HUDACO INDUSTRIES LIMITED

ANNUAL REPORT 2006

Contents

'06

"Value-added distribution – our core competency"

Hudaco

Profile

Hudaco Industries is a South African group of companies specialising in the importation and value-added distribution of selected high quality branded industrial and security products in the southern African region. The replacement market is a particular focus and the group is active in three main areas:

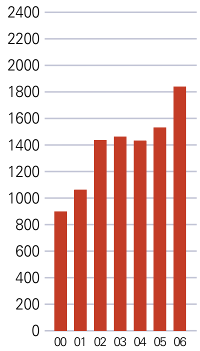
- **Bearings and Power Transmission products**
- **Powered products**
- **Security equipment**

Hudaco sources branded products, mainly on an exclusive basis, directly from leading international manufacturers and to a lesser extent from local manufacturers. Hudaco seeks out niche areas in markets where customers need, and are prepared to pay for, the *value* Hudaco adds to the products it distributes. The value added includes product specification, application and installation training, and troubleshooting combined with ready availability and a fair price. A network of specialised branches and independent distributors throughout southern Africa serves the industrial replacement part markets and supplies original equipment to the security industry.

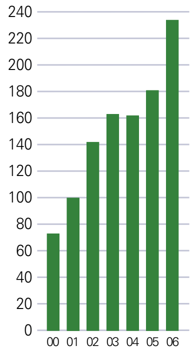
Results in brief

30 November 2006	2006	2005	% change
Turnover (Rm)	**1 838**	1 530	20
Operating profit (Rm)	**234**	181	29
Headline earnings (Rm)	**159**	121	32
Attributable earnings (Rm)	**150**	122	23
Headline earnings per share (cents)	**533**	409	30
Dividends per share (cents)	**190**	144	32

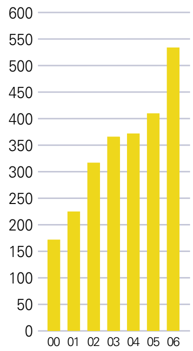
Turnover
Rm



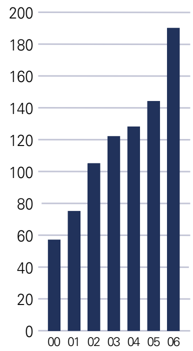
Operating profit
Rm



Headline earnings
per share
cents



Distributions
per share
cents



Throughout this annual report, the 2005 figures have been restated where applicable and, together with the 2006 figures, comply with IFRS. Figures relating to 2004 and prior years were, with the exception of turnover, prepared under GAAP and were not restated as it was not practical to do so. Turnover from 2000 to 2004 has been restated to comply with IFRS.

Group at a glance

Bearings and Power Transmission products

Principal activity

The distribution of leading brands of anti-friction bearings, geared motors, belting, chain, hydraulics, pneumatics, seals, variable speed drives, clutches, electrical cabling, plugs and other related products to the manufacturing, mining, agricultural and automotive after-markets.

Principal businesses

ABES Technoseal
Bearings International
Belting Supply Services
Bosworth
Ernest Lowe
HBC
Powermite
Varispeed

Powered products

Principal activity

The distribution of power tools and outboard motors and the marketing and servicing of Deutz diesel engines and spares to the construction, mining, manufacturing, marine, agricultural and retail markets.

Principal businesses

Deutz Dieselpower
(70% owned)
Rutherford

Security equipment

Principal activity

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

Principal business

Elvey Security Technologies
(South Africa and United Kingdom)

DEUTZ DIESELPOWER

Bearings and Power Transmission products

Rm	2006	2005
Turnover	**1 049**	900
Operating profit	**116**	91
Average net operating assets	**387**	347
Number of employees	**1 501**	1 541

Powered products

Rm	2006	2005
Turnover	**477**	371
Operating profit	**98**	73
Average net operating assets	**79**	60
Number of employees	**332**	285

Security equipment

Rm	2006	2005
Turnover	**313**	260
Operating profit	**36**	25
Average net operating assets	**77**	73
Number of employees	**174**	151

Group

Rm	Head office and intergroup 2006	Head office and intergroup 2005	Group 2006	Group 2005
Turnover	**(1)**	(1)	**1 838**	1 530
Operating profit	**(16)**	(8)	**234**	181
Average net operating assets	**2**	(18)	**545**	462
Number of employees	**22**	23	**2 029**	2 000

Members of the board

Non-executive directors

Peter Campbell (69)
Chairman
CA(SA) AMP Harvard

Peter was formerly deputy chairman of Nampak Limited, a position from which he retired in 1997. He remains a non-executive director of Nampak and chairman of Pangbourne Properties Limited and is a non-executive director of Crookes Brothers Limited and Delta Electrical Industries Limited. He joined the board in 1997.

Nene Molefi (41)
Businesswoman
BSocSc

Nene worked for Eskom for ten years during which time she was seconded to the Department of Labour as head of human resources management. She served as an executive director of the City of Cape Town overseeing the transformation initiatives of the city and is currently managing director and sole owner of Mandate Molefi, human resource consultants. She joined the board in 2002.

John Gibbon (66)
Director of companies
CA(SA)

John qualified as a chartered accountant with Pricewaterhouse-Coopers in 1963 and retired as a senior partner in 2001. He is a non-executive director and chairman of the audit committee of four listed companies. He joined the board in 2001.

Executive directors

Stephen Connelly (55)
Group chief executive
ACMA
24 years' service

Stephen immigrated to South Africa in 1976. He joined Valard Limited in 1982 as financial director and was appointed managing director in 1987. He became chief executive of Hudaco in 1992 after Hudaco's acquisition of the Valard group.

Graham Gardiner (60)
CEO Bearings and Power Transmission products division
36 years' service

Graham joined Hudaco in 1987 when it purchased the listed Frencorp Limited where he was the chief executive. He was appointed to the Hudaco board in 1988 and to the position of divisional chief executive of the Bearings and Power Transmission products division in 2001.

Peter Poole (59)
Group financial director
BCom CA(SA)
19 years' service

Peter qualified as a chartered accountant with Deloitte in 1970. He left them in 1980, after four years as a partner in Johannesburg and Harare, to join a family manufacturing business in Pretoria. He was appointed group financial director of Hudaco in 1987.

Service is with Hudaco and businesses acquired.

Executive committee

Stephen Connelly* (55)
Group chief executive
ACMA
24 years' service

Refer to page 4 for CV.

Richard Arnestad (63)
Group secretary
CA(SA)
10 years' service

Richard qualified as a chartered accountant with Deloitte in 1972. He joined Everite Group Limited in 1987 and, following their takeover by Group Five Limited, was appointed group secretary. He joined Hudaco as group secretary in 1996.

Bob Cameron-Smith (58)
CEO Rutherford
33 years' service

Bob joined Vickers Instruments (now part of Rutherford) in March 1973 and was appointed managing director in 1978. Shortly after the takeover of the Valard group in 1992 he was appointed chief executive of Rutherford.

Leon Coetzer (52)
CEO Deutz Dieselpower
17 years' service

Leon joined Deutz Dieselpower in 1989 as a project manager. In 1996 he was appointed technical director and given responsibility for engine sales. He was appointed chief executive in 1999.

Gilbert Da Silva (59)
CEO Mechanical Power Transmission, Bearings and Power Transmission products division
ACIS
36 years' service

Gilbert joined Hudaco in 1987 when it purchased the listed Frencorp Limited where he was the financial director. He served as financial director of the Conveyor and Transmission division until 2001 when he was appointed to his current position. He is responsible for ABES Technoseal, Belting Supply Services, Bosworth and Bestobell.

Graham Dunford (42)
CEO Electrical Power Transmission, Bearings and Power Transmission products division
18 years' service

Graham joined Hudaco in 2001 when it purchased Bauer Geared Motors where he was the managing director. He was appointed to his current position in 2005 and is responsible for Ampco, Bauer, Varispeed and Powermite.

Jack Edery (55)
CEO Elvey Security Technologies
BCompt(Hons) CA(SA)
10 years' service

Jack qualified as a chartered accountant with KPMG in 1981. In 1987 he joined Melcorp as financial director. He was appointed financial director of Elvey in 1996 and CEO in 2003.

Graham Gardiner* (60)
CEO Bearings and Power Transmission products division
36 years' service

Refer to page 4 for CV.

Tony Patten (52)
CEO Bearings International
24 years' service

Tony began his career at Stewarts & Lloyds in 1974. He joined Hudaco as a branch manager at Circle Pumps, Pinetown in 1982. Since then he has served as general manager of The Roller Chain Company and Consolidated Bearing Company (both now part of Bearings International) before being appointed chief executive of Bearings International in 2001.

Peter Poole* (59)
Group financial director
BCom CA(SA)
19 years' service

Refer to page 4 for CV.

*Executive directors
Service is with Hudaco and businesses acquired.

History of Hudaco Industries

"In 2006 Hudaco celebrated its 21st year as a listed company."

Hudaco Industries derives its name from and traces its existence to Hubert Davies and Company whose history and development has been an integral part of the economic development of southern Africa for 115 years.

The founder, J Hubert Davies, an electrical engineer, came to South Africa in 1889 as a consulting engineer. He started his own business in Johannesburg in 1891, five years after the discovery of gold on the Witwatersrand. He was personally responsible for specifying and organising the supply of equipment for the erection of many electrical and mechanical engineering plants in the various towns and mines of the southern African region.

In 1897 he established himself in Simmonds Street with a staff complement of 70. By the turn of the century the business had become a major supplier of expertise and equipment to customers in mining and mining support industries, town services, construction and power generation on the gold-rich Witwatersrand and further afield. The business was converted into a private company in 1917 allowing senior managers to become shareholders and directors. The company continued to grow in size and diversity and in September 1938 Hubert Davies and Company Limited listed on the Johannesburg Stock Exchange.

In 1974 Blue Circle Limited, a United Kingdom industrial group, acquired a substantial interest in the company and in 1977 it became a wholly owned subsidiary and delisted from the stock exchange. During the 1970s Hubert Davies expanded its product offering and its branch network to cover the whole of South Africa and all countries of the subcontinent. In 1976 a strategic decision was made to specialise by product and activity in order to provide better customer service and achieve improved market penetration. This decision also saw the introduction of the company's existing management philosophy of decentralisation of decision-making and responsibility.

In 1981 a further step in this direction saw the establishment of the industrial distribution business of Hubert Davies as a separate autonomous subsidiary under the name Hudaco Industries.

In May 1984 the management of the business, with banks as partners, acquired control of Hudaco Industries from Blue Circle in, which was up until then, the largest South African private equity leveraged buy-out. On 14 November 1985 Hudaco Industries Limited relisted on the Johannesburg Stock Exchange at a subscription price of R1,50 per share and a market capitalisation of R29 million. Since then the group has made several large acquisitions, including listed companies Frencorp, Valard and Elsec, but has stayed faithful to its roots as an industrial distribution business. Today the group employs over 2 000 people, its market capitalisation is R1,8 billion and its shareholders include many of the blue-chip players in the retirement investment industry.

Seven-year review

R million	Prepared under IFRS		Prepared under GAAP*				
	2006	2005*	2004	2003	2002	2001	2000
Group income statement							
Turnover	**1 838**	1 530	1 431	1 461	1 435	1 061	897
Operating profit	**234**	181	162	163	142	100	73
Net finance revenue	**7**	4	6	(1)	(8)	(4)	(2)
Profit before taxation	**241**	185	168	162	134	96	71
Taxation	**76**	59	54	52	44	28	17
Profit after taxation	**165**	126	114	110	90	68	54
Share of associate company profits					2	2	2
Minority interest	**6**	5	5	5	3	7	5
Earnings before exceptional/capital items	**159**	121	109	105	89	63	51
Exceptional/capital items – net	**9**	(1)	20	5	5	4	
Attributable earnings	**150**	122	89	100	84	59	51
Shares in issue 000 (weighted average)	**29 870**	29 592	29 289	28 776	28 264	27 892	29 682
Earnings per share (cents)							
– headline	**533**	409	371	365	316	224	171
– basic	**502**	413	303	347	297	210	171
Distributions per share (cents)	**190**	144	128	122	105	75	57
Group balance sheet							
Property, plant and equipment	**67**	62	43	44	45	40	39
Goodwill	**57**	64	43	56	47	20	
Deferred taxation	**1**	2	16	15	17	4	2
Inventories	**452**	375	285	320	315	260	244
Accounts receivable	**355**	279	245	239	251	226	178
Accounts payable	**(382)**	(296)	(268)	(248)	(250)	(235)	(177)
Taxation	**(24)**	(13)	(25)	(37)	(46)	(29)	(16)
Net operating assets	**526**	473	339	389	379	286	270
Investment in associate						25	24
Employment of capital	**526**	473	339	389	379	311	294
Shareholders' equity	**728**	612	508	458	396	333	290
Minority interest	**22**	24	26	24	20	38	33
Total shareholders' funds	**750**	636	534	482	416	371	323
Amounts due to vendors on acquisitions	**14**	24	12	21	19	4	
Net cash	**(238)**	(187)	(207)	(114)	(56)	(64)	(29)
Total capital employed	**526**	473	339	389	379	311	294
Group cash flow							
Cash generated from trading	**248**	195	175	177	160	110	83
Increase in working capital	**(62)**	(62)	36	(2)	(56)	22	(4)
Cash generated from operating activities	**186**	133	211	175	104	132	79
Net finance revenue	**8**	5	6	(1)	(7)	(4)	(2)
Taxation paid	**(65)**	(63)	(63)	(56)	(41)	(18)	(16)
Cash flow from operations	**129**	75	154	118	56	110	61
Cash distributions to shareholders	**(54)**	(42)	(39)	(33)	(45)	(17)	(17)
Retained from operating activities	**75**	33	115	85	11	93	44
Net investment in							
– new businesses etc	**(11)**	(47)	(11)	(17)	(3)	(49)	
– property, plant and equipment	**(16)**	(9)	(14)	(12)	(17)	(10)	(8)
Net cash invested	**(27)**	(56)	(25)	(29)	(20)	(59)	(8)
Cash retained after investments	**48**	(23)	90	56	(9)	34	36
Increase in shareholder funding	**3**	3	3	2	1	1	1
Shares repurchased							(21)
Increase in net cash	**51**	(20)	93	58	(8)	35	16

*The 2005 figures have been restated where applicable and, together with the 2006 figures, comply with IFRS. Figures relating to 2004 and prior years were, with the exception of turnover, prepared under GAAP and were not restated as it was not practical to do so. Turnover from 2000 to 2004 has been restated to comply with IFRS.

Chairman's report

Peter Campbell

Economic environment

Hudaco is a South African group engaged in the business of importing and distributing industrial consumable products. About half of its business is derived from the southern African manufacturing and mining sectors with the balance from light construction, the automotive aftermarket and security industries.

The past three years have seen the strongest period of growth in the South African economy since the 1980s and the current upswing is the longest sustained period of economic growth since the second world war. This growth phase has essentially been driven by consumer spending fuelled by reductions in personal income tax, low interest rates, government grants to the old and young and increased spending by the emerging black middle class. Hudaco has been exposed to this surge in consumer spending of the past few years through its power tool, outboard motor and intruder detection businesses.

Leading economists are predicting (and there are already signs) that this consumer-led growth will, over the next few years, be overtaken by public and private sector investment in mining projects, electricity generation and infrastructural upgrades and expansion – the primary and secondary sectors of the economy. The World Bank believes the momentum thus created could continue to fuel growth in emerging markets until 2030. Unfortunately, due to regulatory constraints, South Africa lost out on much of the global investment in mining over the past two years but we believe it can still retrieve those missed opportunities. Growth in these sectors of the economy will result in much more meaningful job creation (particularly of less skilled aspirant workers) than the consumer spending growth we are currently experiencing. This will help to correct the wealth imbalances in the country. Hudaco stands to benefit significantly from economic growth in these areas given its relatively large exposure to the mining and manufacturing sectors of the economy and its reservoir of technical skills in its areas of expertise.

Much of the credit for the country's robust economy must be given to the government's sound macro-economic policies of the past ten years. However, although the economy is performing well, there are serious problems in some areas. Government infrastructure is being sorely tested by strongly increasing demand, and capacity utilisation is at record levels. Further, there are not enough signs that service delivery in key areas such as health, education, policing and justice are improving. Spending on the national infrastructure has also been neglected for the last decade and, although the government periodically announces the intention to address this state of affairs, not much is being achieved. Money is available but it is clear that the government does not have the skills to manage the expenditure. Although we understand the need to redress the economic imbalances of the past, there is a risk that sidelining the existing skills base will adversely affect all South Africans. All stand to benefit from efficient government administration and delivery coupled with strong economic growth. Freeing up government departments and parastatals to harness a wider skills base would help achieve this.

2006 results

In Hudaco's markets sales of power tools, outboard motors and security equipment were well up on 2005, benefiting from continued robust consumer spending on housing and leisure products. Demand from mining companies grew modestly in 2006. Unfortunately for Hudaco, demand for our products is based on mining output, not the Rand value of mineral sales which surged thanks to high commodity prices this year. A further fall in gold output (7% so far this year after 15% last year) was offset by expansion in the mining of coal, platinum and iron ore as advantage was taken of the higher prices for those commodities. Volume sales to manufacturers also grew slightly as they geared up to service the expansion in the mining sector and as a result of becoming more competitive with the weaker Rand.

The Rand's weakness in the second half of the year, following four years of Rand strength, allowed Hudaco to achieve price increases, ending the margin squeeze we had been experiencing. Given the pressure on our local cost base this year, particularly on rentals as property values soared and on salaries of technically skilled personnel as their scarcity grows, this relief came at exactly the right time.

Hudaco's financial results this year are pleasing. Total sales at R1,84 billion are 20% up on last year whilst operating profit is up 29% to R234 million. Headline earnings per share increased by 30% to 533 cents. The balance sheet is in particularly good shape and a final dividend of 140 cents per share has been declared bringing total dividends this year to 190 cents per share, an increase of 32%.

Net cash on hand (cash balances less interest-bearing debt) at year-end amounted to R238 million (last year, R187 million). An additional R78 million was invested in operating assets of which R62 million was in working capital, mainly inventory, and is in line with the increase in activity levels this year. Cash flow per share of 429 cents was 86% up on the previous year. The return on net operating assets (RONA) in 2006 was 43%, up on the 39% return in 2005 and well above our pre-tax cost of capital which is approximately 20%.

A more comprehensive commentary on the financial results is provided in the chief executive's report.

"...the outlook for overall earnings growth over the next few years is very positive."

Strategy

Hudaco's businesses are relatively low risk – demand for our product range is relatively stable, being influenced more by GDP activity than GDFI. Our businesses do receive a limited amount of project or GDFI business which provides a welcome boost to sales particularly in the Bearings and Power Transmission division. Movements in exchange rates affect the prices we charge and therefore our Rand sales. Since our gross margins are fairly constant, it follows that exchange rates can have a relatively large influence on earnings. Because most of our competitors are also importers we are not placed at any particular competitive advantage or disadvantage when the Rand strengthens or weakens significantly. Our biggest currency risk is a prolonged period of Rand strength, such as the one we have just experienced from 2002 to the middle of 2006 when it was difficult to increase prices to cover our rising local cost base.

Hudaco's businesses do not require significant investment in property or plant and equipment to operate and the balance sheet consists mainly of working capital. Since most of the properties the group occupies are rented it has a fairly large commitment to future rent payments. Key financial characteristics are high internal rates of return and cash flows which are used to fund additional working capital as our businesses grow, pay a market related dividend, and invest in new businesses when opportunities are found.

Although the group is committed to acquisitive growth and has the resources to achieve it, success tends to be erratic. Opportunities to make meaningful investments in entirely new businesses within what we regard as our core competency, "value-added distribution", at prices which would immediately improve earnings are limited, particularly now that the economy is growing. There is also more competition for quality assets often from private equity players. The group looked at a number of opportunities in 2006 without success and a few sizeable opportunities are still being investigated and will be pursued during 2007. However, if we are not successful, it does not make sense for Hudaco to hold on to its cash indefinitely and we will consider making a cash distribution to shareholders probably at the time of announcing details of a BEE transaction towards the middle of 2007.

In pursuing acquisition opportunities, the group would be prepared to increase its gearing to a debt-to-equity ratio to about 50% which gives an investment capacity of R600 million. Investing such a sum would reduce Hudaco's weighted cost of capital and improve shareholder returns.

Black Economic Empowerment

The DTI's Black Economic Empowerment Codes of Good Practice have now been published although the details behind them are not yet known. In 2007 we will put in place a plan to align our BEE objectives with the codes. Some progress was made on the draft Codes of Good Practice published in 2004 so we won't be starting from scratch.

Hudaco has not yet introduced a BEE shareholder to the group but is almost ready to do so having determined the appropriate financial structure and completed the partner selection process. Once we have digested the requirements of the newly published codes, final negotiations with our partners can be completed and an announcement made. It is planned that the maximum earnings dilution for shareholders would be 4% for a 25% stake which is not out of line with comparable BEE transactions.

Appreciation

2006 was a good year for Hudaco. I thank my colleagues on the board for their support and advice this year and the executive and senior management of the group led by Stephen Connelly for their achievements. I also take this opportunity to thank all employees for their efforts in 2006 and our suppliers and customers for their ongoing support.

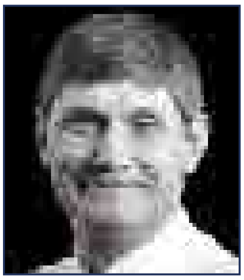
Prospects

The next few years should be very good for Hudaco. Spending on infrastructure including additional power generation should get underway, which, together with high commodity prices, supports investment in mining projects once regulatory impediments are overcome. This will also benefit manufacturers supporting the mining industry. Local manufacturers have recently received some welcome relief from the strong Rand which will stimulate activity next year. The consumer side of the economy should remain strong as employment levels pick up although recent interest rate increases will reduce the rate of growth.

While exchange rate movements could create volatility, demand for Hudaco's product offering is expected to be strong until at least 2010 and the outlook for overall earnings growth over the next few years is very positive.

PL Campbell
Chairman

25 January 2007



Chief executive's review of operations

Stephen Connelly

Business model and management philosophy

The Hudaco group sources from 1 500 suppliers from all over the world, supplies 20 000 customers through over 100 physical locations mainly in southern Africa and carries 250 000 line items in stock. Because our main business is the supply of replacement parts to industry, overall demand is relatively inelastic and line item sales predictability are low. Supplier lead times can range from three months to over one year so a key competitive advantage is our comprehensive stockholding from which we strive to offer availability on demand.

A typical sale is a relatively low-value transaction. Having the item in stock is a must but further value can be added in a number of ways including technical application advice and training, preventive maintenance inspections and management of customers' procurement cycles. A high-quality branded product offering ensures repeat business, allowing us to develop lasting relationships with customers and enabling us to use our own and our suppliers' skills to improve productivity levels.

Given these characteristics, Hudaco has developed a particular management style that has proven successful over many years. Decentralising management by putting decision-making responsibility into the hands of managers at all levels of the organisation is a key Hudaco philosophy. Delegating authority and responsibility allows employees to respond quickly to customers' requirements, instils self-discipline, and encourages and reveals leadership and innovation. In return, high standards of performance and accurate and comprehensive reporting are expected as a matter of course.

Hudaco has the experience to determine for each of its businesses the appropriate financial model which enables them to achieve a return in excess of their cost of capital. This is explained further in the financial review on page 22.

The Hudaco head office makes investment and disinvestment decisions including investments in new businesses by managing the procurement and allocation of group financial resources. It appoints key executives, initiates tactical and strategic moves or advises on them, approves business unit plans, facilitates sharing of skills and experiences and manages investor relations. It deliberately manages only a few centralised services. It also provides cohesion and a sense of commonality to the whole.

2006 results

A detailed explanation of Hudaco's financial objectives and a review of performance against those objectives is contained in the financial report.

This year the group is reporting for the first time in terms of International Financial Reporting Standards (IFRS). This change had a relatively minor impact on the group as set out on page 39.

Sales of R1,84 billion for the year are up 20% on 2005. In our Bearings and Power Transmission businesses trading conditions were moderately better than last year and there was noticeably more quoting on project work from mines and manufacturers particularly towards the end of the year. Not many Hudaco businesses have a back order book but those that do saw significant growth in 2006 which bodes well for sales in 2007. The Rand weakened significantly in 2006 which made it possible to increase prices to cover the impact inflation had been having on our local distribution expenses over the last few years. This gave welcome relief from the profit squeeze of the past few years and a sales increase of 17% and an operating profit increase of 28% in this division is pleasing.

Our two other divisions, Powered products and Security equipment, with more exposure to customers who benefit from consumer spending, particularly in the housing sector, enjoyed very good trading conditions this year increasing volume and Rand sales significantly. Powered product sales increased by 29% and operating profit by 35% whilst Security products increased sales by 21% and operating profit by 45%.

- *Our **mission** is to develop and manage a sustainable business for the benefit of all stakeholders.*
- *We aim to produce superior returns for our **shareholders** by building on the base of our existing businesses and by continuously looking for growth opportunities.*
- *We believe that we must continue to earn our strong market shares by offering our **customers** quality products and ready availability.*
- *We establish enduring partnerships with our **suppliers** combining their leading world brands and our distribution strengths in southern Africa.*
- *We believe that a significant part of Hudaco's strength is its **people** who thrive in a decentralised, dynamic and challenging business environment.*
- *We aim to achieve these objectives in a manner which is governed by high standards of ethical conduct, sensitive to the needs of the **communities** in which our businesses operate and conscious of safety and environmental responsibilities.*

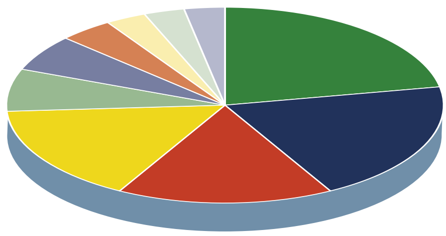
The groups' gross profit margin at 37.9% was 1.2% lower than in 2005, the decrease being due to mix and a leads-and-lags situation which can occur when prices are increased. Although expenses as a percentage of sales reduced from 27.3% to 25.2%, above-inflationary pressure is being felt on both rental costs as leases are renewed because of the escalation in commercial property values and on salaries of technically skilled personnel as their scarcity becomes apparent. Group operating profit rose by 29% or R53 million to R234 million with an operating margin to sales of 12.7%.

Net interest received of R7 million (last year R4 million) and a similar tax rate enabled the group to post a 30% increase in headline earnings per share to 533 cents. The final dividend has been increased to 140 cents (last year – 102 cents) bringing total dividends this year to 190 cents per share (last year – 144 cents), an increase of 32% covered 2,8 times by earnings per share.

The balance sheet is healthy. Working capital (inventories, accounts receivable and accounts payable) at R425 million is R66 million above 2005 levels. The increase results from normal business demands as volume sales increased. Net cash on hand (cash balances less interest-bearing debt) at year-end is R238 million, up R51 million on last year. Cash flow per share of 429 cents is 86% up on the previous year. Net asset value per share is R24,29.

The return on net operating assets in 2006 was 43%, an increase on last year's 39%, significantly above our pre-tax cost of capital which would be about 20% (assuming conservative balance sheet gearing) and well above our target of 30%.

This year a capital item of R10 million, being the impairment of the remaining goodwill in Elvey Group UK Limited was recorded as a charge against income.



Sales by market sector %

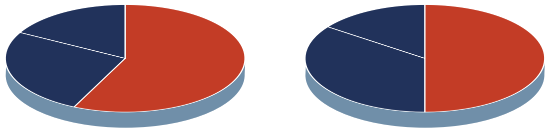
	2006
Manufacturing	22
Mining	20
Security SA and UK	16
Wholesale and retail	16
Automotive	7
Exports	6
Construction	4
Public sector	3
Agriculture	3
Other	3

Acquisitions

The group is committed to growth by acquisition. However over the last few years we have generated more cash than we have invested and given our current ability to borrow about R350 million and still leave the group conservatively geared, it does not make sense for the group to hold onto R230 million of cash. As a result and as you have read in the chairman's report we may distribute much of this cash to shareholders during 2007 if a suitable investment is not found early in the new year.

Bearings and Power Transmission products division

	2006	2005
Sales (Rm)	**1 049**	900
Operating profit (Rm)	**116**	91
Average NOA (Rm)	**387**	347
Number of employees	**1 501**	1 541



Contribution to group sales	*57%*
Contribution to operating profit	*49%*

Principal businesses

Bearings International

Mechanical power transmission

ABES Technoseal
Belting Supply Services
Bosworth
Ernest Lowe
HBC

Electrical power transmission

Ampco
Bauer Geared Motors
Powermite
Varispeed

Principal markets served %	
Manufacturing	34
Mining	24
Automotive	13
Wholesale and retail	13
Total	84

This division is a leading South African distributor of branded bearings and power transmission products. A complete range of imported bearings, seals, transmission and conveyor chains, couplings, clutches, geared motors, electric motors, variable speed drives and soft starters is offered to the mining, manufacturing, automotive, and agricultural markets. Standard products are distributed by our flagship industrial distribution business, Bearings International, which has a comprehensive distribution network covering southern Africa including 50 owned branches. Products are sourced from all over the world, with Chinese manufacturers steadily advancing as a source of supply. Where customers require more specialised technical advice or access to special or modified stock items they use the services of our independently staffed and stocked mechanical or electrical transmission businesses.

This division posted solid results this year. Although volume sales only increased modestly there was a noticeable pickup in requests for quotes for project business which bodes well for sales next year. Not many of our businesses have a back order book but those that do saw good growth this year. In some cases, particularly Bosworth in the second half of the year, we were able to translate part of the order book into sales. Once again there was good demand from customers exposed to the local consumer market. Whilst sales to manufacturers were mixed, demand did pick up in the second half after the Rand weakened. Direct demand from mines was better than in 2005 with reduced business from gold mines (gold production was down 7% in 2006 compared with a fall of 15% in 2005) being more than offset by increased demand from platinum, iron ore and, towards the end of the year, coal mines. Demand from the automotive aftermarket was reasonable but is expected to improve considerably in the next two years as record levels of new car sales reach an age where owners start using spare parts supplied by our businesses. The sharply weaker Rand meant we could increase prices for the first time in years although as the Rand recovered towards year-end prices started falling although not back to 2005 levels. The net result was a significantly better financial performance in 2006. Sales increased by 17% to R1,05 billion and operating profit increased by 28% to R116 million. The division's return on net operating assets (RONA) was 30%.

A healthy order book and the pickup in enquiry levels makes us optimistic that we can achieve a meaningful increase in sales and operating profit in the division next year.

Bearings International (BI) – Hudaco's largest individual business with 50 branches countrywide produced a significantly better financial performance in 2006. Good sales growth was achieved, in particular of the FAG product range




Left to right
Graham Gardiner
CEO Bearings & Power Transmission division

Gilbert Da Silva
CEO Mechanical Power Transmission

Graham Dunford
CEO Electrical Power Transmission

Tony Patten
CEO Bearings International

and of electric motors, a new product range introduced in 2004. We have worked hard over the last two years to achieve a smooth supply of FAG product at the right prices and whilst progress is being made it is frustratingly slow. However, INA-FAG has already become the principal bearing supplier to BI and is enabling BI to regain market share lost over the last few years. Koyo, previously our main industrial bearing source, is a significant complementary supplier to that market and is making significant inroads in the automotive bearing aftermarket, its principal area of focus.

BI continues to look for new products to add to its already extensive range. These are generally found in power transmission products and over the last few years we have looked particularly in the electrical power transmission field as we have been developing group expertise in this area. In 2007 BI will introduce a state-of-the-art laser alignment service to further enhance its value-added offering. The global shortage of large-size bearings poses a unique challenge for the business with certain manufacturers quoting lead times in excess of three years from date of order. As a result BI has entered into a strategic partnership with BAT Services, a company specialising in bearing reconditioning and recertification, in order to still offer a meaningful service to customers and counter, to some extent, the effect of long lead times on larger size bearings.

Recognising the looming technical skills shortage and in keeping with its accelerated transformation process BI has continued to invest heavily in critical skills training and enterprise development. Training is now offered to staff, university students, previously unemployed learners and trainees. In addition, specialised training is offered to customers to

Bearings and Power Transmission products division

address their skills shortages regarding the correct handling, fitment, maintenance and replacement of bearings and mechanical drive components.

We believe this business will do well again next year as investment in mining and the national infrastructure gets underway.

Electrical Power Transmission – Bauer, Varispeed and the Powermite group are Hudaco's specialised distributors of electrical power transmission products. These include geared and electric motors and products that control, monitor and regulate the speed of standard AC motors. Powermite's product range includes cables, plugs, sockets, festoon systems, current collectors and cable reeling equipment.

The Powermite group performed well in its second year with Hudaco, comfortably beating its 2005 result. The business increased sales in all its main product groups, plugs and sockets, cables and cable reeling drums which is mainly due to the positive growth trend in the various markets served. With the national emphasis on increasing power-generating capacity to cope with demand, prospects are good for this business segment and a further increase in profits is expected in 2007.

Bauer's results for 2006 were well up on 2005. There was strong growth in electrical motor sales through the Bearings International national distribution network which has the ability to deliver anywhere in the country within 24 hours. Increased sales of geared motors arose from Bauer's focus on mining projects and the steel industry. Ongoing enquiries and orders for project business indicate that a good performance in 2007 can also be expected.

Varispeed's results were good in 2006 but below those of 2005 as the business grappled with management changes (the previous owner retired in 2006) and appeared to lose market share to new entrants. It did however deliver its first medium-voltage variable speed drive which is the first sale of a medium-voltage Yaskawa drive outside Asia. We are confident that the restructuring of the sales department will prove to be successful and Varispeed will have a good 2007.

Mechanical Power Transmission – ABES, Angus Hawken, Belting Supply Services, Bestobell, Bosworth, and Ernest Lowe are Hudaco's specialised mechanical power transmission businesses distributing seals, conveyor belting, pumps and valves, drive pulleys and pneumatic and hydraulic equipment. All except ABES and Bestobell increased profits in 2006. At the end of 2006 ABES was appointed by SIMRIT, the biggest manufacturer of industrial seals in Europe, as its exclusive preferred distributor in sub-Saharan Africa and this development is expected to put ABES back on its profit growth track. Belting Supply Services has been substantially re-engineered over the last few years and this has contributed to its improved performance in 2006. Bosworth received the biggest single order from one customer in the company's history of over R20 million for the manufacture of drive pulleys to be delivered in 2007. Bestobell spent the year absorbing the business of Mather & Platt and after a few setbacks is on track for a good 2007. Ernest Lowe had a better year and has a healthy order book. We are confident that this business segment will do well as spending on infrastructure and mining gets underway and we are budgeting for an increase in profits in 2007.

HBC – is a leading distributor of automotive clutches to the local automotive aftermarket. Volume and Rand sales were well up on last year but profits were up only marginally as price increases came too late in the year to impact on profits. During the year ranges of internationally well-known brands of light, medium and heavy-duty clutches were added to our previously predominately light-duty product offering. These introductions position the business to provide a complete range of clutch products which should significantly strengthen its relationship with its distributor network. With record motor vehicle sales over the last few years this business has particularly good medium-term prospects and profits are expected to grow significantly over the next few years.

Principal brands

German precision bearings.
Distributor since March 2005

Ball and roller bearings from Japan.
Sole distributor since 1962

Variable speed drives from Japan.
Sole distributor since 1992

Seals from Germany.
Sole distributor since 1955

Geared motors from Germany.
Sole distributor since 1989

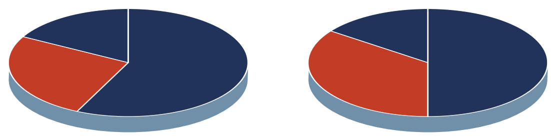
European pneumatic equipment.
Distributor since 1959

Own range of electrical plugs
and sockets since 1974

Clutch kits from Korea.
Sole distributor since 1996

Powered products division

	2006	2005
Sales (Rm)	**477**	371
Operating profit (Rm)	**98**	73
Average NOA (Rm)	**79**	60
Number of employees	**332**	285



Contribution to group sales	*26%*
Contribution to operating profit	*42%*

Principal businesses

Deutz Dieselpower
Rutherford

Principal markets served %	
General trade and leisure	33
Mining	24
Construction	14
Manufacturing	10
Total	81

Demand for industrial-use power tools and outboard marine motors was again strong in 2006 continuing to benefit from low-interest rates and robust consumer spending on housing and leisure products. Demand for diesel engines and spares was reasonably strong throughout the year but accelerated noticeably in the second half of the year. The results of this division were exceptional in 2006. Sales increased by 29% and operating profit by 35%. The operating margin was 21% and the return on net operating assets 124%. Demand is expected to continue to be strong in 2007 and a further increase in profits can be expected.

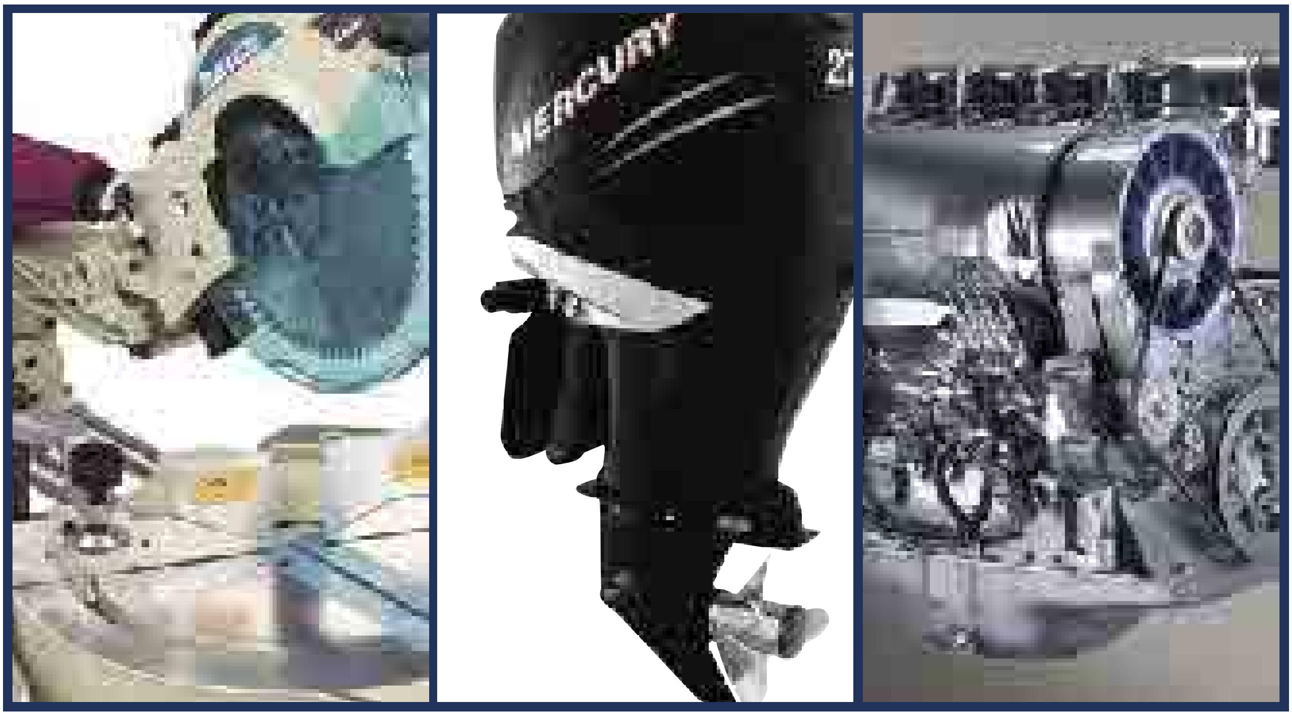
Deutz Dieselpower (DDP) – distributes Deutz diesel engines and spares primarily to the off-road market. Typically machines like air compressors or underground transporters are imported by sellers of capital equipment already fitted with a Deutz diesel engine. The importer or the customer (usually a mine) then relies on DDP to service the engine and, at the end of its life, to supply a replacement engine. Although DDP's main market is mining it is also a significant supplier of engines and spares to agricultural, military and construction markets and to manufacturers of power generators. DDP's sole supplier is Deutz AG of Germany, which owns 30% of the business.

DDP has distributed Deutz diesel engines and spares in southern Africa for nearly four decades and, as a result, there is a large installed base of engines in the region. Deutz AG has been at the forefront of diesel engine technology for more than 100 years. They are constantly improving output to weight ratios, reducing fuel consumption and lowering emission levels. These features are increasingly in demand as the current high oil price results in customers placing less emphasis on the initial cost of the product and more on total cost per unit of output. Deutz diesel engines comply with the Euro 4 emission standard (compulsory in Europe from October 2006). Engines complying with Euro 5 (compulsory in Europe from October 2009) can already be supplied to customers if required.

Demand for engines by the mining and power generation sectors was better than expected for most of 2006 and enquiry and sales activity picked up noticeably in the second half of the financial year. Operating profit increased sharply and a further improvement in net operating asset turn was achieved resulting in a very satisfactory return on net operating assets. Owing to a general under supply of mining and construction equipment worldwide, Deutz AG experienced unprecedented demand for its product and supply lead times increased progressively during the year. As a result DDP stocked up


Left to right
Bob Cameron-Smith
CEO Rutherford

Leon Coetzer
CEO Deutz Dieselpower



as much as it could but supply problems are expected to persist for the foreseeable future. Due to customer demand DDP opened up a Johannesburg service centre towards the end of the year. This service facility will deal with customers mainly on a contract basis and is dedicated to delivering high-quality repair and service of the Deutz product, backed by a manufacturer's guarantee, to major users of Deutz engines. Prospects for 2007 are good and if the increased activity levels of the second half of 2006 are sustained this business will post another attractive increase in operating profits.

Rutherford – is the sole South African distributor of Makita (high-end, industrial and professional) and Maktec (middle-segment) power tools, Mercury and Mariner outboard motors, Mercruiser inboards and spare parts to independent retail outlets from warehouses in Johannesburg, Cape Town and Durban. Makita of Japan is the largest manufacturer of professional and industrial power tools in the world with factories in Europe, China, USA, South America and Japan. Mercury/Mariner with manufacturing facilities in the USA, Europe and China is the largest manufacturer of outboard motors.

Powered products division

Both power tools' and outboard motors' volume sales again increased by double digits this year. We believe that Makita has become the pre-eminent brand in the industrial power tool market in South Africa. During the year several new Makita tools were introduced and although Maktec tools, which cater for the semi-industrial service trade, did very well, the range will need to be broadened if they are to make serious inroads into in their market segment. This is unlikely to happen before 2008. Ongoing and regular marketing initiatives to introduce value-added concepts to customers were again successful with many of these initiatives immediately copied by our competitors.

Over the last two years there has been a major worldwide swing to four-stroke outboard marine motors because of environmental considerations of noise and emissions. The introduction of the Mercury-manufactured Verado four-stroke engine range in 2005 gave them market dominance of the 200 to 275 horsepower supercharged (a world first) outboard motor segment. Mercury and Mariner now cover the entire four-stroke power range from 2 to 275 horsepower. Two-stroke motors are currently considerably cheaper and will continue to be manufactured by our competitors after Mercury/Mariner discontinues supply at the end of 2007 but as economies of scale kick in, the price of four-stroke engines will no doubt reduce. The Mercruiser range of inboard engines continues to be preferred by the more sophisticated boating fraternity and enjoyed excellent growth this year.

Previously a small part of Rutherford's business, sales of Topcon global positioning systems and electronic theodolytes doubled in 2007. Customers included gold mines and the Bombela consortium for the Gautrain project.

Rutherford's Rand sales increased by 30%, whilst operating profit increased sharply with the return on net operating assets improving further off a high return achieved in 2005. We remain concerned that when consumer spending on housing and leisure starts to cool this business could face pricing and operating margin pressures. However, this eventuality looks some way off, and, as our brands become entrenched in the market, the risk reduces somewhat. The year ahead looks positive and the business is budgeting to increase sales and profits again in 2007.



Principal brands

Air and liquid-cooled diesel engines. 2kW – 4 000kW.
Sole distributor since 1969

Japanese industrial power tools.
Distributor since 1968
Sole distributor since 1985

Outboard motors from USA.
Sole distributor since 1986

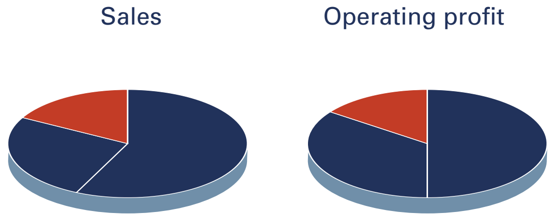
Petrol inboards and Sterndrives from USA.
Sole distributor since 1986

Outboard motors from USA.
Sole distributor since 1978

Global positioning systems and survey distributor instrumentation from Japan and USA.
Sole distributor since 1969

Security equipment division

	2006	2005
Sales (Rm)	**313**	260
Operating profit (Rm)	**36**	25
Average NOA (Rm)	**77**	73
Number of employees	**174**	151



Contribution to group sales	*17%*
Contribution to operating profit	*15%*

Principal business

Elvey Security Technologies
(South Africa and United Kingdom)

Elvey Security Technologies ("Elvey") – Elvey's principal business is the distribution of intruder detection, access control and related CCTV equipment. Products include alarm control panels, keypads, indoor and outdoor motion sensors, access control, cameras, recording equipment, optical fibre and related data transmission equipment. Elvey is the largest distributor of intruder detection products in southern Africa. Elvey has a branch in the UK with exclusive rights to distribute the DSC product range, the flagship of our South African business. Value is added through system design, application and operation advice and installation training. The product offering is known for its quality and availability. Customers are electronic security installers and system integrators serving the domestic, commercial and industrial security markets. Elvey's largest suppliers, DSC (Tyco) of Canada, Caddx (GE Security) of the USA and Optex of Japan, who are represented on an exclusive basis, are three of the major world manufacturers of intruder detection equipment.

Elvey recorded another double digit increase in volume sales in 2006 and Rand sales increased by 20% to R313 million. Operating profit increased by 45% to R36 million whilst the operating margin improved to 11.5%. This excellent performance results from strong market demand for Elvey's product offering, particularly in South Africa. During the year Elvey embarked on an aggressive programme to open new branches and modernise and position existing branches in more attractive and accessible areas. Elvey has worked hard over the last two years at improving customer relationships, product marketing and training of sales and technical support personnel and these efforts are now paying off.

The UK branch produced disappointing results in 2006. Sales increased marginally and operating profit was the same as in 2005. The DSC product is not the market leader it is in South Africa and whether we can emulate the success of the South African operation still remains to be seen. As Elvey Group UK Limited has not achieved expected levels of profitability a decision was taken this year to impair all of the R10 million goodwill in this business.

Elvey is expecting volume and Rand sales to grow again in 2007 supported by ongoing growth in housing and light industrial premises and the persistently high crime rate. If this is achieved, another increase in profits can be expected.

Jack Edery
CEO Elvey Security Technologies

Principal brands

Canadian manufacturer of intrusion alarm systems and detection devices.
Sole distributor since 1990

USA manufacturer of intrusion control panels and equipment.
Sole distributor since 1987

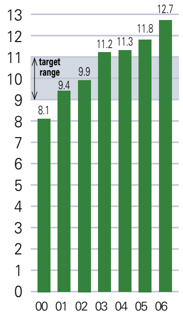
Japanese intrusion detection devices.
Sole distributor since 1987

Manufacturer of optical fibre transmission equipment.
Sole distributor since 2002

Korean manufacturer of video security systems.
Distributor since 2004

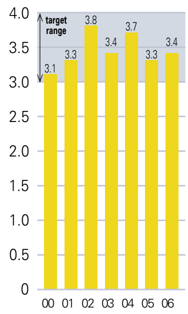
USA and European manufacturer of intrusion and CCTV equipment.
Distributor since 2005

Operating profit margin*
%



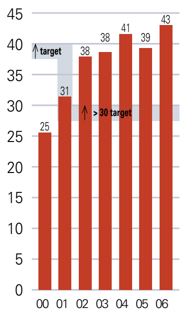
Operating profit / Turnover

NOA turn*
times



Turnover / Average NOA

Return on NOA*
%



Operating profit / Average NOA

*The 2005 figures have been restated where applicable and, together with the 2006 figures, comply with IFRS. Figures relating to 2004 and prior years were, with the exception of turnover, prepared under GAAP and were not restated as it was not practical to do so. Turnover from 2000 to 2004 has been restated to comply with IFRS.

Principal financial objective

Hudaco's principal long-term financial objective is to provide shareholders with a competitive return on their investment. Although we have many internal operating measures, we interpret a competitive return to mean growth in earnings and dividends per share.

Hudaco aims to achieve earnings growth at a rate at least in line with the earnings of the All Share Industrial Index (J257). To do this we encourage our businesses to grow whilst producing a return well exceeding the cost of capital. We use surplus cash to finance growth, including the acquisition of new businesses, when opportunities arise, whilst maintaining prudent financial gearing.

Operating targets and the cost of capital

The main operating performance measure used by the group is operating profit (PBIT), expressed as a percentage of average net operating assets (NOA) employed during the year. NOA consists essentially of total assets (excluding cash) less current liabilities (excluding interest-bearing debt). Each business is measured against its own benchmark, its objective being to maximise its returns by producing the ideal balance between operating profit margin (%) and net operating asset turn (times) with the product of the two being its return on net operating assets (RONA).

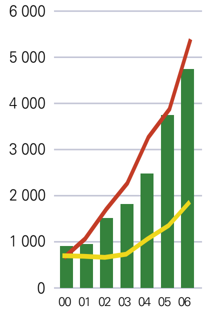
Industrial distribution businesses typically generate an operating profit margin of between 8% and 15%. The lower the operating profit margin, the higher the net operating asset turn has to be to achieve a RONA exceeding the cost of capital. An NOA turn of between three and four times is usual for our kind of business and requires management to achieve the right balance between the elements of working capital – inventory, accounts receivable and supplier credit.

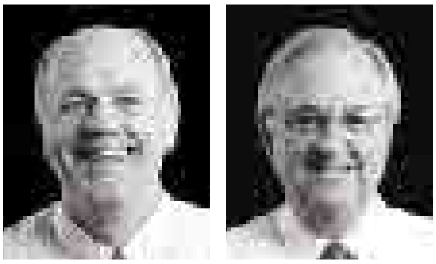
A RONA of 20% roughly equates to the pre-tax cost of capital at current interest and income tax levels (what we refer to as "the hurdle rate"). The group's operating profit margin in 2006 was 12.7% (2005: 11.8%) whilst NOA turn was 3,4 times (2005: 3,3 times). The RONA was therefore 43% (2005: 39%), well above the hurdle rate for the sixth year in succession. Shareholders have been rewarded by a substantial increase in the share price over the last three years and total returns to shareholders over the last six years have outperformed the Industrial Index (J257). Providing the economy does not decline from current activity levels we believe the group can continue to achieve a return well above the hurdle rate in the future.

Earnings

This year headline earnings per share of 533 cents are up 30% on 2005. This follows a 10% increase in 2005. Over the past six years headline earnings per share have trebled from 171 cents to 533 cents, a compound growth rate of 21% per annum. Over the same period earnings in the Industrial Index (J257) have grown by a compound growth rate of 18% per annum. Hudaco's share price has been significantly re-rated in recent years and its price earnings ratio of 12,4 at the end of the 2006 financial year improved to 81% of the J257 Industrial Index price-earnings ratio of 15,4.

Hudaco share price*
cents





Left to right
Peter Poole
Group financial director

Richard Arnestad
Group secretary

Dividends

Hudaco's policy is to pay an interim and final cash dividend to shareholders covered approximately three times by headline earnings. This year's dividends total 190 cents – up 32% on last year, made up as follows:

	2006	2005	% change
Interim	**50c**	42c	+19
Final	**140c**	102c	+37
Total	**190c**	144c	+32
Cover	**2,8**	2,8	

Cash flow

A summarised operating cash flow statement is set out below:

	2006 Rm	2005 Rm
Cash generated from trading	**248**	195
Increase in working capital	**(62)**	(62)
Operating activities	**186**	133
Interest received	**8**	5
Taxation paid	**(65)**	(63)
Cash flow from operations	**129**	75

Cash flow from operations of R129 million (429 cents per share) was strong. After investing R62 million in working capital, R16 million in plant and equipment, R11 million in new businesses and paying R54 million in dividends to shareholders, the year closed with net cash on hand of R238 million (2005: R187 million).

Borrowings

Although Hudaco currently has cash on hand we would prefer to invest this, and more, in new businesses and would ideally like a geared balance sheet. However, we would aim to operate with net borrowings no higher than 50% of total shareholders' funds.

Perhaps more important than managing gearing is an objective to ensure that interest is covered at least five times by operating profit. In 2006 the group had substantial net interest income and therefore the cover calculation is meaningless.

Taxation

The group's effective rate of taxation before capital items this year is 32.1% (2005: 32.2%) and is expected to remain at between 32% and 33% whilst the company tax and STC rates remain at 29% and 12.5% respectively.

Financial risk management

Note 22 to the financial statements sets out full details of how the group manages financial risk.

Retirement funds

The group only operates defined contribution pension and provident fund schemes. Risk-related benefits for death in service are insured. Therefore, the group's funding rate is known with certainty and there is no under-funded pension scheme risk. Pension schemes of acquired businesses convert to defined contribution schemes on acquisition. Scheme assets and liabilities are held in separate, independently administered funds run by trustees in terms of the Pension Funds Act.

The group's primary fund has completed its surplus apportionment exercise based on its valuation on 30 June 2002. The actuarial surplus of R3 million was applied to former members who exited the fund prior to 1 December 2001 with less than five years' service. They were refunded 87% of the employer contribution forfeited on exit. The balance of the funds have used June 2004 as a valuation date for their surplus apportionment. They have actuarial surpluses and are in the process of finalising their plans for apportionment. The principal officer of the group's three main funds has advised that he is not aware of any material improper use of surpluses which may have to be refunded by the employer, but this opinion is still subject to the finalisation of the surplus apportionment exercises.

In 1991 one of the group funds converted from a defined benefit fund to a defined contribution fund and adopted a new set of rules. The then administrators and underwriters advised that the new rules authorised the employer to continue with a full contribution holiday from 1992 to 2001. In 2004 the FSB advised that, in its opinion, these rules did not allow for the continuation of approximately R1,7 million per annum of the contribution holiday. The fund trustees, the employer and the administrators at that time have agreed to take the FSB decision on review. Although we are confident of success the outcome of this review is uncertain and therefore has to be treated as a contingent liability. The employer has numerous remedies available to recover any refund that may have to be made to the fund should the review be unsuccessful.

Appreciation

On behalf of my colleagues in the group's senior management team, I thank Hudaco's chairman, Peter Campbell, and the non-executive directors for the guidance they give to operational management on strategic and governance issues. I personally also extend thanks to all managers and staff in the group, and in particular the members of the executive committee, for their advice and achievements this year.

SJ Connelly
Chief executive

25 January 2007

Corporate governance

"We aim to achieve our corporate objectives in a manner which is governed by high standards of ethical conduct, sensitive to the needs of the communities in which our businesses operate and conscious of safety and environmental responsibilities."

The Hudaco board is committed to a high standard of corporate governance and recognises the role that the independent non-executive directors play in achieving this. Hudaco's non-executive directors stay abreast of the company's business through comprehensive board presentations, site visits, business functions and interaction with senior management. The mandatory disclosure requirements of the JSE Listing Requirements are covered in the following report:

The board

The board functions in accordance with a formal charter. In addition to its powers and duties under the company's Articles of Association, the charter tasks the board with setting group strategy, agreeing on important objectives, approving budgets, monitoring group performance and risks and appointing the chief executive. There is a formal schedule of material matters especially reserved for the board's approval.

The board carries out a self-evaluation of its and its sub-committees' effectiveness every two years. The next one is due in 2007.

The selection and appointment of directors and the company secretary is a matter for the board as a whole. All directors have access to the services and advice of the company secretary. Directors are entitled to seek independent professional advice at the group's expense.

Three independent non-executive directors have been appointed to the board for fixed terms not exceeding three years. The chairman is an independent non-executive director. There are three executive directors all of whom have service contracts of indefinite term, but with three months' notice of termination. The board of directors meets formally four times per year. During the 2006 financial year a fifth special board meeting was held and all directors attended all meetings.

Details of the members of the board can be found on page 4.

Board committees

Executive committee

The executive committee comprises the three executive directors and seven senior executives (see pages 4 and 5). Meetings are chaired by the chief executive and the chairman of the company attends meetings by invitation. The executive committee's principal terms of reference are to advise the chief executive on the formulation of operating policy, the implementation of group strategy and the management of key group risks. The committee incorporates a skills and equity sub-committee and a safety, health and environment sub-committee each of which functions under written terms of reference. The chairman of the executive committee is required to report to the board once per annum that it has carried out its mandate.

The executive committee meets formally four times per annum. During the 2006 financial year all members attended all meetings except R Cameron-Smith who missed one meeting.

Audit and risk management committee

The members of this committee are: JB Gibbon (Chairman), PL Campbell (both independent non-executive directors) and SJ Connelly (the group CEO). The group financial director, the external auditors and the head of the group risk and internal audit department attend committee meetings by invitation.

The committee functions under written terms of reference. Its duties relate to the management of risk across the group, the safeguarding of assets, the operation of adequate systems and control processes and compliance with legal and accounting standard requirements in the group's financial reporting and accounting statements. It also reviews the risk register, the annual internal audit plan, the external audit scope, and important accounting, taxation and financial reporting issues. The findings and recommendations of the external auditors and the group risk and internal audit department are used to determine the effectiveness of management systems, information and internal controls. Consultation between external auditors and the internal auditors is encouraged to achieve an efficient audit process. The committee monitors proposed changes in accounting policy, considers the accounting and taxation implications of major transactions and sets the principles for using the external auditors for non-audit services. In particular, it reviews the interim and annual financial statements before submission to the board.

The committee meets three times per year and all members attended all meetings this year. The chairman of the audit and risk management committee is required to report to the board after each meeting.

Remuneration committee

The committee consists of PL Campbell (Chairman), YKN Molefi (both independent non-executive directors) and SJ Connelly (the group CEO). The committee, which functions under written terms of reference, met twice during the year and all members attended the meetings.

The committee reviews and approves senior executive remuneration and issues guidelines and limits for general salary adjustments, approves senior appointments and reviews succession plans and service agreements for members of the executive committee. The chief executive is not present when his remuneration is discussed. It also reviews the performance of senior management and recommends fees for the non-executive directors.

Senior management remuneration has three elements: annual guaranteed remuneration, short-term performance-related remuneration (usually one year) and long-term performance remuneration (three to five years) linked to share price appreciation. The group's philosophy is to pay market-related remuneration and the committee receives advice from independent consultants to ensure that this is the case.

Short-term performance-related remuneration for the CEO and financial director is based on the achievement of annual growth in group headline earnings per share. For senior operating managers it is based on a combination of the achievement of appropriate returns on operating assets and growth in operating profit in their divisions annually. In special cases, the achievement of non-financial targets may also be required. Until this year short-term performance-related remuneration was capped at between 50% and 75% of annual remuneration depending on seniority. In order to encourage management to take full advantage of future growth prospects the remuneration committee has removed the cap on incentives for profit growth. However, half of the payment for overachievement against the previous cap is carried forward one year and is only paid if certain conditions have been met.

Long-term performance-based remuneration is linked to the appreciation of the Hudaco share price. At a special meeting in 2006 shareholders approved the introduction of a share appreciation bonus scheme to replace the old share incentive scheme which had run out of shares. Initially 1 228 000 shares were made available for issue but each year expired awards are added to the number available. Participants in this new scheme will be paid an annual bonus, equal to the appreciation in the market value of a predetermined number of Hudaco shares, in each of the fourth, fifth and sixth year after the award. Participants may elect to defer the right to the bonus but it must be taken up within two years of vesting. The number of share units awarded to participants is based on their level of seniority and annual guaranteed remuneration. During 2006 the board issued 793 500 share units to participants in terms of this scheme. The minimum performance requirement for 100% of this issue to vest is the achievement of a CPIX plus 5% per annum increase in headline earnings per share over the period. Future performance criteria will be based on market practice. Details of share unit awards to directors are set out in the annual report on the same basis as the share incentive scheme.

The committee reviews non-executive director fees before submission to the board and shareholders at the annual general meeting for approval.

Individual directors' remuneration is disclosed under note 25.3.

Financial control and risk management

Hudaco has an established system of controls and procedures to ensure the accuracy and integrity of the accounting records and to effectively monitor the group's businesses and their performance. The system encompasses a wide range of checks and balances, as well as interactive controls. These include:

- An approval framework with defined authority limits;
- A detailed budgeting system;
- The preparation of forecasts, which are regularly reviewed and updated;
- Monthly reporting of the income statement and balance sheet together with written reports highlighting areas of particular risk or opportunity;
- A centralised treasury, which incorporates foreign currency and cash management functions;
- Regular reporting on treasury, legal, pension, medical aid and insurance matters; and
- Risk registers at operating division and group level, which are monitored on a regular basis.

These controls and procedures provide reasonable assurances that assets are safeguarded from material loss or unauthorised use and that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

A group risk and internal audit department, which functions under written terms of reference, comprises a senior manager and two assistants. Its role and function are established as envisaged in the Standards for the Professional Practice of Internal Auditing. Its work is designed to ensure that all aspects of each business, including internal control procedures, are subject to professional risk assessment on a continuous basis.

The brief of the department is to conduct a formal review of the effectiveness of all the group's systems of internal control over a three-year cycle with major systems in all businesses being reviewed annually.

The department has reported that the internal control structures in the businesses are sound and comply with laid-down procedures.

The board is of the opinion that the systems of internal control are adequate and effective and is not aware of any material breakdown in the functioning of the internal control systems during the year.

The directors acknowledge their responsibility for the adequacy of accounting records, the effectiveness of risk management and the internal control environment, the appropriateness of accounting policies supported by reasonable and prudent judgements, and the consistency of estimates.

The directors further acknowledge their responsibility for the preparation of the annual financial statements, adherence to applicable accounting standards, and presentation of the state of affairs and the results of the company and of the group.

The external auditors are responsible for reporting on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards. An external audit provides reasonable assurance that the financial statements are free of material misstatement.

Corporate social responsibility and sustainability

The Hudaco board acknowledges its responsibility to develop and manage sustainable businesses for the benefit of all stakeholders, which includes the community at large.

Skills development

There is a keen awareness of the need to appoint previously disadvantaged individuals to decision making positions in the group. In order to achieve this, initial consideration for any vacancy is given exclusively to previously disadvantaged people. In-house and external training is given in a wide range of practical and theoretical subjects to better equip all employees in all operating divisions to eventually be able to apply for such positions.

Hudaco provides assistance to the University of Johannesburg to maintain a high standard of lecturing in its mechanical engineering department. In terms of a subvention agreement the salary of a senior lecturer is supplemented by Hudaco. In addition students are given practical training in the group and some are offered full-time employment.

Hudaco also supports the Thuthuka Bursary Fund which develops and trains black chartered accountants.

Corporate social investment

Each year the Hudaco board sets aside a specific amount for corporate social investment. Charitable institutions are supported by both the Hudaco Foundation and individual operating divisions. Apart from these donations, Hudaco is involved with a number of specific projects aimed at improving the lives of previously disadvantaged communities.

Support for SMMEs

A number of initiatives are in operation in the group, all aimed at giving previously disadvantaged individuals an opportunity to improve their lives. The group's BEE procurement policies are increasingly used to support these initiatives.

Ethics

Hudaco has a Code of Business Conduct approved by the board and distributed to all staff. It is a living document and suggestions from employees are welcomed. The intention is to evolve an up-to-date standard of conduct with which all staff can identify and by which they can live.

HIV/AIDS

The executive committee has approved a "Life-Threatening Diseases Policy" which has been adopted by all operating divisions. From a benefit point of view the policy regards HIV/AIDS in the same light as any other life-threatening disease and ensures non-discrimination against HIV-positive employees. Businesses monitor the incidence of HIV to the extent that they are able, given rules of confidentiality, to determine the appropriate individual approach to the disease. The board encourages employee training and education programmes on HIV/AIDS.

Safety, health and the environment

The group is committed to best practice and most businesses are ISO 14001 and OHSAS 18001 compliant. All businesses are required to report regularly to the executive committee on their compliance with applicable laws and regulations.

Employment equity

The group complies with legislative and regulatory requirements to favour previously disadvantaged individuals (as defined) in its employment practices. Appropriate structures are in place to foster good employer-employee relationships through effective sharing of relevant information, consultation and resolution of conflict. Head office plays a significant role in the development of management and monitors compliance with legislation. Employment equity plans and strategies are in place and updated in compliance with the Act. With the immediate challenge to achieve an appropriate score on the BEE scorecard, we acknowledge that greater attention needs to be given to the promotion of black staff and women to management levels. The group's staff complement in the management and skilled occupational levels is as follows:

Occupational level	Black	Coloured	Asian	White	Total	Male	Female
2006							
Management	2	1	4	141	148	127	21
Skilled	132	59	70	487	748	578	170
2005							
Management	1	1	3	137	142	125	17
Skilled	109	55	70	487	721	545	176

Communicating with shareholders

The chief executive and the financial director regularly communicate with shareholders, the investment community and media analysts. Visual aids used in presentations are made available on the group website. Shareholders are encouraged to attend annual general meetings. Financial results are published on SENS, on the group website and in the press. Shareholders receive a hard copy timeously.

Dealing in securities

The company secretary maintains a record of all dealings in Hudaco shares by directors and selected employees and ensures that proper authority for dealing is in place prior to transactions being initiated. Directors, officers and selected employees are made aware of restricted or closed periods for dealing in Hudaco shares and the provisions of insider trading legislation.

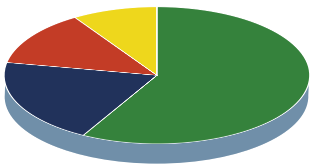
Conclusion

The board of Hudaco is of the view that the company complies with the Code of Corporate Practices and Conduct of the King II Report.

Value-added statement

for the year ended 30 November 2006

	2006 R000	2005 R000
Turnover	**1 837 834**	1 529 806
Less: Cost of materials, facilities and services from outside the group	**1 241 624**	1 016 806
Value-added	**596 210**	513 000
Net interest income	**7 117**	3 611
Exceptional items		5 317
Total wealth created	**603 327**	521 928
Distributed to:		
Employees – salaries, wages and other benefits	**350 330**	319 259
Government – company taxation	**76 296**	60 413
Shareholders – dividends	**54 176**	42 084
Maintain and expand the group		
– profits retained	**111 137**	87 697
– depreciation	**11 388**	12 475
Total wealth distributed	**603 327**	521 928



Distribution of wealth created %

	2006	2005
Employees	**58**	61
Reinvested	**20**	19
Taxation	**13**	12
Shareholders	**9**	8

Statement of gross contributions to government in South Africa

for the year ended 30 November 2006

	2006 R000	2005 R000
Company income tax and STC	**75 998**	59 667
Customs and excise duty	**16 742**	12 441
RSC and net SD levies and assessment rates	**4 412**	4 861
Value-added tax not deemed an input credit	**744**	591
Direct contribution to government	**97 896**	77 560
Add the following collected on behalf of government:		
Value-added tax (net)	**53 870**	47 825
Employees' tax	**51 807**	50 266
Gross contributions by the group to government	**203 573**	175 651

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'06

"We aim to produce superior returns for our shareholders by building on the base of our existing businesses and by continuously looking for growth opportunities."

Hudaco

Statement of directors' responsibility

The directors of Hudaco are responsible for the preparation of the financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs and results of the operations of the company and the group. The annual financial statements contained on pages 33 to 59 have been prepared in accordance with International Financial Reporting Standards. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon. The auditors' report is set out on page 32.

The directors have no reason to believe that the company and the group will not continue as going concerns in the year ahead and have prepared the financial statements on this basis.

The directors assume responsibility for the annual financial statements and the group annual financial statements, set out on pages 33 to 59, which were approved by the board on 25 January 2007 and are signed on its behalf.

PL Campbell
Chairman

SJ Connelly
Chief executive

25 January 2007

Independent auditors' report to the members of Hudaco Industries Limited

Report on the financial statements

We have audited the annual financial statements and group annual financial statements of Hudaco Industries Limited, which comprise the directors' report, the balance sheets as at 30 November 2006, the income statements, the statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 59.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as of 30 November 2006, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Grant Thornton
Registered Auditors

Per: CV Amoils
Registered Auditor

25 January 2007

137 Daisy Street
Cnr Grayston Drive
Sandown 2196
Johannesburg

Report of the directors

This report deals with matters not specifically dealt with elsewhere in the annual report.

Financial results

The results of the company and the group are set out in these financial statements. The nature of business and operations is commented on in the chief executive's review.

Dividends

The following dividends per share have been declared and proposed for the 2006 financial year:

Final 2005	
Dividend No 37	102c
Record date	17 March 2006
Paid	20 March 2006

Interim 2006	
Dividend No 38	50c
Record date	11 August 2006
Paid	14 August 2006

Final 2006 – proposed	
Dividend No 39	140c
Record date	16 March 2007
Payable	19 March 2007

Directors

There are three independent non-executive directors: PL Campbell, JB Gibbon and YKN Molefi.

There are three executive directors: SJ Connelly, GE Gardiner and PM Poole (see page 4).

In accordance with the company's articles of association SJ Connelly and GE Gardiner retire at the forthcoming annual general meeting. The retiring directors are eligible and offer themselves for re-election.

Acquisitions and disposals

There were no acquisitions or disposals of businesses during the year.

Authorised and issued share capital

The authorised share capital remained unchanged during the year. The issued share capital was increased by R23 710 to R3 250 108 through the issue of 237 104 shares of 10 cents each to employees in terms of the share incentive scheme for a total consideration of R2 911 349 (average of R12,28 per share). Of these, 80 000 shares were delivered to directors for a total consideration of R968 000.

Special resolutions adopted by subsidiary companies

No special resolution of significance to the appreciation of the state of affairs of the group was passed by any subsidiary during the past year.

Interest of directors

The interest of the directors in the shares of the company is set out in note 25.

Subsidiaries

Details of the principal subsidiaries and their aggregate after-tax profits and losses can be found on page 59.

Group income statement

for the year ended 30 November 2006

	Notes	2006 R000	2005* R000
Turnover		**1 837 834**	1 529 806
Cost of sales		**1 140 809**	930 859
Gross profit		**697 025**	598 947
Operating expenses		**462 533**	417 679
Operating profit	5	**234 492**	181 268
Reversal of provision for closure of discontinued operation			6 180
Capital items	6	**(9 598)**	(3 363)
Profit before interest		**224 894**	184 085
Net finance revenue		**7 117**	3 611
Interest received		**12 765**	11 631
Interest paid		**5 648**	8 020
Profit before taxation		**232 011**	187 696
Taxation	8	**76 296**	60 413
Profit after taxation		**155 715**	127 283
Attributable to:			
Shareholders of the group		**149 861**	122 313
Minorities		**5 854**	4 970
		155 715	127 283
Basic earnings per share (cents)	9	**501,7**	413,3
Diluted basic earnings per share (cents)	9	**486,6**	401,8
Headline earnings per share (cents)	9	**532,5**	408,6
Diluted headline earnings per share (cents)	9	**516,5**	397,3

*2005 has been restated for IFRS and other adjustments. Details can be found in note 2.

Group balance sheet

at 30 November 2006

	Notes	2006 R000	2005* R000
Assets			
Non-current assets		**125 397**	127 524
Property, plant and equipment	10	**66 930**	61 761
Goodwill	11	**57 246**	64 216
Deferred taxation	12	**1 221**	1 547
Current assets		**1 094 913**	891 958
Inventories	13	**451 906**	375 046
Accounts receivable	14	**354 617**	279 244
Bank deposits and balances		**288 390**	237 668
Total assets		**1 220 310**	1 019 482
Equity and liabilities			
Equity		**749 906**	636 341
Shareholders' equity		**728 365**	611 854
Minority interest		**21 541**	24 487
Non-current liabilities		**6 295**	61 043
Interest-bearing debt	16		50 000
Amounts due to vendors of businesses acquired	17	**6 295**	11 043
Current liabilities		**464 109**	322 098
Accounts payable	18	**381 659**	295 989
Interest-bearing debt	16	**50 000**	
Amounts due to vendors of businesses acquired	17	**8 022**	12 714
Taxation		**24 428**	13 395
Total equity and liabilities		**1 220 310**	1 019 482

*2005 has been restated for IFRS and other adjustments. Details can be found in note 2.

Group cash flow statement

for the year ended 30 November 2006

	Notes	2006 R000	2005 R000
Cash retained from operating activities			
Operating profit		**234 492**	181 266
Cost of equity compensation		**3 048**	1 705
Depreciation and surplus on disposal of plant and machinery		**10 841**	12 475
Cash generated from trading		**248 381**	195 446
Increase in working capital	20.1	**(62 586)**	(62 151)
Cash generated from normal operating activities		**185 795**	133 295
Fair value adjustment of cash flow hedges		**203**	230
Net finance revenue	20.2	**8 052**	4 907
Taxation paid	20.3	**(64 937)**	(62 870)
Cash flow from operations		**129 113**	75 562
Dividends paid	20.4	**(54 176)**	(42 084)
Cash retained from operating activities		**74 937**	33 478
Cash utilised in investment activities			
Payments to vendors of businesses acquired		**(11 286)**	(7 342)
Property, plant and equipment – additions		**(18 138)**	(11 378)
– disposals		**2 298**	2 342
Investment in new businesses			(59 243)
Minority interest acquired			(4 677)
Cash flow from discontinued operations			25 917
Cash applied to other capital items			(1 626)
Net cash invested		**(27 126)**	(56 007)
Net cash retained (applied) after investment		**47 811**	(22 529)
Cash flows from financing activities			
Increase in shareholder funding	20.5	**2 911**	3 331
Cash flow from financing activities		**2 911**	3 331
Increase (decrease) in cash and cash equivalents		**50 722**	(19 198)
Cash and cash equivalents at beginning of the year		**237 668**	256 866
Cash and cash equivalents at end of the year		**288 390**	237 668
Cash flow per share (cents)	20.6	**429**	231

Group statement of changes in equity

for the year ended 30 November 2006

R000	Share capital	Share premium	Non-dis-tributable reserves	Retained income	Share-holders' equity	Minority interest	Equity
Note	15.2		15.6	15.4			
Balance at 30 November 2004	3 195	9 183	(9 104)	521 896	**525 170**	25 914	**551 084**
Impact of transition to IFRS (see note 2.1)			9 537	6 735	**16 272**	603	**16 875**
Balance at 30 November 2004, as restated	3 195	9 183	433	528 631	**541 442**	26 517	**567 959**
Profit after taxation				122 313	**122 313**	4 970	**127 283**
Increase in equity compensation reserve			1 705		**1 705**		**1 705**
Translation of foreign entities			1 051		**1 051**		**1 051**
Movement on fair value of cash flow hedges			230		**230**		**230**
Issue of 318 177 shares	32	3 681			**3 713**		**3 713**
Acquisition of minority interest						(4 810)	**(4 810)**
Dividends (note 19)				(39 894)	**(39 894)**	(2 190)	**(42 084)**
Balance at 30 November 2005, as restated	3 227	12 864	3 419	611 050	**630 560**	24 487	**655 047**
Less shares held by subsidiary company	(251)		(41)	(18 414)	**(18 706)**		**(18 706)**
Net balance at 30 November 2005, as restated	2 976	12 864	3 378	592 636	**611 854**	24 487	**636 341**
Balance at 30 November 2005, as restated	3 227	12 864	3 419	611 050	**630 560**	24 487	**655 047**
Profit after taxation				149 861	**149 861**	5 854	**155 715**
Increase in equity compensation reserve			2 706	342	**3 048**		**3 048**
Translation of foreign entities			5 864		**5 864**		**5 864**
Movement on fair value of cash flow hedges			203		**203**		**203**
Issue of 237 104 shares	23	2 888			**2 911**		**2 911**
Dividends (note 19)				(45 376)	**(45 376)**	(8 800)	**(54 176)**
Balance at 30 November 2006	3 250	15 752	12 192	715 877	**747 071**	21 541	**768 612**
Less shares held by subsidiary company	(251)		(41)	(18 414)	**(18 706)**		**(18 706)**
Net balance at 30 November 2006	2 999	15 752	12 151	697 463	**728 365**	21 541	**749 906**

1 Accounting policies

1.1 Basis of preparation

The financial statements are prepared on the historical cost basis, adjusted for certain financial instruments measured at fair value, and incorporate the following principal accounting policies, which conform with International Financial Reporting Standards (IFRS). These policies have been consistently applied except as indicated in note 2.

The group has adopted IFRS for the year ending 30 November 2006. The first results to be published under IFRS are for this reporting period and the transitional arrangements allowed for in IFRS 1 have been applied with effect from 1 December 2004, the date of transition to IFRS. This means the balance sheet at 30 November 2005 and all other comparative information have been restated, where applicable, to comply with the new accounting standards. The impact of the restatements on reported earnings and equity is analysed in note 2.1.

1.2 Basis of consolidation

The group financial statements incorporate all the assets, liabilities and results of the company and all its subsidiaries. In all cases results are reported from the effective date of acquisition or to the effective date of disposal using the purchase method. The identifiable assets and liabilities of entities acquired are assessed and included in the balance sheet at their fair values at dates of acquisition. Significant inter-company transactions and balances have been eliminated.

1.3 Goodwill

Goodwill is initially measured and carried at cost. It represents the excess of the purchase consideration over the fair value of the group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Goodwill is reviewed for impairment at least annually. Any impairment is immediately recognised as an expense.

The cost of goodwill arising on acquisitions prior to January 2001 was charged directly to retained income and that arising on acquisitions between January 2001 and March 2004 was amortised over its effective economic life – which amortisation ceased in March 2004.

Goodwill arising on acquisitions before April 2004 has been retained at the previous net amounts that are now subjected to being tested for impairment at least annually.

1.4 Property, plant and equipment

Land is stated at cost to the group.

Buildings, plant and equipment are carried at cost less accumulated depreciation and impairment. They are depreciated on a straight-line basis to their expected residual values over their estimated useful lives. Both their residual values and useful lives are reassessed annually.

1.5 Impairment

On an annual basis the group reviews all assets, both tangible and intangible, carried on the balance sheet for impairment. Where the recoverable amount of an asset or cash-generating unit is estimated to be lower than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are charged against income in the period in which they are identified.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. Such increases in carrying amount are limited to original cost. A reversal of an impairment loss is recognised in income in the period in which such a reversal is identified.

1.6 Capitalisation of leased assets

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities to the lessors are raised.

Lease finance charges are written off over the period of the lease using the effective interest rate method.

1.7 Employee remuneration – share-based payments

The group operates equity settled share-based compensation plans for senior management including executive directors. The costs of these arrangements are measured by reference to their fair value at the date on which they are granted. The fair value is charged as an expense in determining operating profit, with a corresponding credit to equity, on a straight-line basis over the initial vesting period of each grant. The cost takes into account the best estimate of the number of shares that are expected to vest taking into account non-market conditions such as exits from the scheme prior to vesting and operating performance compared to target for vesting. This estimate is revised at each balance sheet date and the impact of the revision is to spread the new estimated remaining cost over the balance of the vesting period, including the current year.

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value. The basis of determining cost is first-in-first-out or weighted average, and includes direct costs and where applicable, a proportion of manufacturing overheads.

Obsolete, redundant and slow-moving inventories are identified and written down to their estimated net realisable value.

1.9 Deferred tax

Deferred tax is accounted for in each taxable entity within the group on a comprehensive basis, which means that all temporary differences are fully provided for at current rates of taxation. Deferred tax assets are only recognised where the realisation of such an asset is reasonably assured.

1.10 Foreign currency transactions

The functional currency of all but one entity in the group is Rand. The functional currency of Elvey Group UK Limited is the British Pound.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction.

At the balance sheet date, all assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate ruling at the balance sheet date.

Exchange differences arising on the settlement of transactions, at rates different from those at the transaction date, and unrealised exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the income statement.

1.11 Foreign currency translation

The functional currency of Elvey Group UK Limited (Elvey UK) is the British Pound. The assets and liabilities of Elvey UK at the balance sheet date are translated to the group's presentation currency, Rand, at the rate of exchange ruling at the balance sheet date. Its income statement is translated at the average exchange rate ruling for the year. Exchange differences arising on this translation are recognised directly in the foreign currency translation reserve within equity. On disposal of a foreign subsidiary with a different functional currency, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

1.12 Financial instruments

Financial instruments are initially measured at cost when the related contractual rights or obligations arise. Subsequent to initial recognition these instruments are measured as follows:

- Trade and other receivables are stated at cost less impairment for doubtful debts.
- Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the balance sheet date.
- Financial liabilities – non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments.
- Derivative instruments, i.e. forward exchange contracts, are measured at fair value.

Gains and losses on subsequent measurements are treated as follows:

Hedge accounting transactions are classified into two categories:

(a) fair value hedges, which hedge the exposure to changes in the fair value of a recognised asset or liability i.e. forward exchange contracts in respect of foreign trade liabilities; and

(b) cash flow hedges, which hedge the exposure to variability in future cash flows attributable to forecast transactions, i.e. forward exchange contracts in respect of orders placed on foreign suppliers but not yet shipped.

- Any gain or loss on fair value hedges is recognised in the income statement.
- Gains or losses on effective cash flow hedges are recognised directly in shareholders' equity. These gains or losses are transferred to income in the same period in which the hedged future transaction affects income.
- The ineffective portion of any cash flow hedge is recognised in the income statement.
- Gains and losses from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net income for the period in which they arise.

1.13 Turnover and revenue

Turnover represents the invoiced value less settlement discounts allowed, excluding VAT, of goods sold outside the group. Turnover and the revenue or income from it is recognised when the risk passes to the customer.

1.14 Retirement benefits

Defined contribution pension or provident schemes are operated by all group companies. Contributions made to these schemes are charged to the income statement in the year in which they are payable.

By virtue of the types of schemes operated in the group, no past service costs or experience adjustments will arise in the retirement funding arrangements.

1.15 Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

1.16 Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

2 Changes in accounting policies

2.1 Transition to International Financial Reporting Standards

Introduction

Hudaco has, up to November 2005, prepared its group financial statements according to South African Generally Accepted Accounting Practice (GAAP). In accordance with the Listing Requirements of the JSE Limited, Hudaco has adopted International Financial Reporting Standards (IFRS) for the year ended November 2006.

Transitional arrangements

The transition from accounting under GAAP to IFRS is prescribed in IFRS 1 – First Time Adoption of IFRS. This requires comparatives to be restated according to IFRS with effect from 1 December 2004, the date of Hudaco's transition to IFRS. This means the income statement for the year ended November 2005 and balance sheet at 30 November 2005 and all other comparative information have been restated, where applicable, to comply with the new accounting standards.

2 Changes in accounting policies (continued)

Impact of adoption of IFRS on previously reported results.

Impact on reserves R000	**Retained income**	**Foreign currency translation reserve**	**Equity compen-sation reserve**	**Other non-dis-tributable reserves**	**Minority interest**	**Total**
Balance at 30 November 2004, as previously reported under GAAP	521 896	(8 214)		(890)	25 914	538 706
IFRS adjustments – at 30 November 2004	6 735	8 214	1 323		603	16 875
IFRS 2 – share-based payments	(1 323)		1 323			
IAS 16 – property, plant and equipment	22 896				874	23 770
IAS 21 – translation reserve on foreign operations	(8 214)	8 214				
Deferred taxation effects of IFRS adjustments	(6 624)				(271)	(6 895)
Restated balance at 30 November 2004	528 631		1 323	(890)	26 517	555 581
Balance at 30 November 2005, as previously reported under GAAP	606 188	(7 163)		(660)	23 882	622 247
IFRS adjustments to November 2004, accounted for above	6 735	8 214	1 323		603	16 875
IFRS adjustments for 2005	(1 873)		1 705		2	(166)
IFRS 2 – share-based payments	(1 705)		1 705			
IAS 16 – property, plant and equipment	(236)				2	(234)
Deferred taxation effects of IFRS adjustments	68					68
Restated balance at 30 November 2005	611 050	1 051	3 028	(660)	24 487	638 956

Impact on reported results for the year ended 30 November 2005 R000	November 2005
Profit attributable to shareholders of the group, as previously reported under GAAP	124 186
IFRS adjustments	(1 873)
IFRS 2 – share-based payments	(1 705)
IAS 16 – property, plant and equipment	(236)
Deferred taxation effects of IFRS adjustments	68
Profit attributable to shareholders of the group, as reported under IFRS	122 313

Impact on headline earnings per share for the year ended 30 November 2005	November 2005
Headline earnings per share, as previously reported under GAAP (cents)	415,0
IFRS adjustments	(6,4)
IFRS 2 – share-based payments	(5,8)
IAS 16 – property, plant and equipment	(0,8)
Deferred taxation effects of IFRS adjustments	0,2
Headline earnings per share, as reported under IFRS (cents)	408,6

The following IFRS have impacted on the group accounting policies, reported performance and financial position:

IFRS 1 provides exemption from the full retrospective application of IFRS in certain instances due to practical considerations. Any such election made by the group is also set out below:

Business combinations – IFRS 3
Business combinations have, since 31 March 2004, been accounted for in terms of IFRS 3. The group elected not to apply IFRS 3 to business combinations made prior to 31 March 2004 and no retrospective adjustment is therefore required.

Share-based payments – IFRS 2
The group applied IFRS 2 to account for share-based payments in respect of rights granted in terms of share incentive schemes after 7 November 2002. As all share-based payments are equity settled, it means that the grant date fair value is charged to the income statement as an expense over the vesting period, with a corresponding credit to equity. The current year IFRS 2 charge is R3,0 million with deferred tax relief of R0,3 million.

Cumulative translation differences – IAS 21
The group has elected not to apply IAS 21 retrospectively for cumulative translation differences of all foreign operations. The cumulative translation differences at 1 December 2004 have been set to zero – by transfer of the balance to retained earnings, and IAS 21 has been applied from that date.

Property, plant and equipment – IAS 16
The group has re-assessed the useful lives and residual values of its property, plant and equipment in accordance with IAS 16 and adjusted depreciation accumulated to 30 November 2005 where appropriate.

Revenue recognition – IAS 18
The group has re-assessed the definition of revenue in terms of IAS 18. Settlement discounts that are closely related to revenue are now deducted from turnover. Turnover, gross profit and operating expenses have been reduced by R19,4 million (1.25% of turnover) for the year ended 30 November 2005.

2.2 Other restatements
The fair value of forward exchange contracts at November 2005 of R5 305 000 has been included in accounts payable as they are financial liabilities. Previously they were set off against bank balances.

3 Use of estimates, judgements and assumptions made in the preparation of the financial statements

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent liabilities. Use of available information and the application of judgement are inherent in the formation of estimates.

Significant estimates and judgements are made in the following areas:
Property, plant and equipment – useful lives and residual values – note 10
Impairment of goodwill tests – note 11
Inventories – allowance for slow-moving and obsolete inventory – note 13
Trade receivables – allowance for doubtful debts – note 14
Fair value of share-based payments – note 15.5
Contingent liabilities – the assessment, based on expert advice received, to determine whether an item is a contingent or actual liability – note 24

Actual results could differ from the estimates made by management from time to time.

4 Impact of new accounting standards on future financial statements of the group

The following new standards, or revisions to current standards, have been issued with effective dates applicable to future financial statements of the group. Only those standards not yet adopted and that could be expected to be applicable to the group are set out below i.e. those applicable to unrelated industries or economies are not dealt with herein. Further, new standards or amendments requiring additional disclosure will be dealt with as and when they apply and are not listed below.

IFRIC 8 and AC 503 on the scope of IFRS 2 in relation to Black Economic Empowerment (BEE) transactions
These interpretations will apply to the group for the financial year ended November 2007 and confirm that IFRS 2 on Share-Based Payments will apply to any shares issued to BEE shareholders.

IFRS 8 Operating Segments
This statement will apply to the group for the financial year ended November 2010 and will replace IAS 14. It changes the basis for identifying operating segments and how the information reported is to be prepared. The group will be required to align its external reporting to that used by the CEO in assessing performance and allocating resources. This statement will have an impact on the make-up of the group's segment reporting but not on the results as a whole.

	2006 R000	2005 R000
5 Operating profit		
Operating expenses comprise:		
Staff costs	**350 330**	315 265
Property rentals under operating leases (note 21)	**22 944**	20 092
Depreciation	**11 388**	12 475
Other expenses	**120 603**	107 179
Allocated to cost of sales	**(42 732)**	(37 332)
	462 533	417 679
Included in other expenses and cost of sales are:		
Gains on translation of foreign currency monetary items	**4 563**	239
Cost of fair value hedges	**6 612**	5 778
Surplus on disposal of plant and equipment	**547**	

	2006 R000	2005 R000
6 Capital items		
Impairment of goodwill and freehold land and buildings	**9 598**	2 500
Fees paid on unsuccessful acquisition		1 626
Surplus on disposal of business and freehold land and buildings		(763)
	9 598	3 363
7 Auditors' remuneration		
Audit fees – current year	**3 710**	3 011
Fees for other services	**220**	117
	3 930	3 128
8 Taxation		
8.1 Taxation comprises		
South African normal taxation		
Current year	**69 722**	51 559
Prior years	**(997)**	(969)
Deferred normal taxation		
Current year	**(51)**	3 233
Prior years	**181**	113
Secondary tax on companies	**6 592**	951
Deferred secondary tax on companies	**196**	4 341
Foreign normal taxation – current year	**644**	814
Capital gains tax	**9**	26
Tax rate adjustment on opening balance of deferred taxation		345
Total taxation	**76 296**	60 413
8.2 Reconciliation of rate of taxation	**%**	%
Normal rate	**29,0**	29,0
Exempt income/foreign rate differential	**(0,5)**	(0,1)
Disallowable expenditure	**0,7**	0,8
Losses utilised in subsidiaries		(0,3)
Secondary tax on companies	**2,9**	2,8
Effective rate for current year before capital items	**32,1**	32,2
Impact of non-deductible capital items	**1,2**	0,3
Effect of the rate change on deferred taxation		0,1
Prior year over provision	**(0,4)**	(0,4)
Effective rate of taxation	**32,9**	32,2
9 Headline earnings and earnings per share		
Calculation of headline earnings		
Profit attributable to shareholders of the group	**149 861**	122 313
Adjusted for:		
Surplus on disposal of plant and equipment after taxation	**(388)**	
Closure of discontinued operation after taxation		(4 742)
Capital items (see note 6)	**9 598**	3 363
Headline earnings	**159 071**	120 934
Headline earnings per share (cents)	**532,5**	408,6
Diluted headline earnings per share (cents)	**516,5**	397,3

The calculation of headline and basic earnings per share is based on headline earnings (set out above) and earnings attributable to shareholders as set out in the income statement, divided by the weighted average of 29 870 032 shares (2005: 29 592 041) in issue during the year taking account of shares purchased by a subsidiary.

The calculation of diluted earnings per share is based on 30 795 112 shares (2005: 30 439 978) being the weighted number of shares in issue of 29 870 032 plus 925 080 deemed free issue shares. This assumes that all the shares granted in the share incentive scheme (note 15.5) at prices less than R47,30 (being the average market price for the current year) are taken up and a bonus due in terms of the share appreciation scheme was settled in shares at R47,30 per share. The number of deemed free issue shares is the difference between the number of shares assumed to have been taken up and the number of shares which could have been acquired with such proceeds at the average market price per share.

10 Property, plant and equipment

2006	Freehold land and buildings	Plant	Computers	Motor vehicles	Other assets	2006 Total R000
Cost						
Opening balance	11 309	29 861	34 660	29 555	15 984	**121 369**
Reclassifications		(517)	624	394	(501)	
Additions		5 017	4 190	6 076	2 855	**18 138**
Currency adjustments			293		134	**427**
Assets scrapped		(6 924)	(7 494)	(31)	(2 880)	**(17 329)**
Disposals		(667)	(610)	(4 836)	(289)	**(6 402)**
Closing balance	11 309	26 770	31 663	31 158	15 303	**116 203**
Accumulated depreciation						
Opening balance	2 626	17 115	20 204	10 891	7 772	**58 608**
Reclassifications		(370)	(87)	43	414	
Depreciation for the year	163	1 741	4 276	3 790	1 418	**11 388**
Currency adjustments			169		88	**257**
Assets scrapped		(6 924)	(7 494)	(31)	(2 880)	**(17 329)**
Disposals		(468)	(601)	(3 358)	(224)	**(4 651)**
Closing balance	2 789	11 094	16 467	11 335	6 588	**48 273**
Impairment						
Opening balance	1 000					**1 000**
Closing balance	1 000					**1 000**
Net book value	7 520	15 676	15 196	19 823	8 715	**66 930**

2005	Freehold land and buildings	Plant	Computers	Motor vehicles	Other assets	2005 Total R000
Cost						
Opening balance	16 969	60 306	32 520	27 908	17 370	155 073
Additions		1 370	4 102	4 352	1 554	11 378
Acquisitions of businesses	997	3 558	180	1 686	389	6 810
Disposals of businesses	(6 509)	(35 277)	(1 642)	(1 217)	(2 344)	(46 989)
Currency adjustments			8	6	10	24
Disposals	(148)	(96)	(508)	(3 180)	(995)	(4 927)
Closing balance	11 309	29 861	34 660	29 555	15 984	121 369
Accumulated depreciation						
Opening balance	3 863	51 994	23 316	17 546	13 461	110 180
Transition to IFRS (see note 2.1)	15	(4 911)	(6 600)	(6 830)	(4 105)	(22 431)
Opening balance, as restated	3 878	47 083	16 716	10 716	9 356	87 749
Depreciation for the year	163	1 451	5 535	3 954	1 372	12 475
Disposals of businesses	(1 415)	(31 327)	(1 541)	(952)	(2 150)	(37 385)
Currency adjustments			2	6	1	9
Disposals		(92)	(508)	(2 833)	(807)	(4 240)
Closing balance	2 626	17 115	20 204	10 891	7 772	58 608
Impairment						
Opening balance	2 000					2 000
Arising during the year	1 000					1 000
Recouped on disposal	(2 000)					(2 000)
Closing balance	1 000					1 000
Net book value, as restated	7 683	12 746	14 456	18 664	8 212	61 761

*Fully depreciated assets scrapped following a thorough review of the group's fixed asset register on implementing IAS 16.

	Freehold land and buildings	Plant	Computers	Motor vehicles	Other assets
The initial expected useful lives are set within these ranges (years):	25 – 60	25 – 30	1 – 10	5 – 15	5 – 10

As the residual values and residual useful lives are reassessed on an annual basis, there are many assets outside these ranges. Details of freehold land and buildings are kept at the registered office of the group. A copy thereof is available on written request.

	2006 R000	2005 R000
11 Goodwill		
11.1 Goodwill comprises:		
Goodwill arising before 1 January 2001 at cost	**130 537**	130 537
Less amounts written off in terms of prior accounting policies	**(130 537)**	(130 537)
	0	0
Goodwill arising after 1 January 2001 at cost	**85 426**	82 798
Less accumulated amortisation to 31 March 2004	**(17 082)**	(17 082)
Less accumulated impairment from 1 April 2004	**(11 098)**	(1 500)
	57 246	64 216
11.2 Movement for the year		
Balance at beginning of year	**64 216**	42 580
Currency adjustments	**1 717**	132
Acquisitions during the year		24 126
Adjustments to purchase considerations	**911**	(1 122)
Impairments recognised during the year	**(9 598)**	(1 500)
	57 246	64 216

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) acquired and those expected to benefit from that business combination. The group tests goodwill for impairment at least annually by estimating the recoverable amount of any CGU to which goodwill arising after December 2000 has been allocated. The recoverable amount is estimated by using the lower of the value in use method and the fair value less cost to sell. The primary in use valuation is based on the CGUs' return on net operating assets for the current year and those budgeted for the following year. If either the actual or budget returns in the CGU do not exceed the group pre-tax cost of capital, which for South African CGUs is computed at 18.4%, a detailed three-year forecast done by management is used as the basis for determining the estimated recoverable amount. Appropriate growth and discount rates, given the industry and location of the CGU and its operations, are applied to the forecast and if necessary the fair value less cost to sell is used.

An impairment of R9 598 000 was recorded in the current year in Elvey Group UK Limited as it has not achieved expected levels of profitability. In the prior year R1 500 000 impairment losses were recorded in a smaller CGU.

The net book value of goodwill at 30 November 2006 has been allocated to the following CGUs:

	2006	2005
Powermite	**19 543**	18 646
Elvey Security Technologies in SA	**12 784**	12 784
Varispeed	**11 586**	11 604
Various others	**13 333**	21 182
Total	**57 246**	64 216

Goodwill arising on the acquisition of Powermite includes an element of purchase consideration that is based on the attainment of targeted levels of profitability for the period ending December 2007. An adjustment to the goodwill is made if interim and final targets are either not met or exceeded.

	2006 R000	2005 R000

12 Deferred taxation

12.1 Deferred taxation comprises temporary differences arising from:

	2006 R000	2005 R000
Accelerated capital allowances	**(7 406)**	(6 988)
Secondary tax on companies	**944**	1 140
Doubtful debt allowances	**1 890**	1 553
Leave pay accruals	**4 057**	5 187
Other	**1 736**	655
Net deferred taxation asset	**1 221**	1 547

12.2 Movement for the year

	2006 R000	2005 R000
Balance at beginning of year	**1 547**	16 476
Impact of transition to IFRS (see note 2.1)		(6 827)
Balance at beginning of year, as restated	**1 547**	9 649
Effect of rate change on opening balance		(345)
Utilised during the year	**(326)**	(7 753)
Disposal of business		(4)
Balance at end of year	**1 221**	1 547

13 Inventories

	2006 R000	2005 R000
Raw materials and components	**10 824**	6 453
Work in progress	**22 527**	14 247
Finished goods	**9 208**	9 464
Merchandise	**409 347**	344 882
	451 906	375 046
Cost of inventory recognised as an expense in cost of sales	**1 098 077**	893 691
Inventory that is expected to be sold after more than 12 months	**70 000**	56 000
Write-down of inventory to net realisable value and losses of inventory	**6 284**	9 590

The group policy is to estimate, at zero net realisable value, the inventory that will eventually be scrapped, as it is rare for price reductions to result in the sale of obsolete inventory.

14 Accounts receivable

	2006 R000	2005 R000
Trade receivables	**338 578**	268 053
Other amounts receivable	**16 039**	11 191
	354 617	279 244

15 Shareholders' equity

15.1 Authorised share capital

	2006 R000	2005 R000
40 000 000 (2005: 40 000 000) ordinary shares of 10 cents each	**4 000**	4 000

15.2 Issued share capital

	2006 R000	2005 R000
32 501 083 (2005: 32 263 979) ordinary shares	**3 250**	3 227
Less: 2 507 828 (2005: 2 507 828) ordinary shares held by subsidiary company – 8%	**(251)**	(251)
Net 29 993 255 (2005: 29 756 151) ordinary shares	**2 999**	2 976

15.3 Unissued shares

3 068 000 (2005: 2 122 000) unissued shares have been made available to the employee share incentive scheme (see note 15.5). 3 226 000 of the unissued shares are under the control of the directors until the next annual general meeting.

	2006 R000	2005 R000

15 Shareholders' equity (continued)

15.4 Retained income

	2006 R000	2005 R000
Income retained in:		
Company	**134 336**	134 916
Subsidiary companies	**563 127**	457 720
	697 463	592 636

15.5 Employee share-based remuneration schemes

Senior employees, including executive directors, participate in two share-based remuneration schemes. They are the share incentive scheme and the share appreciation bonus scheme. Both are equity settled.

In May 2006 shareholders authorised the directors to issue up to 18.4% of the issued share capital in terms of all of the share-based payment plans of the company. Shares issued ten years prior are excluded from this determination.

	Number of shares (000)
Shares issued within the last ten years in terms of the schemes	**2 912**
Options granted and deferred delivery shares not yet taken up in the share incentive scheme	**1 659**
Shares made available to meet obligations in terms of the share appreciation bonus scheme	**793**
Shares available to be granted in terms of both schemes in the future	**616**
Total specifically authorised to be issued in terms of all schemes – 18.4% of issued shares	**5 980**

No comparative figures are given as the basis for determining the number of shares that may be applied towards these schemes changed in May 2006.

Share incentive scheme

The group used a share incentive scheme as part of the remuneration system for senior employees from 1984. Options granted in terms of this scheme entitle participants to take up 33% of the shares granted at the strike price after three years, 66% after four years and 100% after five years. All shares must be taken up within ten years of the grant date. This scheme was replaced by the share appreciation bonus scheme in 2006.

Details of options granted and deferred delivery shares not yet taken up are as follows:

	Weighted average subscription price in cents		Number of shares (000)	
	2006	2005	**2006**	2005
Rights to shares not taken up at beginning of the year	**2 057c**	1 925c	**1 896**	2 272
Options granted during the year				
Shares delivered during the year	**1 228**	1 167	**(237)**	(318)
Forfeited on resignation during the year				(58)
Rights to shares not taken up at end of the year	**2 176c**	2 057c	**1 659**	1 896
The earliest dates that these shares may be taken up are as follows:				
Exercisable at 30 November 2006	**1 221c**		**140**	
between 1 December 2006 and 30 November 2007	**2 017**		**673**	
between 1 December 2007 and 30 November 2008	**2 460**		**423**	
between 1 December 2008 and 30 November 2009	**2 460c**		**423**	
			1 659	

The following shares were taken up during the year:

	Average share price in cents	Weighted average subscription price in cents 2006	Number of shares (000) 2006
January 2006	4 418c	**1 075c**	**5**
March 2006	4 879	**1 168**	**26**
April 2006	4 673	**1 255**	**3**
May 2006	4 594	**1 255**	**101**
June 2006	4 320	**1 232**	**3**
July 2006	4 862	**1 255**	**17**
August 2006	4 872	**1 215**	**79**
October 2006	4 972	**1 255**	**3**
Weighted average	4 736c	**1 228c**	**237**

Share appreciation bonus scheme

The following share appreciation bonus rights have been granted in terms of the scheme that was approved by shareholders in May 2006

	Strike price in cents 2006	Number of share units (000) 2006
Rights granted this year	**4 305c**	**793**
Rights not taken up at end of the year	**4 305c**	**793**

Participants in this scheme will receive a bonus, settled in Hudaco shares at market price, equal to the appreciation in the Hudaco share price between the date of grant (strike price) and the date of exercise, multiplied by the number of share units granted. Tranche 1 vests three years after grant, tranche 2 vests four years after grant and tranche 3 vests five years after grant. Each tranche must be taken up within two years of vesting. The number of share units that may be taken up in each tranche is subject to a performance test based on the growth in Hudaco's HEPS during the period exceeding inflation plus 5%.

These rights may be exercised as follows:

From June 2009 to June 2011	**297**
From June 2010 to June 2012	**267**
From June 2011 to June 2013	**229**
	793

Cost of share-based payments

Rights in terms of share-based payment schemes granted after 7 November 2002 are to be expensed over their vesting period in terms of IFRS 2. The estimated fair value of these rights was calculated using the Black-Scholes option pricing model with the following inputs.

	Share incentive scheme	Share appreciation bonus scheme
Date of grant	17 March 2004	07 June 2006
Number of rights granted	1 309 000	793 500
Exercise price (R) – strike price	24,60	43,05 [1]
Share price at grant date (R)	24,60	47,50
Expected volatility (%)	20.0	25.0
Expected dividend yield (%)	5.0	3.8
Risk-free rate (%)	10.2	8.2
Vesting period (years)	3 to 5	3 to 5
Estimated fair value per right (R)	8,18	13,83 [2]

[1] weighted average price for 10 trading days prior to grant

[2] Weighted average for all three tranches, each of which was valued separately

	2006 R000	2005 R000
15.5 Employee share-based remuneration schemes (continued)		
Share-based payment expense per the income statement		
Expense arising from share incentive scheme	**1 867**	1 705
Expense arising from share appreciation bonus plan	**1 181**	
Total share-based payment expense	**3 048**	1 705

15.6 Non-distributable reserves

R000	Special reserve account	Cash flow hedging reserve	Foreign currency translation reserve	Equity compen-sation reserve	Total
Balance at 30 November 2004	332	(1 222)	(8 214)		**(9 104)**
Impact of transition to IFRS (see note 2.1)			8 214	1 323	**9 537**
Balance at 30 November 2004, as restated	332	(1 222)		1 323	**433**
Increase in equity compensation reserve				1 705	**1 705**
Translation of foreign entities			1 051		**1 051**
Movement in fair value of cash flow hedges		230			**230**
Balance at 30 November 2005, as restated	332	(992)	1 051	3 028	**3 419**
Less shares held by subsidiary company	(41)				**(41)**
Net balance at 30 November 2005, as restated	291	(992)	1 051	3 028	**3 378**
Balance at 30 November 2005, as restated	332	(992)	1 051	3 028	3 419
Increase in equity compensation reserve				2 706	2 706
Translation of foreign entities			5 864		5 864
Movement in fair value of cash flow hedges		203			203
Balance at 30 November 2006	332	(789)	6 915	5 734	12 192
Less shares held by subsidiary company	(41)				(41)
Net balance at 30 November 2006	291	(789)	6 915	5 734	12 151

	2006 R000	2005 R000
16 Interest-bearing debt		
Unsecured four-year loan. Interest which is charged at variable rates (currently 10.4%) is payable up to six-monthly in arrears. Capital is repayable in December 2006	**50 000**	50 000

17 Amounts due to vendors of business acquired

Represents the estimated amounts due to a group of vendors of a business acquired in 2005 and includes interest imputed at 7% per annum. The amounts finally payable are subject to adjustment based on earnings of the business up to December 2007. Any adjustment to the estimated amount will be debited or credited to goodwill.

18 Accounts payable

	2006 R000	2005 R000
Trade payables	**284 282**	223 777
Fair value of forward exchange contracts (see note 22.6)	**4 558**	5 305
Other payables and amounts due	**92 819**	66 907
	381 659	295 989

Included in other payables and amounts due are payroll and other accruals.

	2006 R000	2005 R000

19 Dividends

19.1 Ordinary dividends

	2006 R000	2005 R000
Dividend number 37 of 102 cents per share declared on 26 January 2006	**32 939**	29 751
The record date was 17 March 2006 and the dividend was paid on 20 March 2006		
Dividend number 38 of 50 cents per share declared on 29 June 2006	**16 249**	13 529
The record date was 11 August 2006 and the dividend was paid on 14 August 2006		
Dividend paid to subsidiary company	**(3 812)**	(3 386)
	45 376	39 894

19.2 On 25 January 2007 the directors declared dividend number 39 of 140 cents per share, being the final dividend in respect of 2006. The record date will be 16 March 2007 and the dividend will be paid on 19 March 2007. This dividend has not been included as a liability in these financial statements nor has the R5,3 million secondary tax on companies arising therefrom.

20 Notes to cash flow statement

20.1 Increase in working capital

	2006 R000	2005 R000
Increase in inventories	**(76 860)**	(57 421)
Increase in accounts receivable	**(75 373)**	(31 367)
Increase in accounts payable	**85 670**	25 733
Translation gain on working capital in foreign entities	**3 977**	904
	(62 586)	(62 151)

20.2 Net finance revenue

	2006 R000	2005 R000
Net finance revenue per income statement	**7 117**	3 611
Imputed on amounts due to vendors of businesses acquired	**935**	1 296
	8 052	4 907

20.3 Taxation paid

	2006 R000	2005 R000
Amounts owed at beginning of the year	**(13 395)**	(25 296)
Operations discontinued		1 412
Current tax charge	**(69 722)**	(51 559)
Prior year over provision	**997**	969
Secondary tax on companies	**(6 592)**	(951)
Foreign tax charge	**(644)**	(814)
Capital gains tax	**(9)**	(26)
Amounts owed at end of the year	**24 428**	13 395
	(64 937)	(62 870)

20.4 Dividends paid

	2006 R000	2005 R000
To Hudaco shareholders	**(45 376)**	(39 894)
To minorities	**(8 800)**	(2 190)
	(54 176)	(42 084)

20.5 Increase in shareholder funding

	2006 R000	2005 R000
Issue of Hudaco shares	**2 911**	3 713
Minority loans decreased		(382)
	2 911	3 331

20.6 Cash flow per share

	2006 R000	2005 R000
Cash flow from operations	**129 113**	75 562
Minority participation	**(1 003)**	(7 280)
Cash flow from operations attributable to ordinary shareholders	**128 110**	68 282
Cash flow per share (cents)	**429**	231

	2006 R000	2005 R000

21 Commitments

21.1 Operating lease arrangements

The group has entered into numerous operating leases in respect of fixed property used for warehousing, offices and branch trading facilities. The leases generally have an initial three to five-year term with options to renew at market-related rentals. Annual escalations ranging from 4% to 9% are common to all leases. No leases contain contingent rent provisions or covenants.

At the balance sheet date the group had outstanding commitments under these operating leases in respect of fixed properties which fall due as follows:

	2006 R000	2005 R000
Within one year	**16 058**	15 043
In second to fifth years	**20 601**	24 688
After five years	**232**	280
	36 891	40 011

21.2 Property, plant and equipment

The group has budgeted to spend R22,6 million to acquire property, plant and equipment in 2007, none of which is committed or contracted for. Total capital expenditure will be financed by net cash flow from operations and the utilisation of cash.

22 Financial risk management

The group's non-derivative financial instruments consist primarily of accounts receivable and payable, deposits with, and borrowings from, banks. The book value of these financial instruments approximates their fair value. Derivative financial instruments are used by the group for hedging purposes to mitigate foreign currency risk and consist of forward exchange contracts. The group does not speculate or trade in derivative financial instruments.

22.1 Treasury risk management

Hudaco's central treasury is responsible for the procurement of all bank funding, the investment of cash and the management of foreign currency exposure. All these activities are performed within clear guidelines set by the board and exposure and limits are reviewed at quarterly board meetings.

22.2 Foreign currency management

The group imports 65% of its cost of sales and consequently has a significant exposure to currency risk. Group policy is to take forward cover on all foreign currency liabilities (which effectively changes them from foreign to local currency liabilities) and on a portion (determined from time to time and generally between 10% and 30%) of orders placed not yet shipped. Order lead times vary between a few days and nine months. The objective is to have forward cover in place well before goods are shipped.

Cash flow hedges – At 30 November 2006 the group had entered into the following forward exchange contracts relating to forecast transactions, i.e. orders placed on suppliers not yet shipped. These contracts will be utilised for settlement of shipments received during the next two months:

	Year-end spot rate	**Foreign amount 000**	**Contract rate***	**Rand equivalent R000**
Japanese Yen	16,24	133 384	15,58	8 563
US Dollar	7,15	1 712	7,31	12 515
Pounds sterling	13,95	499	14,23	7 101
Euro	9,42	2 512	9,43	23 682
Total cost of contracts				51 861
Fair value – Rand equivalent of the above contracts at year-end spot rates				51 072
Loss recognised directly in shareholders equity – see note 15.6.				789

*The contract rate discounted to 30 November 2006 based on the forward points ruling at year-end – which approximates 5% per annum

22 Financial risk management (continued)

22.3 Interest rate management

The group uses bank finance to purchase trading stock and has been reluctant to fix interest rates for extended periods on borrowings which finance working capital. Total borrowings amount to R50 million (note 16) and are subject to variable interest rates.

22.4 Credit risk management

Credit risk is present in trade accounts receivable and short-term cash investments.

At group level trade accounts receivable consist of a large, widely spread customer base with no significant concentration of risk to any one customer or industry. Each business in the group is responsible for the management of credit risk in accounts receivable and does so through ongoing credit evaluations and credit control policies. Management does not consider there to be any material credit risk exposure that is not already covered by an impairment for doubtful debts.

It is group policy to deposit short-term cash investments with major banks, within limits approved by the board, where security rather than yield is the overriding consideration.

22.5 Liquidity risk management

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

There is no restriction on borrowing powers in terms of the articles of association and at 30 November 2006 the group's banking facilities substantially exceeded its forecast requirements for the forthcoming year.

	2006 **R000**	2005 R000
22.6 Fair value of financial instruments		
The loss arising on the fair value adjustment on all forward exchange contracts at 30 November 2006 is set out below:		
Cash flow hedges (note 22.2)	**789**	992
Fair value hedges (on contracts of R179 million at year-end spot rates)	**3 769**	4 313
	4 558	5 305

The book value of all non-derivative financial instruments approximates their fair value at 30 November 2006.

23 Retirement benefits

It is the policy of the group to provide for employees' retirement benefits by contributing to separate defined contribution pension or provident plans which are independent entities managed by trustees and subject to the Pension Funds Act, 1956. Contributions to retirement funding during the year amounted to R14 880 000 (2005: R13 640 000). All permanent employees are required to become members of one of these plans unless they are obliged by legislation to be members of various industry funds.

The group's primary fund's surplus apportionment plan has been approved by the Financial Services Board and much of the surplus has been distributed to former members. The balance of the funds have actuarial surpluses at their June 2004 valuation date and are in the process of finalising their surplus apportionment exercises. The principal officer of these funds has advised that he is not aware of any material improper use of surpluses that may have to be refunded by the employer, but this is still subject to confirmation on the completion of the surplus apportionment exercises.

The group has no liability for post-retirement medical costs for current or future pensioners.

24 Contingent liability

In 1991 one of the group's retirement funds converted from a defined benefit to a defined contribution fund and adopted a new set of rules. The then administrators and underwriters advised that the new rules authorised the employer to continue with the contribution holiday from 1992 to 2001. The Financial Services Board (FSB) is of the opinion that the new rules did not allow approximately R1,7 million per annum of the employer contribution holiday. The fund trustees, the employer and the administrators at that time have taken the FSB decision on review. As the outcome of this review is uncertain, this matter has been treated as a contingent liability. The employer has a number of remedies available to recover any refund that may have to be made to the fund should the review be unsuccessful.

25 Directors' interest and remuneration

25.1 Interest of directors in the share capital of the company

The total direct and indirect beneficial and non-beneficial interest of directors in the shares of the company is:

2006	Beneficial Direct	Indirect	Indirect and non-beneficial
PL Campbell*		5 000	
SJ Connelly	162 300		1 680
GE Gardiner		35 000	
PM Poole	140 942		
	303 242	40 000	1 680

*Non-executive

The executive directors also hold rights in terms of the share incentive and share appreciation bonus schemes to take delivery of 586 667 shares at an average price of R22,82 per share and 235 000 share appreciation rights at a price of R43,05 per right.

The shareholdings above have not changed between 30 November 2006 and the date of the notice of the annual general meeting which forms part of this annual report.

No director holds in excess of 1% of the company's issued share capital.

2005	Beneficial Direct	Indirect	Indirect and non-beneficial
PL Campbell*		5 000	
SJ Connelly	162 300		1 680
GE Gardiner		20 000	
PM Poole	80 942		
	243 242	25 000	1 680

*Non-executive

At 30 November 2005 executive directors also held rights in terms of the share incentive scheme to take delivery of 666 667 shares at an average price of R21,53.

25.2 Directors' interest in share incentive and share appreciation bonus schemes

Share incentive scheme

The directors have entered into the following deferred delivery agreements:

2006	Outstanding shares beginning of year	Strike price	Granted during the year	Delivered during the year	Delivery date	Market price on date of delivery	Outstanding shares end of year	Date granted	Date expires
SJ Connelly	246 667						246 667		
	46 667	12,55					46 667	22 Apr '02	21 Apr '12
	200 000	24,60					200 000	17 Mar '04	16 Mar '14
GE Gardiner	190 000			(20 000)			170 000		
	40 000	12,55		(20 000)	Apr '06	46,14	20 000	22 Apr '02	21 Apr '12
	150 000	24,60					150 000	17 Mar '04	16 Mar '14
PM Poole	230 000			(60 000)			170 000		
	20 000	10,75		(20 000)	July '06	43,00			
	60 000	12,55		(40 000)	July '06	43,00	20 000	22 Apr '02	21 Apr '12
	150 000	24,60					150 000	17 Mar '04	16 Mar '14
Total	666 667			(80 000)			586 667		

2005	Outstanding shares beginning of year	Strike price	Granted during the year	Delivered during the year	Delivery date	Market price on date of delivery	Outstanding shares end of year	Date granted	Date expires
SJ Connelly	285 000			(38 333)			246 667		
	15 000	10,75		(15 000)	May '05	37,25			
	70 000	12,55		(23 333)	May '05	37,25	46 667	22 Apr '02	21 Apr '12
	200 000	24,60					200 000	17 Mar '04	16 Mar '14
GE Gardiner	216 667			(26 667)			190 000		
	6 667	10,75		(6 667)	May '05	33,77			
	60 000	12,55		(20 000)	May '05	33,77	40 000	22 Apr '02	21 Apr '12
	150 000	24,60					150 000	17 Mar '04	16 Mar '14
PM Poole	230 000						230 000		
	20 000	10,75					20 000	9 Mar '00	8 Mar '10
	60 000	12,55					60 000	22 Apr '02	21 Apr '12
	150 000	24,60					150 000	17 Mar '04	16 Mar '14
Total	731 667			(65 000)			666 667		

Delivery must be taken within ten years of the date granted and one third may be taken in each year after three, four and five years respectively.

Share appreciation bonus scheme

In July 2006, the directors were granted the following share appreciation rights at a strike price of R43,05.

SJ Connelly – 175 000 share units in three tranches, the benefit to be determined between July 2009 and July 2013.
GE Gardiner – 20 000 share units in one tranch, the benefit to be determined between July 2009 and July 2011.
PM Poole – 40 000 share units in two tranches, the benefit to be determined between July 2009 and July 2012.

Participants in the scheme will receive a bonus, settled in Hudaco shares, equal to the appreciation in the Hudaco share price between the date of grant (strike price) and the date exercised, multiplied by the number of share units granted. Tranche 1 vests three years after grant, tranche 2 vests four years after grant and tranche 3 vests five years after grant. Each tranche must be taken up within 2 years of vesting. The number of share units that may be taken up in each tranche is subject to a performance test based on the growth in Hudaco's HEPS during the period exceeding inflation plus 5%.

25 Notes to the company financial statements (continued)

25.3 Directors' emoluments

R000	For services as director	Paid by subsidiaries for managerial services: Fixed remuneration	Retirement fund contributions	Other benefits	Performance-related remuneration	Share-based payments [1]	**Total remuneration**	Share incentive scheme gains [2]
2006								
Non-executive directors	382						**382**	
PL Campbell	170						**170**	
JB Gibbon	105						**105**	
PG Joubert [3]	27						**27**	
YKN Molefi	80						**80**	
Executive directors		4 114	495	463	4 415	1 174	**10 661**	
SJ Connelly		1 951	231	179	2 174	584	**5 119**	
GE Gardiner		1 094	134	138	1 034	281	**2 681**	672
PM Poole		1 069	130	146	1 207	309	**2 861**	1 863
Total 2006	382	4 114	495	463	4 415	1 174	**11 043**	2 535
2005								
Non-executive directors	369						**369**	
PL Campbell	150						**150**	
JB Gibbon	85						**85**	
PG Joubert	67						**67**	
YKN Molefi	67						**67**	
Executive directors		3 816	461	436	1 819	818	**7 350**	
SJ Connelly		1 811	214	174	943	328	**3 470**	974
GE Gardiner		995	123	90	363	245	**1 816**	578
MS Jolly [4]		28	4	25			**57**	
PM Poole		982	120	147	513	245	**2 007**	
Total 2005	369	3 816	461	436	1 819	818	**7 719**	1 552

(1) The fair value of options and share appreciation bonus rights granted is the annual expense determined by IFRS 2.
(2) This represents the difference between the market price and strike price on incentive scheme shares taken up in the current year.
(3) Retired March 2006.
(4) Not employed full time and retired February 2005.

26 Related party transactions

Related parties are those that control or have a significant influence over the group (including holding companies, major investors and key management personnel) and parties that are controlled or significantly influenced by the group (including subsidiaries, joint ventures, associates and retirement benefit plans).

Hudaco has no holding company nor is there a major shareholder that has a significant influence over the group. Group companies have entered into transactions in the ordinary course of business with certain financial institutions which are also shareholders, or their affiliates. In the main, these transactions relate to property leases and financial services – banking. All such transactions have been conducted under terms that are consistent with those entered into with third parties.

Hudaco has no associates or joint venture partners. The company and its subsidiaries do have dealings with each other but these are eliminated on consolidation and are not dealt with in this note. A list of principal subsidiaries is provided.

Details of transactions between the group and other related parties are disclosed below.

Key management personnel are defined as directors of the company and members of the executive committee and their domestic partners and children.

	2006 R000	2005 R000
Compensation of key management personnel		
Short-term employee benefits	**20 762**	14 830
Share-based payments[1]	**2 276**	1 546
	23 038	16 376

[1] The fair value of options and share appreciation bonus rights granted is the annual expense determined by IFRS 2.

Directors

Details of directors' emoluments, share-based payments and shareholdings are set out in note 25.

	2006 R000	2005 R000
Interest in contracts and transactions with key management personnel		
Goods sold to key management at staff prices	**155**	130
Goods bought from companies controlled by key management	**396**	492
Interest paid to key management	**30**	28
Outstanding amounts due (to) by key management in terms of all transactions excluding those for services rendered	**(102)**	355

Specific contracts

Mr G Dunford, a member of the executive committee, sold his business to the group in 2002. He retained his 90% interest in a company which is the landlord of the premises occupied by the business. Rental paid to the company amounted to R657 000 (2005: R603 000). The business has entered into a three-year lease commencing on 1 January 2007 at a straight-line annual rental of R788 000.

Unless specifically disclosed, these transactions occured under terms that are consistent with those entered into with third parties.

Segment analysis

R million	Group [1] 2006	Group [1] 2005	Head office and intergroup eliminations [2] 2006	Head office and intergroup eliminations [2] 2005	Bearings and Power Transmission products 2006	Bearings and Power Transmission products 2005	Powered products 2006	Powered products 2005	Security equipment 2006	Security equipment 2005
Income statement										
Turnover	**1 838**	1 530	**(1)**	(1)	**1 049**	900	**477**	371	**313**	260
EBITDA	**245**	193	**(16)**	(8)	**124**	101	**100**	74	**37**	26
Depreciation less recoupments	**11**	12			**8**	10	**2**	1	**1**	1
Operating profit	**234**	181	**(16)**	(8)	**116**	91	**98**	73	**36**	25
Recoupment of closure cost – discontinued operations		6		6						
Capital items	**(9)**	(3)		(1)		(2)			**(9)**	
Profit before interest	**225**	184	**(16)**	(3)	**116**	89	**98**	73	**27**	25
Balance sheet										
Property, plant and equipment	**67**	62			**47**	48	**13**	10	**7**	4
Goodwill	**57**	64			**44**	43			**13**	21
Deferred taxation – net	**1**	2	**3**	3	**(2)**	(2)		1		
Inventories	**452**	375			**275**	251	**126**	84	**51**	40
Accounts receivable	**355**	279	**2**	1	**213**	164	**82**	64	**58**	50
Accounts payable	**(382)**	(296)	**(7)**	(16)	**(185)**	(140)	**(142)**	(103)	**(48)**	(37)
Taxation	**(24)**	(13)	**(5)**	(1)	**(10)**	(10)	**(4)**	(1)	**(5)**	(1)
Net operating assets	**526**	473	**(7)**	(13)	**382**	354	**75**	55	**76**	77
Additional information										
Average net operating assets	**545**	462	**2**	(18)	**387**	347	**79**	60	**77**	73
Capital expenditure	**18**	11			**9**	9	**6**	1	**3**	1
Operating profit margin (%)	**12,7**	11,8			**11,1**	10,1	**20,5**	19,7	**11,5**	9,6
Return on average NOA (%)	**42,9**	39,2			**30,0**	26,2	**124,1**	121,7	**46,8**	34,2
Number of employees	**2 029**	2 000	**22**	23	**1 501**	1 541	**332**	285	**174**	151

[1] 2005 has been restated for IFRS and other adjustments. Details can be found in note 2.
[2] Includes residual of discontinued operations.

EBITDA – earnings before interest, taxation, depreciation and amortisation.
NOA – net operating assets.

No secondary segment analysis has been prepared as revenue and assets outside South Africa are less than 10% of the group total.

Hudaco Industries Limited

Balance sheet
at 30 November 2006

	Notes	2006 R000	2005 R000
Assets			
Non-current assets			
Interest in subsidiary companies	27.1	**153 858**	151 853
Current assets		**273**	263
Accounts receivable		**266**	256
Bank balances		**7**	7
Total assets		**154 131**	152 116
Equity and liabilities			
Shareholders' equity		**153 670**	151 339
Current liabilities			
Accounts payable and taxation		**461**	777
Total equity and liabilities		**154 131**	152 116

Income statement
for the year ended 30 November 2006

	2006 R000	2005 R000
Dividends received from subsidiaries	**48 962**	54 600
Interest received – principally from subsidiaries	**755**	385
Operating costs	**(1 015)**	(947)
Profit before taxation	**48 702**	54 038
Taxation – South African normal tax, principally prior years	**94**	1 198
Profit after taxation	**48 608**	52 840

Statement of changes in equity
for the year ended 30 November 2006

R000	Share capital	Share premium	Special reserve account *	Retained income	Shareholders' equity
Balance at 30 November 2004	3 195	9 183	332	125 356	138 066
Attributable profit for the year				52 840	52 840
Issue of 318 177 shares	32	3 681			3 713
Dividends to shareholders				(39 894)	(39 894)
Dividends to subsidiary company				(3 386)	(3 386)
Balance at 30 November 2005	3 227	12 864	332	134 916	151 339
Attributable profit for the year				48 608	48 608
Issue of 237 104 shares	23	2 888			2 911
Dividends to shareholders				(45 376)	(45 376)
Dividends to subsidiary company				(3 812)	(3 812)
Balance at 30 November 2005	3 250	15 752	332	134 336	153 670

*Represents an amount formerly held in share premium account transferred in 2001.

	2006 R000	2005 R000
Cash flow statement		
for the year ended 30 November 2006		
Cash generated from operating activities		
Dividends received	**48 962**	54 600
Operating costs paid	**(1 015)**	(947)
Decrease in working capital	**20**	58
Cash generated from operating activities	**47 967**	53 711
Finance revenue	**755**	385
Taxation paid	**(440)**	(668)
Cash flow from operations	**48 282**	53 428
Dividends	**(49 188)**	(43 280)
Net cash (applied) retained	**(906)**	10 148
Cash (applied to) generated from investment activities		
Increase in loans to subsidiary companies	**(2 005)**	(13 861)
Net cash applied	**(2 911)**	(3 713)
Cash flow from financing activities		
Increase in shareholder funding (note 20.5)	**2 911**	3 713
Net financing raised	**2 911**	3 713

27 Notes to the company financial statements

27.1 Interest in subsidiary companies

	2006 R000	2005 R000
Shares at cost less amounts written off	**93 647**	93 647
Net loans to subsidiaries	**60 211**	58 206
Loans to subsidiaries	**60 213**	58 208
Loans from subsidiaries	**(2)**	(2)
	153 858	151 853

These loans are unsecured with no fixed terms of repayment. R50 million is interest free and interest is charged on the balance at variable rates.

The investment in a subsidiary company is carried at cost less impairment losses where applicable.

27.2 Auditors' remuneration

	2006 R000	2005 R000
Audit fees for the current year	**60**	65

27.3 Contingent liability

	2006 R000	2005 R000
Guarantee in respect of specific long-term banking facilities of a subsidiary	**52 000**	52 000

In addition, the company has guaranteed the banking facilities of all wholly owned South African-based subsidiaries. The maximum exposure in this regard is approximately R400 million and the exposure is nil at the year-end.

Principal subsidiaries

at 30 November 2006

	Issued share capital 2006 R unless indicated	Group's effective interest 2006 %	2005 %	Interest of holding company: Book value of shares 2006 R000	2005 R000	Loans owing by/(to) 2006 R000	2005 R000
Subsidiaries							
Hudaco Trading Ltd	26 160	**100**	100	**48 158**	48 158	**60 213**	58 208
Abes Technoseal*		**100**	100				
Ampco*		**100**	100				
Angus Hawken*		**100**	100				
Bearings International*		**100**	100				
Belting Supply Services*		**100**	100				
Bosworth*		**100**	100				
Ernest Lowe*		**100**	100				
Powermite*		**100**	100				
Rutherford*		**100**	100				
Subsidiaries of Hudaco Trading Ltd							
Hudaco Transmission (Pty) Ltd	789 032	**100**	100				
BEP Bestobell*		**100**	100				
Bauer Geared Motors*		**100**	100				
Varispeed*		**100**	100				
DD Power Holdings (Pty) Ltd	300 000	**70**	70				
DD Power (Pty) Ltd	7 450 000	**70**	70				
Elvey Group Ltd	521 586	**100**	100				
Elvey Security Technologies (Pty) Ltd	100	**100**	100				
Quadrant Investments Ltd (Guernsey)	$7 424	**100**	100	**1 372**	1 372		
Subsidiaries of Quadrant Investments Ltd							
Elvey Group UK Ltd	£3 000	**100**	100				
Smithford Company Ltd (Guernsey)	£1 312	**100**	100				
Valhold Ltd	959 841	**100**	100	**37 692**	37 692		
Subsidiaries of Valhold Ltd							
Hudaco Automotive Products (Pty) Ltd	57 008	**100**	100				
HBC*		**100**	100				
Valard Bearings*		**100**	100				
Valard Ltd	874 149	**100**	100	**6 423**	6 423		
Other				**2**	2	**(2)**	(2)
Interest in subsidiaries				**93 647**	93 647	**60 211**	58 206

A full list of subsidiaries is available to shareholders, on request, at the registered office of the company.

The attributable interest of the holding company in the aggregate profits and losses after taxation of the subsidiaries is: Profits R150,2 million (2005: R124,1 million); Losses nil (2005: nil).

*Denotes an operating division

Declaration by secretary

I hereby certify that the Company has lodged, with the Registrar of Companies, all such returns as are required of a public company, in terms of the Companies Act, 61 of 1973, as amended, and that all such returns are true, correct and up to date.

RGL Arnestad
Company secretary

25 January 2007

Shareholder information

at 30 November 2006

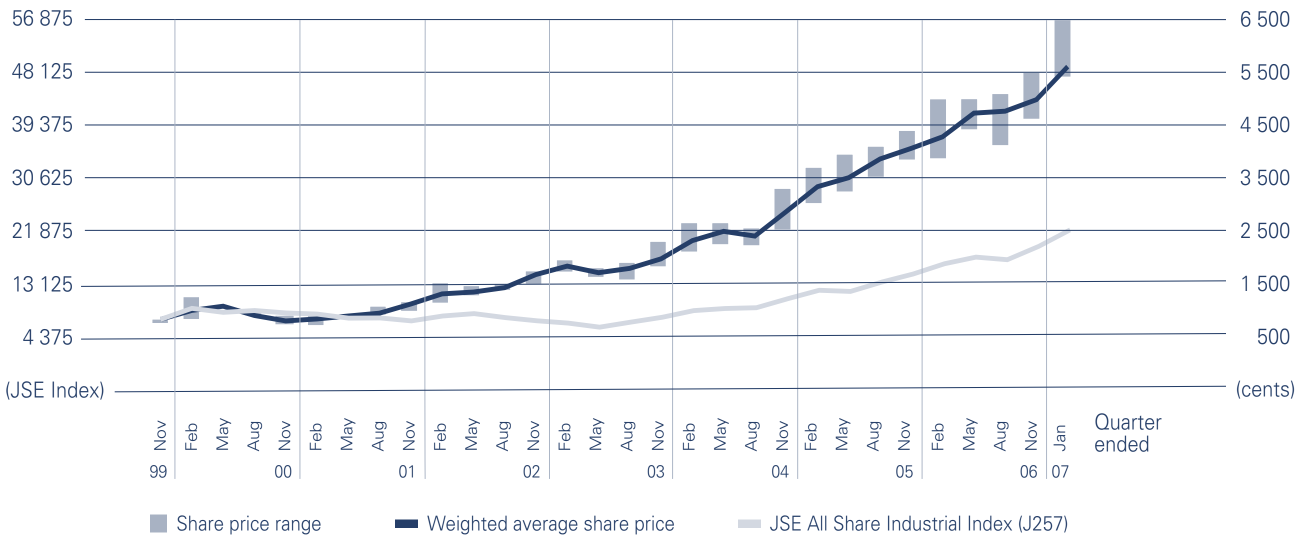
Shareholder analysis	Number of shares (000)	% issued shares	Number of share-holders
Portfolio size			
1 – 1 000	434	1,4	1 118
1 001 – 5 000	940	3,1	352
5 001 – 10 000	555	1,8	69
10 001 – 100 000	5 624	18,8	158
Over 100 000	22 440	74,9	63
Total [1]	29 993	100,0	1 760
Category			
Individuals	3 744	12,5	1 422
Financial institutions and pension funds	24 833	82,8	207
Banks and nominee companies	264	0,9	12
Other corporate bodies	1 152	3,8	119
Total [1]	29 993	100,0	1 760
Shareholder spread [1]			
Public	26 073	86,9	1 740
Non-public	3 920	13,1	20
Directors of the company and its subsidiaries [2]	469	1,6	12
Associates of the above	84	0,3	7
Shareholders with an interest of 10% or more in the company	3 367	11,2	1
Total [1]	29 993	100,0	1 760
Major shareholders			
Old Mutual [3]	6 135	20,5	
Investec [3]	5 150	17,2	
Standard Bank/Liberty Life [3]	2 533	8,4	
Rand Merchant Bank [3]	2 222	7,4	
Total	16 040	53,5	

[1] Excludes 2 507 828 shares repurchased by a subsidiary company.
[2] A list of the shareholdings of senior management is available, on request, from the secretary.
[3] Includes assets managed on behalf of specific clients.

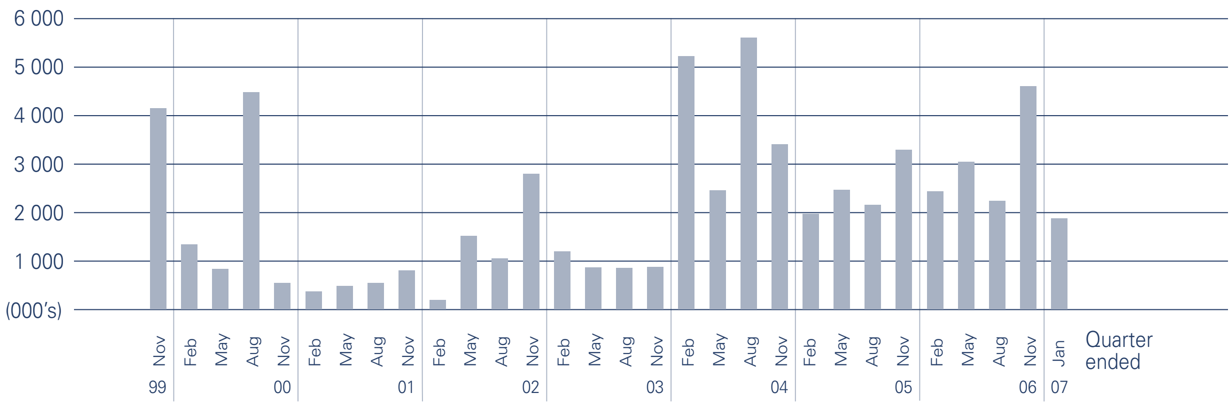
Share information

for the year ended 30 November 2006

Share price history



Volume traded on JSE



JSE statistics

at 30 November 2006

The following table sets out statistics of the JSE	**2006**	2005	2004	2003	2002	2001	2000
Market price (cents)	**5 400**	3 985	3 290	2 300	1 740	1 105	700
NAV per share (cents)*	**2 429**	2 056	1 720	1 563	1 390	1 187	1 012
Number of shares in issue (000)*	**29 993**	29 756	29 438	29 003	28 490	28 019	27 865
Market capitalisation (Rm)*	**1 620**	1 186	968	667	496	310	195
Price/earnings ratio (times)	**12,4**	10,2	8,6	6,4	6,6	6,3	4,7
All Share Industrial Index PE ratio (J257)	**15,4**	13,3	13,4	12,6	11,4	13,4	14,9
Dividend yield (%)	**2,8**	3,4	3,8	4,7	4,7	5,2	6,3
All Share Industrial Index dividend yield (J257) (%)	**2,1**	2,2	2,1	2,5	2,5	1,9	1,7
Annual trade in Hudaco shares							
Number of transactions recorded	**3 081**	2 919	3 076	992	425	307	226
Volume of shares traded (000)	**12 362**	9 923	16 744	3 793	5 572	2 215	7 268
% of issued shares traded*	**41**	33	57	13	18	7	24
Value of shares traded (R000)	**584 747**	369 207	412 704	68 566	83 765	21 034	65 497

*Excludes 2 507 828 shares repurchased by a subsidiary company.

Hudaco Industries Limited

Incorporated in the Republic of South Africa
(Registration number 1985/004617/06)
Share code HDC ISIN code ZAE000003273
("Hudaco" or "the Company")

Notice is hereby given that the twenty-second annual general meeting of shareholders of Hudaco Industries Limited will be held at Hudaco Park, 190 Barbara Road, Elandsfontein, Gauteng at 11:00 on Thursday, 22 March 2007, for the following purposes:

1 To receive and adopt the annual financial statements for the year ended 30 November 2006.
2 To elect directors in place of the following who are retiring by rotation in terms of the Company's articles of association. The retiring directors are eligible and offer themselves for re-election.
   2.1 SJ Connelly
   2.2 GE Gardiner
   A brief CV giving details of directors standing for re-election can be found on page 4.
3 To ratify the appointment of any director to the board between the date of this notice and the annual general meeting as required in terms of the Company's articles of association.
4 To place unissued shares, other than those held in reserve for the share incentive scheme, not exceeding 10% in number of the issued share capital of the Company at the date of this meeting, under the control of the directors until the next annual general meeting, subject to the provisions of the Companies Act, 61 of 1973, as amended, the articles of association of the Company and requirements of the JSE Limited ("JSE").
5 To approve the remuneration of non-executive directors for the year ending 30 November 2007 on the following basis:

Type of fee	Fee for the year ended 30 November 2006	Proposed fee for the year ending 30 November 2007
Group board		
Chairman of the board*	170 000	180 000
Board member	65 000	70 000
Audit and risk management committee		
Chairman of the committee	40 000	42 000
Committee member	15 000	16 000
Remuneration committee		
Committee member	15 000	16 000

*Includes membership of the audit and risk management and remuneration committees.

Special business

Special resolution

6 To consider and, if deemed fit, to pass with or without modification, the following special resolution:
"RESOLVED THAT, subject to the Listing Requirements of the JSE, the directors of the Company be and are hereby authorised in their discretion to procure that the Company or subsidiaries of the Company acquire by purchase on the JSE ordinary shares issued by the Company provided that:

- the number of ordinary shares acquired in any one financial year shall not exceed 20% of the ordinary shares in issue at the date on which this resolution is passed;
- this authority shall lapse on the earlier of the date of the next annual general meeting of the Company or the date 15 months after the date on which this resolution is passed;
- the price paid per ordinary share may not be greater than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which a purchase is made;
- the number of shares purchased by subsidiaries of the Company shall not exceed 10% in the aggregate of the number of issued shares in the Company at the relevant times;
- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listing Requirements concerning shareholder spread requirements;
- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listing Requirements;
- when the Company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made;
- the Company only appoints one agent to effect any repurchase(s) on its behalf;
- the Company and the group will be able to pay their debts in the ordinary course of business for a period of 12 months after the date of this notice;
- recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements, the assets of the Company and the group will exceed the liabilities of the Company and the group for a period of 12 months after the date of this notice;
- the ordinary capital and reserves of the Company and the group will be adequate for the purposes of the business

of the Company and the group for a period of 12 months after the date of this notice; and

- the working capital of the Company and the group will be adequate for the purposes of the business of the Company and the group for a period of 12 months after the date of this notice".

Reason and effect

The reason for this special resolution is to authorise the directors, if they deem it appropriate in the interests of the Company, to procure that the Company or subsidiaries of the Company acquire or purchase ordinary shares issued by the Company subject to the restrictions contained in the above resolution.

The effect of this special resolution will be to authorise the directors of the Company to procure that the Company or subsidiaries of the Company acquire or purchase shares issued by the Company on the JSE.

At the present time the directors have no specific intention with regard to the utilisation of this authority which will only be used if the circumstances are appropriate. If the authority is exercised, the Company will ensure that the Company's sponsor has complied in writing with its responsibilities contained in Section 2.12 and Schedule 25 of the Listing Requirements of the JSE.

Additional disclosure in terms of Section 11.26 of the JSE Listing Requirements

The JSE Listing Requirements require the following disclosures which are contained elsewhere in the annual report of which this notice forms part:

– directors and management – pages 4 and 5
– major shareholders of Hudaco – page 60
– directors' interests in securities – page 52
– share capital of the Company – page 45.

Material changes

There have been no material changes in the financial or trading position of Hudaco and its subsidiaries between Hudaco's financial year-end and the date of this notice.

Litigation statement

The directors, whose names are given on page 4 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened of which the Company is aware except for the contingent liability noted in note 27.3 that may have or have in the previous year had a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names are given on page 4 of the annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the Special Resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all such information.

Voting and proxies

In order to more effectively record the votes and give effect to the intentions of shareholders, voting on all resolutions will be conducted by way of a poll. Any member entitled to attend and vote at a meeting of the Company may appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those shareholders who are:

- holding the Company's ordinary shares in certificated form; or
- recorded on the electronic sub-register in "own name" dematerialised form.

Members who have dematerialised their shares through a Central Securities Depositary Participant ("CSDP") or broker and wish to attend the annual general meeting must instruct their CSDP or broker to provide them with a Letter of Representation, or they must provide the CSDP or broker with their voting instruction in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

Completed forms must be returned to the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) to be received by not later than 24 hours before the annual general meeting (excluding Saturdays, Sundays and public holidays).

By order of the board

RGL Arnestad
Company secretary

25 January 2007

Shareholders' diary

Financial year-end	30 November
Publication of financial results for the year	last week January
Declaration of final dividend	last week January
Annual report posted to shareholders	middle February
Annual general meeting	third week March
Payment of final dividend	third week March
Publication of interim results	last week July
Declaration of interim dividend	last week July
Payment of interim dividend	third week August

Form of proxy

Hudaco

To	**Computershare Investor Services 2004 (Pty) Limited** **70 Marshall Street Johannesburg** **PO Box 61051 Marshalltown 2107** **Fax +27 11 370 5390**

Hudaco Industries Limited
Incorporated in the Republic of South Africa
(Registration number 1985/004617/06)
Share code HDC ISIN code ZAE000003273
("Hudaco" or "the Company")

This proxy form should only be completed by shareholders who are

- **holding shares in certificated form, or**
- **recorded on the sub-register in electronic form in "own name"**

(see overleaf, note 1)

To be received by no later than 11:00 on Tuesday, 20 March 2007.

For use by members of Hudaco at the annual general meeting of Hudaco to be held on **Thursday, 22 March 2007** at Hudaco Park, 190 Barbara Road, Elandsfontein, Gauteng ("the annual general meeting") at 11:00.

I/We ____________________

of (address) ____________________

being the holder of ____________________ ordinary shares in Hudaco do hereby appoint (see note 1):

1 ____________________ or failing him   2 ____________________ or failing him

3 the chairman of the general meeting,

as my/our proxy to vote on my/our behalf at the annual general meeting which will be held for the purpose of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolutions and/or abstain from voting in respect of **all of the above ordinary shares** registered in my/our name/s, in accordance with the following instructions.

Please indicate with an "X" in the appropriate box below how the proxy should vote and then sign in the space provided.
(See note 3 overleaf):

Resolution	For	Against	Abstain
1 To receive and adopt the annual financial statements.			
2 To re-elect retiring directors:			
2.1 SJ Connelly			
2.2 GE Gardiner			
3 To ratify the appointment of directors appointed after 25 January 2007.			
4 To place certain unissued shares under the control of the directors.			
5 To approve the remuneration of non-executive directors.			
6 Special resolution giving a general authority for the company to repurchase its own shares.			

Signed at ____________________ on ____________________ 2007

Signature(s) ____________________

Assisted by me (where applicable) ____________________

Notes to the form of proxy

1 Members who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker must either inform their CSDP or broker of their intention to attend the annual general meeting to provide them with the necessary authority to attend or provide the CSDP or broker with their voting instruction in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.

2 A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

3 A member's instructions to the proxy must be indicated by "X" in the appropriate box provided on the proxy form. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable at the meeting.

4 The completion and lodging of this form of proxy will not preclude the member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should the member wish to do so. (See note 1 above.)

5 The chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received, other than in accordance with these notes. Proxy forms received by way of facsimile will be acceptable.

6 Each member is entitled to appoint one or more proxies (none of whom needs to be a member of Hudaco) to attend, speak and vote in place of that member at the annual general meeting.

7 Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatories.

8 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Hudaco.

9 Where there are joint holders of ordinary shares:

a any one holder may sign the form of proxy;

b the vote of the senior (for that purpose seniority will be determined by the order in which the names of members appear in Hudaco's register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.

10 Forms of proxy should be lodged with or posted to the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited.

Hand deliveries to:
Computershare Investor Services 2004 (Pty) Limited
Ground Floor, 70 Marshall Street
Johannesburg 2001

Postal deliveries to:
Computershare Investor Services 2004 (Pty) Limited
PO Box 61051
Marshalltown 2107

so as to be received by no later than 11:00 on Tuesday, 20 March 2007 (or 24 hours before any adjournment of the annual general meeting, which date, if necessary, will be announced in the press).

Company secretary

RGL Arnestad

Registered office and business address

Incorporated in the Republic of South Africa
Company registration number 1985/004617/06
Hudaco Park
190 Barbara Road
Elandsfontein 1406
Private Bag 13
Elandsfontein 1406
Tel (011) 345 8200
Fax (011) 392 2740
E-mail info@hudaco.co.za
Website www.hudaco.co.za

Transfer secretaries

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107

Group directory

Division	Business name	Nature of business	Address	Contact*	Executives			
Bearings and Power Transmission products			190 Barbara Road Elandsfontein	Tel 345 8000 Fax 974 7200 E-mail info@hudaco.co.za	Graham Gardiner Gilbert Da Silva Graham Dunford Brian Constancon	Divisional chief executive Chief executive – Mechanical Power Transmission Chief executive – Electrical Power Transmission Financial director		
	Bearings International	Distributor of bearings, seals and transmission products	190 Barbara Road Elandsfontein	Tel 345 8000 Fax 974 7200 E-mail bearings@bearings.co.za	Tony Patten Danie Louw Ian Robertson	Chief executive Regional sales director Bearings director	Alan Ross Adrian Vorster Robert Southey	Logistics director Transmission director Financial manager
Mechanical Power Transmission	ABES Technoseal	Distributor of oil and hydraulic seals	5 Tunney Road Elandsfontein	Tel 974 8331 Fax 974 1786 E-mail dallman@abes.co.za	David Allman Chris de Kock Jayne Kyte	Chief executive Financial director Director		
	Angus Hawken	Manufacturer of oil seals	13 Bodirelo Mogwase	Tel (01455) 8 2756 Fax (01455) 8 2425	Hannes du Plessis	General manager		
	Belting Supply Services	Distributor of power transmission and conveyor belting products and industrial hose	1 Guthrie Road Wadeville	Tel 824 4504 Fax 824 3324 E-mail colin@belting.co.za	Colin Briggs Mark Knight Piet Swanepoel	Chief executive Financial director Director		
	Bestobell	Distributor of fluid measurement control products and pumps	9 Covora Street Jet Park	Tel 281 9300 Fax 397 3100 E-mail enquiries@bepbestobell.co.za	Andy Vermaak	Chief executive		
	Bosworth	Manufacturer of conveyor drive pulleys, forgings and rollings	Cnr Vereeniging/ Juyn Roads, Alrode	Tel 864 1643 Fax 908 5728 E-mail pulleys@bosworth.co.za	Mark Tarboton Jo Paul	Chief executive Financial manager		
	Ernest Lowe	Manufacturer and distributor of hydraulic and pneumatic equipment	6 Skew Road Boksburg North	Tel 898 6600 Fax 918 3974 E-mail corporate@elco.co.za	Douglas Salmon Jonina Fourie Manny Vieira	Chief executive Financial director Sales director		
	HBC	Distributor of clutch kits	Unit 6 Old Mutual Park Cnr Girder/Fred Droste Streets Benrose	Tel 624 2631 Fax 624 2370 E-mail info@hudacobc.co.za	Danie Venter Enock Nleya	Chief executive Financial manager		
	Valard Bearings	Manufacture and repair of white metal bearings	53 Kelly Road Jet Park	Tel 397 3450 Fax 397 4202 E-mail valard@iafrica.com	Jopie Oosthuizen	General manager		
Electrical Power Transmission	Ampco	Manufacturer of industrial plugs and sockets	Ampco House 1262 Anvil Road Robertville Extension 12 Roodepoort	Tel 474 9578 Fax 474 8748 E-mail info@ampco.co.za	Andrew Mowat	General manager		
	Bauer Geared Motors	Distributor of geared motors, frequency inverters and electric motors	72 Acacia corner Barbara Road Primrose	Tel 828 9715 Fax 822 4135 E-mail gbauer@global.co.za	Mark Oates Rika Wessels	General manager Financial manager		
	Powermite	Distributor of electric cabling, plugs, sockets, electric feeder systems and crane materials	92 Main Reef Road Technicon Roodepoort 1724	Tel 271 0000 Fax 760 3099 E-mail powermite.jhb@global.co.za	Siegfried Roediger Mike Allnutt Gawie Beukman	Chief executive Divisional executive Financial manager		
	Varispeed	Distributor of controllers, monitors and regulators of the speed of standard AC motors	Unit 2 31 Indianapolis Street Kyalami Business Park Midrand	Tel 466 0830 Fax 466 1007 E-mail drives@varispeed.co.za	Rolf Lung Erika van de Velde	General manager Financial manager		
Powered products	Deutz Dieselpower	Distributor of Deutz diesel engines and provider of after-market services	5 Tunney Road Elandsfontein	Tel 923 0600 Fax 923 0611 E-mail info@deutz.co.za	Leon Coetzer Burtie Roberts Rowan Michelson	Chief executive Financial director Sales director		
	Rutherford	Distributor of power tools, outboard motors, survey equipment and rivets	77 Smits Street Industries West	Tel 878 2600 Fax 873 1689 E-mail karen@rutherford.co.za	Bob Cameron-Smith Bhoopendra Dulabh Mick Spooner	Chief executive Director Director: Marine	Les Trollip	Financial director
Security equipment	Elvey Security Technologies	Distributor of intruder detection, closed-circuit television, access control and fibre-optic equipment	65 Julbert Road Benrose	Tel 401 6700 Fax 401 6753 E-mail sales@elvey.co.za	Jack Edery Bev Scott Dave Waywell	Chief executive Financial director Commercial director		
	Elvey Security Technologies (UK)	Distributor of intruder detection, closed-circuit television and access control equipment	Unit 1, Wharton Street Nechells, Birmingham B7 5TR UK	Tel (0121) 326 6616 Fax (0121) 327 1881 E-mail sales@elveysecurity.co.uk	Jonathan Tyler	Sales director		
Group head office	Hudaco Industries Hudaco Trading		190 Barbara Road Elandsfontein	Tel 345 8200 Fax 392 2740 E-mail info@hudaco.co.za Website www.hudaco.co.za	Stephen Connelly Peter Poole Richard Arnestad Cassie Lamprecht	Group chief executive Group financial director Group secretary Group accountant	Andrew Wallis Gary Walters Peter Wilgenbus	Group treasurer Projects Group risk and internal audit

**Area code 011 unless otherwise stated*

4758 Martha Bateman Concepts 011 789 6337

BELTING SUPPLY SERVICES

Rutherford

AMPCO
ELECTRIC

DEUTZ DIESELPOWER

BAUER

ELVEY
Security Technologies

Hudaco

www.hudaco.co.za