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**Invicta**
HOLDINGS LIMITED

www.invictaholdings.co.za

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

# FINANCIAL RESULTS

Revenue up **25%**
Profit before taxation up **42%**
Headline earnings per share up **33%**

## AUDITED GROUP RESULTS FOR THE YEAR ENDED 31 MARCH 2008

### CONSOLIDATED CONDENSED INCOME STATEMENT

| | **2008 R'000** | 2007 R'000 | % change |
|---|---|---|---|
| Revenue | **3 335 496** | 2 663 398 | 25 |
| Operating income | **360 379** | 281 229 | 28 |
| Interest and preference dividend received | **212 270** | 137 247 | |
| Finance costs | **(209 147)** | (162 648) | |
| Profit before taxation | **363 502** | 255 828 | 42 |
| Taxation | **(62 646)** | (38 104) | |
| Profit for the year | **300 856** | 217 724 | 38 |
| Attributable to ordinary shareholders | **263 365** | 215 994 | 22 |
| Minority interest | **37 491** | 1 730 | |
| **Earnings per share (cents)** | **356** | 292 | 22 |
| **Diluted earnings per share (cents)** | **354** | 288 | 23 |
| **Determination of headline earnings** | | | |
| Attributable earnings | **263 365** | 215 994 | |
| Adjustments – after taxation and minority interests where applicable | | | |
| – Profit on disposal of a branch | **(700)** | – | |
| – Negative goodwill on business combination | **(88)** | – | |
| – Profit on disposal of interest in subsidiary | **–** | (779) | |
| – Profit on issue of shares by subsidiary | **(3 870)** | (22 565) | |
| – Profit on disposal of property, plant and equipment | **(6 506)** | (1 040) | |
| – Total taxation effects of adjustments | **1 861** | 415 | |
| – Total minority interest of adjustments | **1 094** | – | |
| **Headline earnings** | **255 156** | 192 025 | 33 |
| **Shares in issue** | | | |
| Weighted average (000's) | **74 007** | 73 866 | |
| At the end of the year (000's) | **72 703** | 74 341 | |
| Number of shares used for diluted earnings per share (000's) | **74 325** | 75 122 | |
| **Headline earnings per share (cents)** | **345** | 260 | 33 |
| **Diluted headline earnings per share (cents)** | **343** | 256 | 34 |
| **Total dividends (cents)** | **138** | 104 | 33 |

### CONSOLIDATED CONDENSED BALANCE SHEET

| | **2008 R'000** | 2007 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **3 183 780** | 1 553 891 |
| Property, plant and equipment | **154 996** | 118 097 |
| Investments | **1 195 303** | 1 195 303 |
| Goodwill and other intangible assets | **230 414** | 210 323 |
| Deferred taxation | **34 794** | 28 681 |
| Other long-term financial assets | **1 568 273** | 1 487 |
| **Current assets** | **2 032 453** | 1 443 374 |
| Inventories | **1 073 812** | 875 315 |
| Trade and other receivables | **733 466** | 372 316 |
| Bank balances and cash | **225 175** | 195 743 |
| | **5 216 233** | 2 997 265 |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | **1 117 738** | 930 846 |
| Attributable to ordinary shareholders | **1 025 591** | 886 161 |
| Minority interest | **92 147** | 44 685 |
| **Non-current liabilities** | **2 776 809** | 1 204 270 |
| Long-term borrowings | **2 764 662** | 1 193 311 |
| Deferred taxation | **12 147** | 10 959 |
| **Current liabilities** | **1 321 686** | 862 149 |
| Short-term borrowings | **7 325** | 19 440 |
| Trade and other payables | **1 236 315** | 780 066 |
| Provisions | **62 742** | 62 301 |
| Bank overdrafts and bankers' acceptances | **15 304** | 342 |
| | **5 216 233** | 2 997 265 |

### CONSOLIDATED CONDENSED CASH FLOW STATEMENT

| | **2008 R'000** | 2007 R'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | **292 574** | 364 698 |
| Finance costs | **(209 147)** | (162 648) |
| Dividends paid | **(93 972)** | (55 152) |
| Taxation paid | **(58 317)** | (25 211) |
| Interest and dividend received | **212 270** | 137 247 |
| **Cash flows from investing activities** | | |
| Net cash effects of asset acquisitions | **(39 985)** | (11 474) |
| Net cash effects of other investing activities | **(1 427 511)** | 32 439 |
| **Cash flows from financing activities** | | |
| Net cash effects of shares issued | **1 488** | 4 200 |
| Net cash effects of borrowings raised (repaid) | **1 337 070** | (9 424) |
| Net increase in cash and cash equivalents | **14 470** | 274 675 |
| Cash and cash equivalents at the beginning of the year | **195 401** | (79 274) |
| Cash and cash equivalents at the end of the year | **209 871** | 195 401 |

### CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

| | **2008 R'000** | 2007 R'000 |
|---|---|---|
| **SHARE CAPITAL** | | |
| Balance at beginning of year | **3 717** | 3 693 |
| Treasury shares | **(89)** | – |
| Shares issued | **7** | 24 |
| Balance at end of year | **3 635** | 3 717 |
| **SHARE PREMIUM** | | |
| Balance at beginning of year | **281 234** | 277 058 |
| Treasury shares | **(49 304)** | – |
| Shares issued | **1 481** | 4 176 |
| Balance at end of year | **233 411** | 281 234 |
| **RETAINED EARNINGS** | | |
| Balance at beginning of year | **588 011** | 426 673 |
| Earnings attributable to ordinary shareholders | **263 365** | 215 994 |
| Dividends paid | **(87 679)** | (54 656) |
| Balance at end of year | **763 697** | 588 011 |
| **OTHER RESERVES** | | |
| Balance at beginning of year | **13 199** | 8 872 |
| Share appreciation rights issued | **9 672** | 4 352 |
| Arising on translation of foreign operations | **1 977** | (25) |
| Balance at end of year | **24 848** | 13 199 |
| Attributable to ordinary shareholders | **1 025 591** | 886 161 |
| **MINORITY INTEREST** | | |
| Balance at beginning of year | **44 685** | 2 235 |
| Earnings attributable to minorities | **37 491** | 1 730 |
| Dividends paid to minorities | **(6 404)** | (580) |
| Net investment in subsidiaries | **16 375** | – |
| Equity input by minorities | **–** | 41 300 |
| Balance at the end of year | **92 147** | 44 685 |

| | **2008** | 2007 |
|---|---|---|
| **OTHER INFORMATION** | | |
| Debt: Equity ratio (%) (excluding the long-term funding debt secured by investments and loans) | **1%** | – |
| Depreciation and amortisation (R'000) | **22 918** | 22 696 |
| Net asset value per share (cents) | **1 410,7** | 1 192,0 |
| Tangible net asset value per share (cents) | **1 093,7** | 909,1 |
| Capital expenditure (R'000) | **39 985** | 16 016 |
| Contingent liabilities (R'000) | **1 724** | 3 750 |
| Capital commitments (R'000) | **623** | 1 298 |

| **BUSINESS ACQUISITIONS** | **2008 R'000** |
|---|---|
| Property, plant and equipment | 23 647 |
| Inventory | 33 919 |
| Trade and other receivables | 13 801 |
| Bank balances and cash | 13 685 |
| Long-term borrowings | (4 332) |
| Deferred taxation | (2 342) |
| Trade and other payables | (26 042) |
| Taxation | (2 353) |
| Goodwill arising on acquisition | 15 516 |
| Fair value of assets acquired | 65 499 |
| Attributable to minority shareholders | (19 378) |
| Cost of acquisitions | 46 121 |
| Bank balances and cash acquired | (13 685) |
| Negative goodwill recognised in income | (88) |
| Additional interest acquired in subsidiary | 6 407 |
| Net cash effet of acquisition of subsidiaries | 38 755 |

### NOTES TO THE FINANCIAL INFORMATION

**Basis of Preparation**

The consolidated condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and in the manner required by the Companies Act of South Africa and the JSE Limited's Listings Requirements. The accounting policies and methods of computation are consistent with the prior year except for the adoption of IFRS 7 which does not affect the group results.

## 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")
- Agricultural machinery and equipment ("Northmec") and New Holland SA ("New Holland")
- Construction and earthmoving equipment, turf grooming equipment and golf utility cars ("CSE")
- Automotive and motorcycle parts ("Autobax")
- Floor tiles, wall tiles and sanitary ware ("Tiletoria")

**Financial overview**

The group has again delivered excellent results. Turnover exceeded R3 billion for the first time, profit was in excess of R300 million and a number of strategic transactions were concluded.

Trading conditions in most of the sectors of the group were strong during the year, underpinned by the mineral and agricultural resources boom. Group revenue grew by a healthy R672 million (25%) to a new high of R3 335 million. Operating income grew by 28% to R360 million, with operating margins improving slightly from 10,6% to 10,8%. Profit before tax increased by 42% to R364 million, mainly as a result of reduced borrowing costs and additional investment income. Profit after tax improved by 38% to R301 million and headline earnings per share grew by 33% to 345 cents per share.

The results are particularly pleasing taking into account the dilutionary effect of our BEE transaction, which contributed to the minority share of profits growing from R1,7 million to R37,5 million, R31,3 million of which relates to the BEE transaction.

**Bearing Man**

Bearing Man continued its good growth record. Revenue grew by R188 million (14%) to R1 543 million. Good margin management and cost control resulted in operating profit improving by 27% to R221 million, which translates into an operating profit margin of 14,3%, up from 12,8% last year. Bearing Man continues to be the major contributor to group profits and has embarked on various initiatives to sustain its growth, including a re-branding exercise and a major logistics review.

**Capital equipment**

Invicta's capital equipment divisions performed well, with turnover growing by R392 million to R1 701 million, 30% up on last year. Most of this growth was from the agricultural sector, which was driven by high grain prices and good rains. Export sales into Africa, which are generally non-repetitive, were R100 million during the year. The combined group tractor sales resulted in Invicta being the number one in tractor sales in South Africa for the calendar year 2007. CSE, the earthmoving machinery division continued to experience competitive market conditions. Although volumes in the industry were strong, competition kept margins under pressure. CSE's turnover grew by 18%, but pressure on margins resulted in operating profit being only 5% higher than last year.

**Tiletoria**

The tile industry in South Africa has started feeling the effects of the slow-down in the housing sector due to increased interest rates and the slow-down in GDP growth. Nevertheless, Tiletoria, which was acquired with effect from 1 June 2007, performed well, although its contribution to the group is not yet material.

**Investments**

During the second half of the financial year, the group raised an additional R1 568 million. The funds were utilised to invest in long term financial assets, which has had the effect of lowering borrowing costs and increasing investment income. The security for the increased long term liabilities has been structured in such a way that the group's operating assets have been ring-fenced and the group's working capital is not affected in any way.

**Prospects**

The engineering consumables sector is expected to continue trading at current levels, underpinned by the resources boom, which should enable Bearing Man to produce real growth. Bearing Man has recently been appointed as the exclusive South African distributor for Pall Corporation for their industrial filtration products, and for Gates industrial drive belts. Although the acquisition by Bearing Man of Goldquest Hydraulics was not concluded due to certain conditions precedent not being met, the group is still exploring opportunities in the hydraulics industry.

Current trading conditions in the agricultural sector are also good, although agricultural input costs have risen dramatically over the past few months, which could reduce farmers' profitability and thereby temper sales in the agricultural machinery markets. The demand for agricultural machinery globally has risen sharply in the past few months, causing lead times for machinery to lengthen, which may limit Invicta's agricultural machinery divisions from fully exploiting the market opportunities.

The acquisition of Doosan South Africa, the exclusive distributor of Doosan construction machinery in South Africa was successfully completed and became effective on 1 April 2008. This strategic acquisition puts the Invicta group in a position to offer well priced, good quality excavators, wheel loaders and skid-steers to the market, thereby complementing the group's existing range of premium quality construction machinery.

The first steps for expanding Tiletoria into a major national player have been taken. A Durban based business has been acquired, which has been re-branded Tiletoria, and will form the base for growth into the Gauteng market. A new IT system is also in the process of being implemented, which should provide the platform for national growth.Although management expects the tile industry not to be buoyant in the short-term, it presents Tiletoria with the opportunity to gear its infrastructure for going national, and to seek well priced acquisitions, in order to take advantage of what should be a buoyant industry in the long term.

Provided demand for mineral and agricultural resources remains buoyant, overall prospects for the group for the coming year look good. The group expects the high interest rate and weak Rand environment to result in good value-for-money acquisition opportunities arising. Invicta, with its good cash resources and strong balance sheet, will be well positioned to take advantage of such opportunities.

**Dr C H Wiese**
*Chairman*

**A Goldstone**
*Managing Director*

## AUDIT OPINION

Our auditors, Deloitte & Touche, have issued their opinion on the group's financial statements for the year ended 31 March 2008. 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 annual financial statements and are consistent in all material respects with the group annual financial statements.

## DIVIDENDS

The board has declared a final cash dividend of 91 cents per share.

In compliance with the requirements of Strate the following dates are applicable:

| | |
|---|---|
| Last date to trade cum dividend | Friday, 27 June 2008 |
| First date of trading ex dividend | Monday, 30 June 2008 |
| Record date | Friday, 4 July 2008 |
| Payment date | Monday, 7 July 2008 |

Share certificates may not be dematerialised or rematerialised from Monday, 30 June 2008 to Friday, 4 July 2008, both days inclusive.

| | **2008 (cents)** | Increase % | 2007 (cents) |
|---|---|---|---|
| Interim Dividend | **47** | | 33 |
| Final Dividend | **91** | | 71 |
| | **138** | 33 | 104 |

By order of the board

**C Barnard**
*Secretary*

Johannesburg
10 June 2008

Segment information on these businesses is presented below:

| | **R'000 2008** | Engineering consumables R'000 2007 | **R'000 2008** | Capital equipment and spares R'000 2007 | **R'000 2008** | Non-segment allocations R'000 2007 | **R'000 2008** | R'000 2007 |
|---|---|---|---|---|---|---|---|---|
| Revenue | **1 542 741** | 1 355 179 | **1 700 909** | 1 308 219 | **91 846** | – | **3 335 496** | 2 663 398 |
| Operating profit before finance costs, interest and preference dividend received | **220 649** | 173 412 | **120 854** | 71 075 | **18 876** | 36 742 | **360 379** | 281 229 |
| Balance sheet | | | | | | | | |
| Assets | **941 163** | 772 005 | **1 055 135** | 684 949 | **3 219 935** | 1 540 311 | **5 216 233** | 2 997 265 |
| Liabilities | **316 559** | 251 518 | **909 867** | 526 786 | **2 872 069** | 1 288 115 | **4 098 495** | 2 066 419 |

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


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* Non-executive # Alternate

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