders on or about 15 February 2010.

Approval of financial statements

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

For and on behalf of the board

RT Vice
Independent non-executive chairman

SJ Connelly
Chief executive 28 January 2010



Income statement

R million	30 Nov 2009	% change	30 Nov 2008
Turnover	2 420	-12	2 766
Cost of sales	1 469		1 684
Gross profit	951		1 082
Operating expenses	644		655
Operating profit	307	-28	427
Capital items	(7)		(2)
Profit before dividends received, interest received and finance costs	300		425
Dividends received on preference shares	202		200
Interest received	5		12
Finance costs	(235)		(252)
Profit before taxation	272		385
Taxation	24		55
Profit after taxation	248	-25	330
Attributable to shareholders of the group	243		307
Attributable to minorities	5		23
	248		330

Normalised headline earnings per share (cents)	801	-19	995
Headline earnings per share (cents)	801		964
Basic earnings per share (cents)	784		995
Diluted normalised headline earnings per share (cents)	785		970
Diluted headline earnings per share (cents)	785		940
Diluted basic earnings per share (cents)	769		970

Reconciliation to normalised headline earnings

Profit attributable to shareholders of the group adjusted to eliminate the effect of the following items in attributable earnings:	243	307
- Surplus on disposal of property, plant and equipment		(1)
- Foreign currency translation reserve realised		(9)
- Impairment of goodwill and intangible assets	9	
- Surplus on sale of business	(1)	
- Tax effect	(1)	
- Minority interest	(1)	

Headline earnings	249	297
Adjusted to eliminate the effect of the following items in headline earnings:		
- Impairment of assets in operation discontinued in 2008		10

Normalised headline earnings	249	-19	307
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Dividends			
- Per share (cents)	350	-13	400
- Amount (Rm)	109		124

Shares in issue	31 240	30 923
- Total (000)	33 748	33 431
- Held by subsidiary company (000)	(2 508)	(2 508)

Weighted average shares in issue		
- Basic (000)	31 023	30 836
- Diluted (000)	31 644	31 632

Cash flow statement

R million	30 Nov 2009	30 Nov 2008
Cash generated from trading	333	450
Decrease (increase) in working capital	166	(235)
Cash generated from operations	499	215
Finance costs	(235)	(249)
Taxation paid	(63)	(56)
Net cash from operating activities	201	(90)
Investment in new operations – net	(7)	(140)
Investment in property, plant and equipment – net	(17)	(20)
Discontinuation of businesses	7	
Dividends and interest received	203	212
Net cash from investing activities	186	52
Proceeds from issue of share capital	8	4
Dividends paid	(129)	(214)
Net cash from financing activities	(121)	(210)
Net increase (decrease) in cash and cash equivalents	266	(248)

Segment analysis

	30 Nov 2009	Turnover % change	30 Nov 2008	30 Nov 2009	% change	30 Nov 2008	30 Nov 2009	% change	30 Nov 2008
Bearings and power transmission products	1 593	-8	1 727	201	-20	251	768	10	696
Powered products	559	-17	673	102	-30	145	159	15	138
Security equipment	269	-27	367	41	-16	49	70	-12	80
- Ongoing operations	269	-22	343	41	-25	55	70		67
- Operation discontinued in 2008			24			(6)			13
Internal/head office	(1)		(1)	(37)		(18)	18		9
Total group	2 420	-12	2 766	307	-28	427	1 015	10	923

Statement of changes in equity

R million	30 Nov 2009	30 Nov 2008
Equity at the beginning of the year	1 055	835
Profit for the year	248	330
Increase in equity compensation reserve	3	6
Movement on fair value of cash flow hedges	(1)	(2)
Gain on translation of foreign entities		2
Foreign currency translation reserve realised		(8)
Shares issued	8	4
Dividends	(129)	(112)
Equity at the end of the year	1 184	1 055

Balance sheet

R million	30 Nov 2009	30 Nov 2008
ASSETS		
Non-current assets	2 418	2 429
Property, plant and equipment	91	92
Investments	2 181	2 181
Goodwill	117	131
Intangible assets	18	25
Deferred taxation	11	
Current assets	1 288	1 422
Inventories	597	780
Accounts receivable	356	507
Bank deposits and balances	335	135
TOTAL ASSETS	3 706	3 851

EQUITY AND LIABILITIES

Equity	1 184	1 055
Shareholders' equity	1 150	1 015
Minority interest	34	40

Non-current liabilities	2 186	2 204
Subordinated debenture	2 181	2 181
Deferred taxation		5
Due to vendors – interest bearing	5	18

Current liabilities	336	592
Accounts payable	326	488
Amounts due to bankers		66
Due to vendors – interest bearing		5
Taxation	10	33

TOTAL EQUITY AND LIABILITIES	3 706	3 851
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Supplementary information

These results were prepared applying accounting policies which conform with International Financial Reporting Standards and are consistent with those applied in the previous financial year. These results also comply with the requirements of IAS 34 on interim reporting.

	30 Nov 2009	30 Nov 2008
Average net operating assets (Rm)	1 015	923
Operating profit margin (%)	12,7	15,4
Average NOA turn (times)	2,4	3,0
Return on average NOA (%)	30,2	46,2
Net asset value per share (cents)	3 681	3 282

Capital items	(7)	(2)
Impairment of goodwill and intangible assets	(8)	
Impairment of assets of operation discontinued		(10)
Foreign currency translation reserve realised		8
Surplus on disposal of operating assets	3	
Cost to relocate remainder of business	(2)	

Operating profit has been determined after taking into account the following charges:		
- Depreciation	18	15
- Amortisation of intangible assets	4	3
- Loss (profit) on foreign cash	10	(12)

Capital expenditure		
- Spent during the period (Rm)	20	25
- Budgeted for 2010 (Rm)	93	
- Already contracted for (Rm)	22	

Commitments and contingencies		
- Operating leases on property (Rm)	103	99
- Break fee on debenture (Rm)		21
- A contingent liability exists in respect of a dispute with the Registrar of Pension Funds on whether an employer contribution holiday in one of the group's defined contribution retirement funds, was authorised by its rules.		

Net cash comprises (Rm)	335	69
- Bank deposits and balances	335	135
- Amounts due to bankers		(66)