



- Minorities of Bearing Man bought out
- Group restructured in preparation for BEE
- Group Headline Earnings up by 21%

# Audited Group results

for the year ended 31 March 2006

(Registration number 1966/002182/06) (Incorporated in the Republic of South Africa) (Share code: IVT) (ISIN code: ZAE000029773)

## Income statement

	2006 R'000	Restated 2005 R'000	% change
Revenue	1 913 204	1 937 593	(1)
Operating income	197 843	231 928	(15)
Interest and preference dividend received	21 396	8 787	
Finance costs	40 552	15 506	
Profit before taxation	178 687	225 209	(21)
Taxation	53 522	75 166	
Profit for the year	125 165	150 043	(17)
Outside shareholders	290	(41 536)	
Attributable to ordinary shareholders	125 455	108 507	16
<b>Earnings per share (cents)</b>	<b>170</b>	190	(11)
<b>Diluted earnings per share (cents)</b>	<b>169</b>	190	(11)
<b>Determination of headline earnings</b>			
Attributable earnings	125 455	108 507	
Adjustments – after taxation and minority interests where applicable			
– Profit on disposal of investment	–	(3 995)	
– Profit on disposal of property, plant and equipment	(29)	(444)	
<b>Headline earnings</b>	<b>125 426</b>	104 068	21
<b>Shares in issue</b>			
Weighted average (000s)	73 861	57 258	
At the end of the year (000s)	73 861	57 884	
Number of shares used for diluted earnings per shares (000s)	74 246	57 258	
<b>Headline earnings per share (cents)</b>	<b>170</b>	181	(6)
<b>Diluted headline earnings per share (cents)</b>	<b>169</b>	181	(7)
<b>Dividends per share* (cents)</b>	<b>68</b>	77	(12)
Interim	27	31	(13)
Final	41	46	(13)

\* In accordance with IAS10, the final dividend of 41 cents per share proposed by

## Statement of changes in equity

	31 March 2006 R'000	Restated 31 March 2005 R'000
<b>SHARE CAPITAL</b>		
Balance at beginning of period	2 894	2 873
Shares issued	799	–
Share options issued	–	168
Shares purchased in terms of the share buy-back scheme	–	(147)
Balance at end of period	3 693	2 894
<b>SHARE PREMIUM</b>		
Balance at beginning of period	6 352	28 037
Shares issued	270 706	–
Share options issued	–	8 776
Shares purchased in terms of the share buy-back scheme	–	(30 461)
Balance at end of period	277 058	6 352
<b>ACCUMULATED PROFITS</b>		
Balance at beginning of period	347 787	284 144
Earnings attributable to ordinary shareholders	125 455	108 507
Dividends paid	(46 569)	(44 864)
Balance at end of period	426 673	347 787
<b>OTHER RESERVES</b>		
Balance at beginning of period	8 042	8 194
Arising on translation of foreign operations	830	(152)
Balance at end of period	8 872	8 042
Ordinary shareholders' funds	716 296	365 075
<b>OUTSIDE SHAREHOLDERS' INTEREST</b>		
Balance at beginning of period	163 739	177 356
Earnings attributable to outside shareholders	(290)	41 536
Dividends paid to outside shareholders	–	(18 477)
Net investment in subsidiaries	(161 214)	(36 556)
Currency translation differences	–	(120)
Balance at the end of period	2 235	163 739
<b>RECONCILIATION OF PREVIOUS SA GAAP TO IFRS</b>		
Attributable earnings for the period – SA GAAP		108 757

Final 41 46 (13)  
 \* In accordance with IAS10, the final dividend of 41 cents per share proposed by the directors has not been reflected in the annual financial statements.

## Balance sheet

	2006 R'000	Restated 2005 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1 547 755</b>	182 308
Property, plant and equipment	123 220	118 059
Investments	1 195 303	202
Goodwill and other intangible assets	203 701	37 600
Deferred taxation	19 843	20 759
Loan receivable	5 688	5 688
<b>Current assets</b>	<b>949 924</b>	813 703
Inventories	633 901	553 030
Accounts receivable	289 655	224 889
Bank balances and cash	26 368	35 784
	<b>2 497 679</b>	996 011
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>718 531</b>	528 814
Ordinary shareholders' funds	716 296	365 075
Outside shareholders' interest	2 235	163 739
<b>Non-current liabilities</b>	<b>1 203 060</b>	12 821
Long-term borrowings	1 203 060	12 821
<b>Current liabilities</b>	<b>576 088</b>	454 376
Bank overdrafts and bankers' acceptances	105 642	9 681
Short-term borrowings	19 984	6 421
Accounts payable	401 574	379 177
Provisions	48 888	59 097
	<b>2 497 679</b>	996 011

## Cash flow statement

	2006 R'000	2005 R'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	98 372	197 169
Finance costs	(40 552)	(15 506)
Dividends paid	(46 494)	(63 257)
Taxation paid	(58 704)	(91 810)
Interest and dividend received	21 396	8 787
Net cash (outflow) inflow from operating activities	(25 982)	35 383
<b>Cash flows from investing activities</b>		
Net cash effects of asset acquisitions	(31 129)	(24 302)
Net cash effects of other investing activities	(1 523 416)	(1 753)
<b>Cash flows from financing activities</b>		
Net cash effects of share capital repurchased	–	(30 608)
Net cash effects of shares issued	271 505	8 944
Net cash effects of borrowings raised	1 203 645	4 251
Net decrease in cash and cash equivalents	(105 377)	(8 085)
Cash and cash equivalents at the beginning of the year	26 103	34 188
Cash and cash equivalents at the end of the year	(79 274)	26 103

## Notes to the financial information

### Basis of preparation

The results for the period ended 31 March 2005 have been restated due to the adoption of IFRS

## RECONCILIATION OF PREVIOUS SA GAAP TO IFRS

Attributable earnings for the period – SA GAAP		108 507
Adjustments:		
Negative goodwill at date of transition		(1 636)
Depreciation		1 234
Translation of foreign operations		152
Attributable earnings for the period – IFRS		108 507

	31 March 2005 R'000	31 April 2004 R'000
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## RECONCILIATION OF EQUITY OF PREVIOUS SA GAAP AT 31 MARCH 2005 TO IFRS RESTATEMENT

Capital and reserves – SA GAAP	510 899	483 257
Revaluation reserve	8 194	8 194
Currency translation differences	(152)	–
Ordinary shareholders' funds	2 465	2 715
Attributable to outside shareholders'	7 408	6 438
Capital and reserves – IFRS	528 814	500 604

## Other information

	31 March 2006 R'000	Restated 31 March 2005 R'000
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Debt: Equity ratio (%) (excluding the long-term BEE funding debt secured by investments)	18	8
Depreciation and amortisation (R'000)	22 566	19 952
Net asset value per share (cents)	969,8	630,7
Tangible net asset value per share (cents)	694,0	571,9
Contingent liabilities (R'000)	3 954	4 922

## Comments (continued)

### Trading Results

The depressed state of the Agricultural industry referred to in the interim report, continued for the rest of the 2005 calendar year. Total tractor sales in South Africa fell by 11% and combine harvesters by 35%. The large tractor sector fell by 60%, which is the area that Northmec has particular strength, as a consequence Northmec's turnover decreased by R172 million. Despite this decline, Northmec remains market leader in sales of combine harvesters and high kilowatt tractors.

Bearing Man increased its turnover by R125 million and CSE and Autobax increased their combined turnover by R23 million. It is pleasing, therefore, to report that overall, group turnover decreased by only 1% to R1 913 million.

Gross margins in the group continued to be under pressure in the second half of the year, which, coupled with increased operating costs, resulted in operating profit declining by 15% to R198 million. However, the buy-out of the minorities of Bearing Man enabled the group to increase earnings attributable to ordinary shareholders to R125 million, an increase of 16%.

Headline earnings increased by 21% to R125 million. The increase in the number of shares in issue due to the buy-out of the Bearing Man minorities in Bearing Man resulted in headline earnings per share decreasing by 6% to 170 cents per share. The debt:equity ratio (excluding the long-term BEE funding debt, which is secured by investments) increased to 18% from 8%, largely as a result of the cash paid out to those minorities of Bearing Man who elected to receive cash instead of shares, and the cash used for acquisitions and increased investment in working capital. Notwithstanding this, the debt:equity ratio is 2% lower than it was at the interim stage.

### BEE

Having completed the raising of funding and internal group restructuring, negotiations are currently under way with potential BEE partners, with a target completion date of 31 October 2006 for this process. The transaction will include a staff empowerment scheme.

### Prospects

The agricultural sector is looking positive for the 2006 calendar year. There have been good rainfalls countrywide and the maize price is substantially higher than last year. The acquisition of New Holland SA (Pty) Ltd strengthens the group's leading role in the agricultural machinery market and gives the group a greater spread of products in that market. This acquisition is, however, only expected to make a positive contribution to group profits in 2008.

The construction machinery industry is expected to remain at its current strong levels due to

## Basis of preparation

The results for the period ended 31 March 2005 have been restated due to the adoption of IFRS. The audited financial statements have been prepared in accordance with IAS 34 and IFRS1 – First time adoption of IFRS. Accounting policies have been consistently applied except for the changes required as the result of IFRS implementation. The effect on equity is set out above. The effect on both basic and diluted earnings per share amounted to a reduction in 0.4 cents and a reduction of R1,090 million in earnings attributable to outside shareholders in 2005.

## Comments

### Group activities

The Invicta Group continues to be a major regional player in the importation and distribution of:

- Bearings, belts, seals, power transmission products, geared motors and fasteners (Bearing Man Limited (“Bearing Man”))
- Agricultural machinery and equipment (Northmec Division (“Northmec”))
- Construction and earthmoving equipment, turf grooming equipment and golf utility cars (CSE Division (“CSE”))
- Automotive and motorcycle parts (Autobax Division (“Autobax”))

### Financial overview

The year was extremely challenging. All three sectors of industry in which the group operates, Agriculture, Mining and Manufacturing, traded under difficult conditions. Notwithstanding, the results were solid, but showed a decline of some 6% in headline earnings per share.

The group was however very busy with Corporate activity and consolidated its position in each of the sectors in which it operates.

### Corporate activity

- The acquisition of the minorities in Bearing Man with the concomitant delisting of Bearing Man.
- The internal restructuring and raising of funding in order to facilitate the introduction of a BEE Partner.
- The acquisition of New Holland SA (Pty) Ltd was completed, effective 1 April 2006. This results in the group now being the sole distributors in South Africa for both the Case and New Holland ranges of Agricultural equipment.
- Bearing Man made two strategic acquisitions in Top Class, a distributor of Automotive products and OST a manufacturer and distributor of specialised industrial vibration products.
- Bearing Man was appointed the exclusive distributor in South Africa for Timken Bearings.
- Bearing Man completed the installation of a state of the art ERP computer system.

Segment information on these businesses is presented below:

	2006	Engineering consumables R'000 2005	2006	Capital equipment and spares R'000 2005	2006	Non-segment allocations R'000 2005	2006	Restated R'000 2005
Revenue	<b>1 172 670</b>	1 048 087	<b>740 534</b>	889 506		–	<b>1 913 204</b>	1 937 593
Operating profit before finance costs, interest and preference dividend received	<b>154 564</b>	156 326	<b>43 279</b>	76 806		(1 204)	<b>197 843</b>	231 928
Balance sheet								
Assets	<b>702 515</b>	596 578	<b>797 518</b>	557 439	<b>992 646</b>	(158 007)	<b>2 497 679</b>	996 011
Liabilities	<b>284 800</b>	246 799	<b>295 391</b>	311 408	<b>1 198 957</b>	(91 010)	<b>1 779 148</b>	467 197

Geographical segments: The group has not reported segment information by geographical location as the operations occur substantially within Southern Africa.



however, only expected to make a positive contribution to group profits in 2006. The construction machinery industry is expected to remain at its current strong levels due to continued government infrastructural expenditure and the lead-up to the Soccer World Cup in 2010. However, management is cautious about the benefits to be derived from this as the market is extremely competitive and all supply chain problems have not yet been satisfactorily resolved.

The engineering consumables market is expected to remain fairly static during the coming year, but management aims to improve operating margins by focusing on better asset management and improved efficiencies.

Overall, the group's focus in the coming year will be on consolidation, improvement of margins and working capital. Acquisitions will not be given high priority in the first half of the year until the introduction of BEE partners has been concluded.

Taking everything into consideration, shareholders can expect improved results in the coming year.

### Dr C H Wiese

Chairman

### A Goldstone

Managing Director

## Dividend

Notice is hereby given that a final dividend of 41 cents per share has been declared. The last day to trade (“CUM” the dividend) in order to participate in the dividend will be Friday, 14 July 2006.

The shares of Invicta Holdings Limited will commence trading “EX” the dividend from Monday, 17 July 2006 and the record date will be Friday, 21 July 2006. The dividend will be paid to members on Monday, 24 July 2006.

Share certificates may not be dematerialised or rematerialised between Monday, 17 July 2006 and Friday, 21 July 2006, both days inclusive.

## Audit opinion

Our auditors, Deloitte & Touche, have issued their opinion on the group's financial statements for the year ended 31 March 2006. They have issued an unmodified audit opinion. A copy of their report is available for inspection at the company's registered office. These summarised financial statements have been derived from the group's financial statements and are consistent in all material respects with the group financial statements.

By order of the board

### C Barnard

Secretary

Johannesburg

20 June 2006

### REGISTERED OFFICE

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AM Sinclair#  
\* Non-executive # Alternate

### SPONSOR

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