



• Annual Report •

07

building a diversified
industrial group



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Universal
• Annual Report •

07

profile

Universal Industries Corporation Limited (“Universal”) is a listed holding company for SA's leading suppliers of refrigerated display cases, polyurethane insulated panels and baking systems supplied mainly to the perishable food retail, wholesale and related industries.

Universal is a newly listed entity, having listed on the main board of the JSE on 29 November 2007. The underlying businesses are all well established (some with a history of more than 100 years) supplying a diverse range of blue chip clients in the local and international markets. The group has facilities in excess of 45 000 m² and employs 690 people.



forward looking statement

Going forward Universal will focus on maintaining the market leading position that its underlying operations have established in its chosen market segments. This will be achieved through a number of operational strategies that include a customer centric focus on delivering customised solutions with superior service and with an extensive product range of international quality.

Extracting of synergies between its business units in operational areas such as utilising export networks and distribution, as well as production and efficiency related activities offer significant opportunities for growth.

Universal will utilise the foundation provided by the existing businesses, which are cash generative with strong balance sheets, to expand its activities to other areas with the objective of becoming a diversified industrial group.



Group profile

NATURE OF THE BUSINESS

The group conducts its operations through three wholly owned operating subsidiaries namely, Colcab, Insulated Structures and Macadams with Colcab and Insulated Structures manufacturing and supplying refrigeration systems and Macadams manufacturing and supplying baking systems.

Refrigeration business

The group's refrigeration business is conducted through Colcab and Insulated Structures out of production facilities in Blackheath in Cape Town and Kya Sands in Randburg.

The refrigeration business supplies refrigerated display cabinets, polyurethane insulated panels for cold rooms, freezer rooms and other industrial applications and ancillary products. Its clients are predominantly in the perishable food industry and include all of the major supermarket chains, convenience stores, fast food shops, petroleum companies (forecourt shops), building and refrigeration contractors.

Colcab and Insulated Structures employ approximately 400 people and have a highly experienced and committed executive team, the majority of which are shareholders in the company. Additional capacity has recently been added to the group's manufacturing facilities, which has considerably increased manufacturing capacity. This facility has also positioned the overall group for the extraction of manufacturing synergies between the group companies.

The success of the refrigeration business is based on understanding and exceeding customers' needs and expectations. Significant time is spent monitoring international developments with regard to refrigeration technology and the group has a technology sharing arrangement with Tyler (Tyler is part of the Carrier Group, the world's largest commercial refrigeration manufacturer). As a result of its leading manufacturing facilities and Colcab's full test laboratory, the group is able to develop and launch new products and customise products for customers.

- **Refrigerated display cabinets**

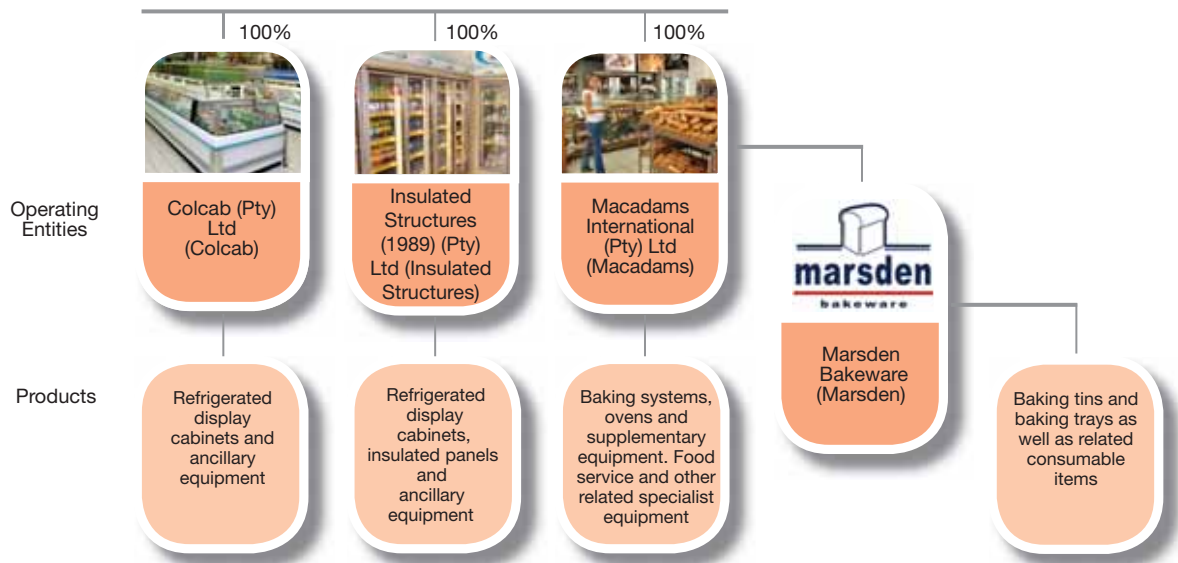
Colcab and Insulated Structures are the leading manufacturers and suppliers of refrigerated display cabinets in South Africa and have a significant market share. These businesses have been established for longer than any of their local competitors.

Almost all of the group's cabinets are remote cases (as opposed to self contained or plug-in type beverage coolers) requiring external refrigeration plant rooms. Colcab and Insulated Structures supply the display cases and line-up of the cases, whilst the customer contracts with a refrigeration contractor for the installation of the plant room, refrigeration piping and electrical connection.

- **Insulated panels**

Insulated Structures manufactures polyurethane insulated panels for cold rooms, freezer rooms and other industrial applications and ancillary products. Insulated Structures' focus is primarily on the supermarket industry where average room sizes are generally smaller, and where service level requirements and the quality of the finished product are more demanding, than those in the industrial market.

Cold rooms and freezer rooms are used primarily for backroom storage of perishable goods although there has been a trend towards cold and freezer rooms with glass doors which provide a storage and merchandising function. Rooms are generally purpose designed, manufactured and thereafter erected, commissioned and handed over to the customer.



• **Ancillary items**

Colcab and Insulated Structures have exclusive distribution rights for certain products that are ancillary to their core products including Anthony Glass Doors and McCue bumper systems (both of which are imported from the USA), EuroCryer (Italian specialised deli type refrigerated display cabinets) and Carrier self-contained display cabinets (imported from Europe). In addition, they sell a range of other complementary items (such as refrigeration equipment, meat rail systems, bumpers, shelving, heater mats and lighting).

Baking systems business

The group's baking systems business is conducted through Macadams which supplies ovens and supplementary baking equipment to a wide range of baking outlets. In addition, Marsden Bakeware, a division of Macadams, manufactures high quality pressed metal bakeware serving the baking and confectionery industry in South Africa and abroad.

As the leading supplier of these products in South Africa, Macadams' primary customers include all of the major supermarket chains, franchised food retailers, independent bakeries and pie shops and franchised bakery operations. The group is also the leading supplier of bakeware (baking tins and trays) to industrial baking operations.

Macadams operates out of an EN ISO 9001 certified manufacturing facility in Blackheath Industrial Park in Cape Town. New product development and design is a continued focus. The business is managed on a centralised basis with regional sales offices in Johannesburg, Durban and Cape Town staffed by a team of experienced and highly competent executives. Key executives of Macadams have acquired a significant interest in Universal.

Macadams' products are reliable, robust and easy to operate and have gained a number of foreign approvals and certifications. For more sophisticated markets, the ovens are completely customised. Key customer requirements include: space saving (capacity versus size); fuel efficiency; baking flexibility (different types of product at a consistent quality) and cost efficiency and Macadams continuously seeks to improve on these aspects.

Macadams provides a comprehensive service to its customers. A well-trained and experienced sales team assists prospective clients with feasibility studies, layouts, equipment selection, training, supplier details for ingredients and in obtaining finance.

Through a deliberate export drive over a number of years, Macadams has established itself in approximately 65 countries through the appointment of agents. Macadams' representatives interact with these agents and their significant customers on a regular basis and provide a technical support infrastructure based in Cape Town. Export sales contributed approximately 28% of turnover (in Rand value) for the 12 months ended 31 December 2007 but is expected to increase in 2008, partly attributed to the softening of the Rand.

Chairman and CEO'S report



Significant milestones:

- Acquisition of the Macadams business
- Listing on the JSE main board

Leslie Boyd, Chairman
Daryl Paynter, Chief Executive Officer

DEAR SHAREHOLDER

It is with great pleasure that we present our first annual report as a listed entity, and at this time we extend a warm welcome to all our new shareholders.

Universal achieved some significant milestones during this reporting period, the most notable being:

- the acquisition of the Macadams business, effective from 15 November 2007 (six weeks trading is included in the 2007 results); and
- the successful listing of Universal on the JSE main board on 29 November 2007.

The acquisition of Macadams and listing of the group has positioned Universal as the leading SA manufacturer and supplier of:

- refrigeration systems
 - refrigerated display cabinets to supermarkets, convenience stores and wholesalers; and
 - polyurethane insulated panels for cold rooms, freezer rooms and other industrial applications;
- baking systems
 - ovens, baking systems and supplementary baking equipment to the retail baking market, including supermarkets, convenience stores, franchises and independent bakeries.

INDUSTRY OVERVIEW

The group's primary area of operation is as a major supplier of capital equipment to the perishable foods industry, encompassing the retail, wholesale and manufacturing segments.

South African market

In recent years the SA perishable foods industry has expanded significantly in line with the favourable economic conditions, locally and internationally, as well as increased fixed investment expenditure locally. This growing demand has been supported by the South African government's development drive which has resulted in higher consumer spending in all areas including refrigerators, which has in turn increased the demand for perishable foods and supermarkets.

The broadening of the consumer base has contributed to the improved financial performance of the food retailers and their suppliers, allowing for the upgrading of existing facilities and the opening of additional facilities. Food retailers and their suppliers continue to invest in new locations as well as in the refurbishment and upgrading of existing facilities in an effort to maintain or increase market share and to gain entry into historically under serviced markets where there is more opportunity for growth.

Growth in the group's market has also been driven by changing consumer trends in the perishable foods industry, with a strong trend to convenience, ease of preparation, quality and freshness. To accommodate these trends retailers are seeking locations closer to the consumer and are upgrading existing facilities to deliver meal replacements and closer-to-fresh products to consumers. Retailers are also dedicating more floor space to "fresh product" areas.

Export markets

The export market is an established part of the baking systems business with representation throughout the world and export sales accounting for approximately 28% of its turnover. Although the refrigeration businesses have exported refrigeration units to a few countries, this has been predominantly through the supply to local customers embarking on international operations and represents a small percentage of the refrigeration business' turnover.

The group's products and services conform with international standards and exports could be a significant source of future growth for the group. This potential is particularly exciting in the context of the African market:

- where the growing demand for fresh products closer to the communities provides a natural demand for the group's products;
- to which the group's products, which are robust and come in different configurations customised for particular market requirements, are suitable; and
- where South Africa's proximity, accessibility and understanding of the market gives the group an advantage over competitors.

In this regard the group is already benefiting from the roll-out by South African retailers into the African market, both directly through sales of units and indirectly through the stimulation and development of the retail market in those countries.

Africa has also experienced favourable economic conditions in recent years and although many countries are coming off a fairly low base, advances are being made within food retailing, one of the sectors to benefit significantly from economic development.

FINANCIAL RESULTS

Analysis and interpretation of the financial results and position of the group are complicated by the following factors:

- For the period ended 31 December 2006:
 - Universal consisted of the refrigeration businesses only and the results do not include the baking systems business acquired from Macadams in 2007; and
 - the reporting period was for 16 months following a change in the financial year-end from 31 August to 31 December;
- For the year ended 31 December 2007:
 - the acquisition of the Macadams business was only effective as of 15 November 2007 and the results incorporate only six weeks of trading of the baking systems business. As a result of the December factory shut down Macadams' profit contribution to the group for the period was negligible; and

Chairman and CEO'S **report** continued



Africa's largest manufacturer
and supplier of refrigerated
display cases



*Group turnover of
R553 million and
operating profit of
R85 million

- the raising of R120 million following the private placement of shares and subsequent listing of the group on the JSE, effective 29 November 2007.

*Had the Macadams acquisition been effective from the beginning of the financial year being reported upon, the group revenue and operating profit before interest and tax would have been R553 million and R85 million respectively and basic earnings would have been 12,2 cents per share.

To facilitate a more meaningful analysis the operational review refers to turnover and operating income numbers extracted from the management accounts for the 12 months ending 31 December.

OPERATIONAL REVIEW

Refrigeration businesses

The refrigeration businesses had another good year, increasing sales by 12% to R284 million (when compared to the sales for the 12 months ended 31 December 2006). The division experienced strong demand for its product and completed the development of some exciting new products during the year.

The businesses delivered operating income of R44 million and maintained its operating margin at 15,5%. The operating margin was maintained notwithstanding increasing cost inflation, in particular on steel related products and labour. Capital expenditure of some R10 million on the upgrading of manufacturing facilities and equipment in recent years is expected to continue to contribute to improved efficiencies and product quality.

HAD THE MACADAMS ACQUISITION BEEN EFFECTIVE FOR THE FULL YEAR:



Macadams' export network in Africa represents a significant growth opportunity for the refrigeration businesses

A key differentiating factor of the business is its ability to provide solutions tailor-made to customer requirements. The customisation can vary depending on product aesthetics, dimensions, lighting, colour and even specialist refrigeration and/or electrical components installed on the production line. This flexibility in our manufacturing capability will be further enhanced through the continued upgrading of manufacturing facilities and equipment.

The business is committed to improving efficiencies and increasing capacity to ensure that it can meet the increasing demand from its customer base. This includes aspects such as a renewed focus by our client base on the environmental impact of the products being supplied. Access to international technology and working closely with our customer base will ensure that we are able to offer customised solutions of an international standard.

Although exports by the refrigeration businesses historically have been predominantly through supply to local customers embarking on international operations and represent a small percentage of the refrigeration business' turnover, the Africa export market has been identified as a growth area. Macadams' established export network in Africa offers a significant opportunity and should assist the refrigeration division in penetrating this market.



Leading manufacturer and supplier of refrigerated display cases, polyurethane insulated panels and related equipment





Macadams has over the last 100 years become a major force in the baking equipment industry, locally and internationally



Baking systems business

The baking systems business had a satisfactory year increasing sales by 6% (when compared to the sales for the 12 months ended 31 December 2006) to R269 million and achieving operating income of R41 million. As explained earlier the audited results include only six weeks of this period.

The business achieved an operating margin of 15,2%, and experienced margin pressure towards the second half of 2007 attributed to:

- cost increases, mainly on steel related products;
- the weakening of the Rand that led to margin pressure on imported equipment whilst the majority of export sales is now Rand denominated and therefore does not enjoy the immediate benefit of any weakening of the Rand; and
- Macadams entered into the foodservice market (commercial kitchen type equipment) that generally has a lower gross profit margin than their traditional baking equipment, and which required an investment in resources to establish capacity.

Macadams successfully added a range of additional complementary and specialist items to its product offering that has further improved its ability to offer a “one stop” solution to all its customers' baking and related equipment needs.

The move into foodservice equipment offers a tremendous opportunity for the business. Having already established itself as a preferred supplier to the majority of the local baking customers, cross-selling opportunities through the same sales and distribution channel will continue to be explored. Macadams is committed to driving growth in this area of the business.

Export sales has always been a significant component of the business, historically fluctuating between 25% and 35% of total sales. For the past year these amounted to 28%, reflecting the good growth experienced in the local market as well as the effect of the relatively strong Rand over the last few years. Going forward Macadams will continue its drive into export markets, with a strong emphasis on the African market.

Chairman and CEO's report **report** continued

CORPORATE GOVERNANCE

Following the listing in November 2007, the new board has moved quickly to set up the necessary structures to comply with the King II Code of Corporate Governance. An audit/risk committee and a remuneration/nomination committee have been established. Both committees are chaired by independent non-executive directors.

BLACK ECONOMIC EMPOWERMENT

Universal is committed to BEE and initiatives relating to all the aspects covered by the DTI scorecard are being addressed.

At the time of listing the pre-listing shareholders announced their intention to facilitate BEE shareholding of up to 17% and this is currently in process.

OUTLOOK

The group's fortunes are largely linked to the perishable food sector, with regard to both local and export business. Store rollout projections, which are provided by Universal's major customers, remain on-track. Despite the current deterioration in investor sentiment and the power issues experienced, it remains our view that food retail will continue to be more resilient than retail in general.

One area of concern is the impact of the power crisis on shopping centre development. In the medium to long term prolonged uncertainty may have an impact on our business as capital projects could be delayed should the uncertainty continue for any length of time.

The refrigeration businesses have an installed base of approximately 70 000 units whilst the baking systems business has approximately 30 000 units which are both replaced on average every seven years. If shopping centre development does slow down this could be mitigated by a renewed focus on store refurbishment.

Macadams' export network offers a significant opportunity to the group and should assist the refrigeration businesses in penetrating these markets, in particular as a result of the sharp weakening of the Rand.

Universal's strong balance sheet with R49 million of cash and R120 million of unutilised facilities will enable Universal to capitalise on acquisition opportunities which arise, particularly in light of the current decrease in asset valuations in general.

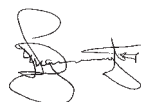
IN APPRECIATION

The board extends its thanks to the management and employees for their efforts last year. The company has reached an exciting new era and we all look forward to consolidating the businesses so that we can deliver rewards to our shareholders in the years ahead.



L Boyd

Independent Non-executive Chairman



D Paynter

Chief Executive Officer



Directorate

NON-EXECUTIVE DIRECTORS

Mr Leslie Boyd

Independent Non-executive Chairman
Chairman of the Remuneration and Nomination Committee
Member of the Audit and Risk Committee
Appointed: 29 November 2007

Leslie joined Highveld Steel and Vanadium Corporation Limited in 1970 and was appointed managing director from 1974 to 1983 and then chairman from 1983 to 2001. He was appointed to the board of Anglo American in 1984 and became deputy Chairman in 1992. He was Chairman of Anglo American Industrial Corporation from 1992. Leslie also served as Chairman of Anglo Platinum, AECI Limited and Altech among others. He retired from Anglo in 2001 as Executive Vice-Chairman of Anglo American PLC. His previous non-executive directorships include Absa Bank, Absa Group, Acerinox SA (Spain), Li & Fung Limited (Hong Kong) and Tongaat Hulett Group Limited.

Current directorships include:

Non-executive Chairman of:
Datatec Limited, Highveld Steel and Vanadium Corporation Limited, Imperial Holdings Limited, Metmar Limited

Non-executive Director of:
Aspen Pharmacare Holdings Limited, Columbus Stainless (Proprietary) Limited, Sun International Limited.

Mr Gaff Khan

Independent Non-executive Director and Deputy Chairman
Member of the Remuneration and Nomination Committee
Appointed: 29 November 2007

Gaff Khan has 35 years' experience in the property development and construction industry. He joined Murray and Roberts in 1973 as quantity surveyor and later progressed through the ranks where he served on the board of directors as well as holding the post of managing director of the construction entity in Western Cape. He also served on the board of the National Construction Company. He later joined Asrin Property Developers as partner and Executive Director.

Mr Colin Brayshaw

Independent Non-executive Director
Chairman of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee
Appointed: 29 November 2007

Colin is a Chartered Accountant and a Fellow of the Institute of Accountants in England and Wales. He was a partner of various firms, which today comprise Deloitte. In his last years in practice he was the managing partner of Deloitte & Touche followed by being its Chairman. He is the Governor of the University of Witwatersrand Foundation, Chairman of Business against Crime Trust, Trustee of St Andrews College Foundation and Representative of the Institute of Chartered Accountants in England and Wales in South Africa. His previous directorships include AECI Limited, AngloGold Ashanti Limited, Anglo Platinum Limited, Datatec Limited, Freestone Property Holdings Limited (where he was also appointed Chairman) and Johnnic Holdings Limited.

Current directorships include:

Non-executive Chairman of:
Coronation Investments & Trading Limited

Non-executive Director of:
Johnnic Communications Limited, Metmar Trading Limited, Highveld Steel and Vanadium Corporation Limited.

Mr Wayne Brett

Non-executive Director
Member of the Remuneration and Nomination Committee
CA(SA)

Wayne qualified as a Chartered Accountant at the University of Cape Town. He then became operationally involved in a number of successful businesses including TCO, an IT business which was sold to Dimension Data. Wayne was co-founder of Interactive Capital, which has successfully concluded a number of transactions in various industries including media, manufacturing, micro finance, retail, mining, sand and aggregates and buildware.

Mr Adam Esa

Independent Non-executive Director
Appointed: 29 November 2007

Adam has 40 years' experience in the development and construction industry. He was formerly in the employ of Murray & Roberts for 37 years where he retired early from his position as Construction Director to join Asrin Property Developers as an executive director. Adam has been involved with the full spectrum of construction from residential developments to high rise city centre developments and facilities such as airports. Current projects under his leadership include the R500 million Big Bay development which is presently under construction.

NON-EXECUTIVE DIRECTORS

Mr Ishmail Essa

Independent Non-executive Director – Alternate to Mr Adam Esa

Appointed: 29 November 2007

Ishmail has 13 years' experience in the construction and property development sector, and holds a diploma in personnel management. He is currently the CEO of Asrin Property Developers and under his guidance the company has grown exponentially for the last 13 years to be one of the leading Black Empowerment players in the property development industry.

Mr Avram Levy

Non-executive Director

BBusSc (Hons), CA (UK)

Avram completed a Business Science (Finance) degree at the University of Cape Town and proceeded to qualify as a Chartered Accountant in the United Kingdom. Thereafter he spent a number of years doing mergers and acquisition advisory work in the UK before returning to South Africa in 1996. He then became operationally involved in various businesses including a large micro finance business which was sold to African Bank Investments Limited. Thereafter, together with Wayne Brett, he founded Interactive Capital and has been involved in a number of successful transactions in various industries including media, manufacturing, micro finance, retail, mining, sand and aggregates and buildware.

EXECUTIVE DIRECTORS

Mr Daryl Paynter (40)

Chief Executive Officer and Executive Director

CA(SA), HDip (Tax)

After completion of his studies at the University of Pretoria, Daryl joined KPMG in 1990 to serve articles. He subsequently worked in the investment banking and private equity industry for the IDC, Nedcor Investment Bank and Corpcapital. Whilst at Corpcapital Daryl gained insight into both the refrigeration and baking systems business' that was part of Corpcapital's portfolio at that stage. In 2004 he joined Universal following the acquisition of the businesses by the pre-listing shareholders.

Mr Ivor Morgan (57)

Financial Director and Managing Director of Colcab

BSocSc, BAHons (UCT), CA (SA)

Ivor completed his studies at the University of Cape Town in 1975. In 1976 he began teaching at Marist Brothers College where he was also Deputy Principal. From 1983 to 1985 he served his articles with BDO Spencer Steward. Later in 1985 he was seconded to Columbit Holdings (Pty) Limited, and in 1986 was appointed Financial Manager for Matador Refrigeration and Colcab Manufacturing, both divisions of Columbit. In 1988 he was part of a management buyout, and was appointed Financial Director of Matador Refrigeration.

On sale of Matador in 1996, Ivor was appointed as Financial Director of Colcab, and in 2003 was appointed Managing Director. Ivor again became a shareholder when the refrigeration businesses were acquired from Corpcapital in 2004.

EXCO MEMBERS

Mr Jimmy Martin (58)

Group Technical Executive and Executive Director of Insulated Structures

BSc Eng, MBA

In 1971 Jimmy completed a BSc Mechanical Engineering degree at the University of the Witwatersrand. He held an Anglovaal scholarship and worked for Anglovaal Group Mines and Head Office until 1978. In 1979 he completed an MBA at the University of Cape Town. During the period 1980-1985 Jimmy was employed in senior management positions by Delta Metal Holdings, James Howden and a stockbroking firm. In 1985 he was part of a management buyout of a Delta company and thereafter the listing of Mining and Technical Holdings. In 1994 he was part of the buyout of Supreme Manufacturing Holdings, which included Insulated Structures. In 1996 Insulated Structures and Colcab were acquired by Universal, then a subsidiary of Corpcapital. Jimmy was managing director of Universal from inception until 2004, when he was part of the management buyout of Universal from Corpcapital and became the group's technical resource.

Mr Richard Wilkes (53)

Chief Executive Officer of Macadams

Dip Bus Man

Richard qualified as a chef in 1974. From 1974 to 1976, he joined Holiday Inn – Swaziland and East London. He then joined Phillip Bros as general manager – fast food and event catering from 1976 to 1982. In 1982, he joined Norbake as branch manager in Cape Town. In 1985 he joined Backon (that became part of Macadams). From 1985 to 1991, Richard started and managed his own supermarket business and licensed bakery. From 1992, he rejoined Macadams after successfully selling his supermarket and bakery business. He became CEO of Macadams in 1998 and led the management buyout of Macadams in 2004.

Mr Graham Noonan (44)

Financial Director of Macadams

CA(SA), BCom (Hons)

Graham obtained his BCom Honours from the University of Cape Town in 1985 before serving his National Service from 1986 to 1988. From 1988 to 1997, he joined Deloitte & Touche, where he completed his articles and remained on as a manager. From 1997 to 2000, he joined Baker Street, where he gained commercial experience as the financial director. He joined Macadams in 2000 as financial director and was part of the management buy out of Macadams in 2004.

Corporate governance

The directors endorse, and accept full responsibility for, the application of the principles necessary to ensure that effective Corporate Governance is practised consistently throughout Universal. In discharging this responsibility, Universal endeavours to comply with the requirements of the Code of Corporate Practice and Conduct in the King II Report on Corporate Governance. Universal's approach to corporate governance strives to be stakeholder inclusive, based on good communication and integrated into every aspect of Universal's business.

As of the listing date the directors have taken steps to make Universal compliant, in all material respects and with due consideration to the group's size, with the recommendations incorporated in the King Code.

SEPARATION OF ROLES OF CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

The board is chaired by Leslie Boyd, an independent non-executive director. The Chairperson is responsible for providing leadership to the board, overseeing its efficient operation and has been tasked with ensuring effective corporate governance practices.

The Chief Executive Officer, Daryl Paynter is responsible for formulating, implementing and maintaining the strategic direction of Universal, as well as ensuring that the day-to-day affairs of the group are appropriately supervised and controlled.

BOARD

The board comprises two executive directors and six non-executive directors (four independent).

The board's responsibilities include providing Universal with clear strategic direction, ensuring that there is adequate succession planning at senior levels, overseeing operational performance and management, determining policies and processes which seek to ensure the integrity of Universal's risk management and internal controls, implementing and maintaining Universal's communication policy and overseeing director selection, orientation and evaluation.

Non-executive directors bring an independent view to the board's decision-making. As a group, they enjoy significant influence at the meetings. The executive directors have fixed terms of appointment and all the non-executive directors are subject, by rotation, to retirement and re-election by shareholders at least every three years, in accordance with Universal's articles of association.

The board intends to meet at least four times a year with additional meetings called if necessary or desirable. Information relevant to a meeting is supplied on a timely basis to the board ensuring directors can make well informed and reasoned decisions. The directors have unrestricted access to information and management in relation to Universal, and where appropriate, may seek the advice of independent professionals on matters concerning the affairs of Universal.

AUTONOMY OF THE BOARD

The board's autonomy from the executive team responsible for the daily management of Universal is reinforced by:

- separation of the roles of the Chairperson and the Chief Executive Officer;
- functioning board committees comprising mainly non-executive directors;
- the non-executive directors not holding fixed-term service contracts;

- all directors, with prior permission of the board, being entitled to seek independent professional advice regarding the affairs of Universal at the company's expense;
- all directors having access to the advice and services of the Company Secretary, and
- the appointment and dismissal of the Company Secretary being decided by the board as a whole and not one individual director.

BOARD COMMITTEES

The responsibilities delegated to the committees are formally documented in terms of reference for that committee, which have been approved by the board and will be reviewed annually. It is intended that the effectiveness of the committees will be reviewed annually by the board, based on a self-evaluation conducted by each committee, as to their effectiveness and the degree to which they have fulfilled their terms of reference.

Audit and Risk Management Committee

The Audit and Risk Committee comprises two independent non-executive directors and is chaired by Colin Brayshaw. The committee has adopted written terms of reference.

The committee will meet at least three times a year and is responsible for assisting the board in fulfilling its responsibilities in respect of financial reporting issues, internal and external audit management, ensuring compliance with laws and regulations, risk management and development/maintenance of an effective internal control system.

The Audit Committee approves the use of the external auditors for non-audit purposes.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of four non-executive directors (three independent) and is chaired by Leslie Boyd.

The committee meets at least once a year and is responsible for assisting the board in fulfilling its responsibilities in respect of maintaining an appropriate remuneration strategy, ensuring Universal's directors and senior executives are fairly rewarded, providing for succession planning, assessing the effectiveness of the composition of the board and evaluating the board contribution by individual directors.

Universal intends adding a supplementary element to the remuneration package, namely a Universal Employee Share Incentive Scheme.

SHARE DEALING

The board has implemented a policy in respect of trading in securities of the company in line with the JSE regulations which prohibit trading during closed periods.

Directors are required to obtain written clearance from the Chief Executive Officer or the Chairperson of the board before dealing in Universal shares. In terms of the JSE Listings Requirements, any share dealings by directors are required to be released immediately on SENS. A register of share dealings by directors is maintained and reviewed by the board on a periodic basis.

Corporate governance continued

COMPANY SECRETARY

The Company Secretary acts as adviser to the board and plays a pivotal role in ensuring compliance with statutory regulations and the Code, the induction of new directors, tabling information on relevant regulatory and legislative changes, and providing guidance to the directors regarding their duties and responsibilities. The directors have unlimited access to the advice and services of the Company Secretary.

STAKEHOLDER COMMUNICATION

In all communications with stakeholders, the board aims to present a balanced and understandable assessment of Universal's position. This is done through adhering to principles of openness and substance over form and striving to address material matters of significant interest and concern to all stakeholders.

The board will encourage shareholder attendance at general meetings and where appropriate provides full and understandable explanations of the effects of resolutions to be proposed.

Communication with institutional shareowners and investment analysts will be maintained through presentations of financial results, one-on-one visits, trading statements and press announcements of interim and final results, as well as the proactive dissemination of any messages considered relevant to investors.

SUSTAINABILITY REPORT

Environment

Universal recognises that its activities have an impact on the environment. Universal has adopted a strategy that strives to minimise this impact by regularly reviewing its activities and compliance with all relevant legislation.

Employment equity

Universal has a clearly defined employment equity strategy aimed at realising the potential of previously disadvantaged people in South Africa and has complied with South African legislative requirements on employment equity plans.

Corporate Social Responsibility

As a participant in the SA economy, the Company acknowledges its responsibility towards the community. Where appropriate there is participation in programmes aimed at education or the improvement of previously disadvantaged communities.

Safety and health

Universal acknowledges its responsibility to its employees and complies with applicable legislation regarding quality, safety, health and the environment. We aim to provide and maintain, as far as practicably possible, a working environment that is safe and without material risk to the health of our employees. Where necessary we have committees and external consultants monitoring compliance.



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Group financial statements

Year ended 31 December 2007

REGISTRATION NUMBER

1996/004343/07

Incorporated in the Republic of South Africa



Directors' responsibility for financial reporting

The directors are responsible for the preparation, integrity and fair presentation of the financial statements and other financial information included in this report. In presenting the accompanying financial statements, International Financial Reporting Standards have been followed, applicable accounting assumptions have been used while prudent judgments and estimates have been made.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company or the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of the company and the group.

The financial statements have been audited by the independent accounting firm, PKF (Jhb) Inc., which was given unrestricted access to all financial records and related data, including all resolutions and minutes of all meetings of the shareholders, and the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements were approved by the directors on 7 March 2008 and are signed on their behalf.



Leslie Boyd
Independent Non-executive Chairman



Daryl Paynter
Chief Executive Officer

Certificate by the Company Secretary

In terms of the Companies Act, No 61 of 1973 (as amended) ("the Act"), we certify that, to the best of our knowledge, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.



Probity Business Services (Pty) Limited
Company Secretary
7 March 2008

Independent auditors' report

TO THE MEMBERS OF UNIVERSAL INDUSTRIES CORPORATION LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements and group financial statements of Universal Industries Corporation Limited, which comprise the directors' report, the balance sheets as at 31 December 2007, and the income statements, statements of changes in equity and cash flow statements for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 49.

Management's responsibility for the financial statements and group financial statements

Management is 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 in 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

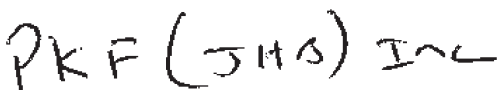
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 judgment, 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 management, 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 and group financial statements present fairly, in all material respects, the financial position of Universal Industries Corporation Limited, and its subsidiaries, as of 31 December 2007, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.



PKF (JHB) INC

Director : R M Huiskamp

Chartered Accountants (S.A.)

Registered Auditors

Registration number 1994/001166/21

Johannesburg

7 March 2008

Directors' report

Your directors have pleasure in presenting the company and the group financial statements for the year ended 31 December 2007.

BUSINESS AND OPERATIONS

The company's main business is that of an investment holding company. Its subsidiaries are involved in the business of manufacture, erection, supply and distribution of refrigerated display cabinets, insulated structures and industrial and commercial bakery and catering equipment and machinery of all descriptions and their components.

RESULTS OF OPERATIONS

The results of the company and the group are set out in the attached financial statements.

ACQUISITION

The company acquired the business of Macadams effective from 15 November 2007. Details of the acquisition are set out in note 22 to the financial statements.

Had the acquisition been effective from the beginning of the 2007 financial year, group turnover and operating profit before interest and tax would have been R553 million and R85 million respectively and basic earnings would have been 12,2 cents per share (information extracted from management accounts).

NAME CHANGE AND CONVERSION FROM PRIVATE TO PUBLIC COMPANY

During the year the company converted from a private to a public company and changed its name from Universal Food Systems (Pty) Limited to Universal Industries Corporation Limited.

AUTHORISED AND ISSUED SHARE CAPITAL

Details are contained in note 11 to the financial statements.

The group listed on the JSE on 29 November 2007. Pre-listing the company sub-divided each share of R1,00 into 100 000 shares of R0,00001 and undertook a capitalisation award where 338 333 333 shares were issued at par (R0,00001 per share).

80 000 000 shares were issued at R1,50 per share in a private placement, and a further 46 666 667 shares were issued at R1,50 per share to the Macadams vendors in part payment for the Macadams acquisition.

SUBSIDIARIES

The following entities, all incorporated in the Republic of South Africa, are wholly owned subsidiaries:

- Colcab (Pty) Limited ("Colcab") is a manufacturer of refrigerated display cases;
- Colcab Manufacturing (Pty) Limited ("Colcab Manufacturing") is a dormant entity;
- Insulated Structures (1989) (Pty) Limited. ("Insulated Structures") is a manufacturer of refrigerated display cases and insulated panels; and
- Macadams International (Pty) Limited ("Macadams") is a manufacturer and distributor of baking equipment and related items.

Details of the company's investment in subsidiaries are set out in note 7 to the financial statements.

DIVIDENDS

On 1 November 2007 the company declared a dividend of R27 500 000 to the pre-listing shareholders in settlement of their unsecured loans.

As stated in the prospectus at the time of listing, Universal intends implementing an annual dividend policy of 25% of profits attributable to the equity holders, subject to operational requirements, at the conclusion of the 2008 financial year.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The directors are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which significantly affect the financial position of the company or the results of its operations.

DIRECTORATE

Non-executive

Leslie Boyd (<i>Chairman</i>)	(Appointed 29 November 2007)
Gaff Khan (<i>Deputy Chairman</i>)	(Appointed 29 November 2007)
Colin Brayshaw	(Appointed 29 November 2007)
Wayne Brett	
Adam Esa	(Appointed 29 November 2007)
Ishmail Essa (<i>Alternate to Adam Esa</i>)	(Appointed 29 November 2007)
Avram Levy	

Executive

Daryl Paynter (<i>CEO</i>)	
Ivor Morgan (<i>CFO</i>)	
Jimmy Martin	(Resigned 31 October 2007)

SECRETARY

Probity Business Services (Pty) Limited
3rd Floor, JHI House, Cradock Avenue,
Rosebank, 2196

BORROWING POWERS

The company has unlimited borrowing powers.

DIRECTORS' INTEREST IN SHARES OF THE COMPANY AS AT 31 DECEMBER 2007

Director	Direct	Indirect beneficial	Total
Leslie Boyd	250 000	–	250 000
Gaff Khan	–	–	–
Colin Brayshaw	250 000	–	250 000
Wayne Brett	–	70 832 324	70 832 324
Adam Esa	–	–	–
Ishmail Essa	–	–	–
Avram Levy	–	70 632 324	70 632 324
Daryl Paynter	–	86 827 625	86 827 625
Ivor Morgan	6 419 658	–	6 419 658
	6 919 658	228 292 273	235 211 931

There has been no change in the directors' shareholding from year end to the date of this report.

AUDITORS

It will be proposed at the annual general meeting that PKF (Jhb) Incorporated continue in office as auditors to the group in accordance with section 270(2) of the Companies Act.

Balance sheets

As at 31 December 2007

	Notes	GROUP		COMPANY	
		2007 R 000	2006 R 000	2007 R 000	2006 R 000
ASSETS					
Non-current assets		191 335	17 921	219 805	44 935
Property, plant and equipment	4	12 968	8 800	–	–
Deferred taxation	5	2 144	228	22	22
Goodwill	6	176 223	7 037	–	–
Investment in and loans to subsidiaries	7	–	–	219 783	43 057
Listed investment	8	–	1 856	–	1 856
Current assets		239 636	104 013	286	6 063
Inventories	9	73 795	29 923	–	–
Trade and other receivables	10	116 341	43 222	285	6 063
Taxation prepaid		28	28	–	–
Bank and call deposits		49 472	30 840	1	–
Total assets		430 971	121 934	220 091	50 998
EQUITY AND LIABILITIES					
Capital and reserves		265 073	75 902	208 226	32 441
Share capital	11	5	–	5	–
Share premium	12	189 829	2 142	189 829	2 142
Accumulated profits		75 239	73 760	18 392	30 299
Non-current liabilities		60 647	2 281	10 018	11 016
Interest bearing liabilities	13	1 009	2 281	–	998
Interest free liabilities	14	–	–	10 018	10 018
Other financial liabilities	15	59 638	–	–	–
Current liabilities		105 251	43 751	1 847	7 541
Trade and other payables	16	76 518	27 639	365	29
Current portion of:					
– interest bearing liabilities	13	1 533	7 610	937	7 097
– other financial liabilities	15	15 408	–	–	–
Taxation payable		11 792	8 502	545	415
Total equity and liabilities		430 971	121 934	220 091	50 998
Net asset value per share (cents)		55,2	21,5		
Tangible net asset value per share (cents)		18,1	19,4		

Income statements

Period ended 31 December 2007

	Notes	GROUP		COMPANY	
		2007 R 000 Year	2006 R 000 16 months	2007 R 000 Year	2006 R 000 16 months
Revenue	18	314 222	331 189	780	480
Cost of goods sold		(235 476)	(253 370)	–	–
Gross profit		78 746	77 819	780	480
Other income		452	443	17 180	12 549
Operating expenses		(32 891)	(26 198)	(1 089)	(307)
Profit from operations	19	46 307	52 064	16 871	12 722
Interest received		1 706	1 530	2 323	3 026
Interest paid		(2 281)	(1 569)	(306)	(1 520)
Profit before taxation		45 732	52 025	18 888	14 228
Taxation	20	(16 753)	(15 021)	(3 295)	(393)
Profit attributable to the equity holders of the parent		28 979	37 004	15 593	13 835
Basic earnings per share (cents)	30	8,0	10,3		
Dividends per share (cents)		7,8	–		

Statements of changes in equity

Period ended 31 December 2007

	Share capital R 000	Share premium R 000	Accumulated profits R 000	Total R 000
GROUP				
Balances at 31 August 2005	–	3 500	36 756	40 256
Share buyback	–	(1 358)	–	(1 358)
Profit for the 16 month period	–	–	37 004	37 004
Balances at 31 December 2006	–	2 142	73 760	75 902
Share capitalisation	4	(4)	–	–
Issue of shares	1	189 999	–	190 000
Listing expenses	–	(2 308)	–	(2 308)
Profit for the year	–	–	28 979	28 979
Dividends paid	–	–	(27 500)	(27 500)
Balances at 31 December 2007	5	189 829	75 239	265 073
COMPANY				
Balances at 31 August 2005	–	3 500	16 464	19 964
Share buyback	–	(1 358)	–	(1 358)
Profit for the 16 month period	–	–	13 835	13 835
Balances at 31 December 2006	–	2 142	30 299	32 441
Share capitalisation	4	(4)	–	–
Issue of shares	1	189 999	–	190 000
Listing expenses	–	(2 308)	–	(2 308)
Profit for the year	–	–	15 593	15 593
Dividends paid	–	–	(27 500)	(27 500)
Balances at 31 December 2007	5	189 829	18 392	208 226

Cash flow statements

Period ended 31 December 2007

	Notes	GROUP		COMPANY	
		2007	2006	2007	2006
		R 000 Year	R 000 16 months	R 000 Year	R 000 16 months
Cash flows from operating activities		39 899	41 207	22 009	8 002
Cash generated by operations	21.1	55 853	48 926	23 157	6 496
Interest received		1 706	1 530	2 323	3 026
Interest paid		(2 281)	(1 569)	(306)	(1 520)
Taxation paid	21.2	(15 379)	(7 680)	(3 165)	–
Cash flows from investing activities		(104 204)	(5 811)	1 683	(1 856)
Acquisition of subsidiary		–	–	(1)	–
Additions to property, plant and equipment		(1 427)	(3 964)	–	–
Acquisition of business	22	(104 570)	–	–	–
Listed investment acquired		–	(1 856)	–	(1 856)
Proceeds on disposal of:					
– property, plant and equipment		109	9	–	–
– listed investment		1 684	–	1 684	–
Cash flows from financing activities		82 937	(12 723)	(23 691)	(8 567)
Shareholders' loans repaid		(5 686)	(6 060)	(5 686)	(6 060)
Loans (advanced to)/repaid by subsidiaries		–	–	(106 725)	3 002
Net repayment of interest bearing liabilities		(1 569)	(5 305)	(1 472)	(4 151)
Share buyback		–	(1 358)	–	(1 358)
Net proceeds from shares issued		117 692	–	117 692	–
Dividends paid		(27 500)	–	(27 500)	–
Increase/(decrease) in cash resources		18 632	22 673	1	(2 421)
Cash resources at beginning of period		30 840	8 167	–	2 421
Cash resources at end of period	21.3	49 472	30 840	1	–

Notes to the financial statements

Year ended 31 December 2007

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

1. BASIS OF PREPARATION

These financial statements have been prepared in conformity with International Financial Reporting Standards (“IFRS”) on the historic cost basis except in the case of financial instruments which are measured using the fair value and amortised cost models.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 2.

1.1 First-time adoption of International Financial Reporting Standards

The company has applied IFRS 1 – First-time adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Reporting and Accounting Standards. There were no material adjustments which required retrospective restatement.

1.2 Adoption of standards and interpretations effective in 2007

The following standards have been applied by the group from 1 January 2007:

- IFRS 7 – Financial Instruments: Disclosure
- IAS 1 (Amendment) – Capital Disclosures

The application of IFRS 7 and IAS 1 (Amendment) for the year ended 31 December 2007 have not affected the amounts recognised in the balance sheet or income statement as the standards are concerned with disclosure only. Certain comparative information has however been restated in order to achieve compliance with the disclosure requirements of these standards.

1.3 Standards and interpretations effective in 2007 but not relevant

The following statements became mandatory for accounting periods beginning on or after 1 January 2007 but is not relevant to the operations of the group.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 13 – Customer Loyalty Programmes

1.4 IFRS issued but not yet applied

The following IFRS was available for early application but has not yet been applied by the group in these financial statements:

IFRS 8 – Operating Segments for years commencing on or after 1 January 2009

Notes to the financial statements **continued**

Year ended 31 December 2007

2. SIGNIFICANT JUDGEMENTS

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Stock impairments

Impairment of stock is calculated on a line by line basis with reference to average consumption to identify slow moving, defective or obsolete items.

Goodwill

Goodwill is tested for impairment at each balance sheet date. The recoverable amounts of cash generating units to which a portion of goodwill relates, have been estimated based on value in use calculations. Value in use calculations have been based on an appropriate discount rate.

Based on value in use calculations, no impairment of goodwill is required.

Trade and other receivables

The group assesses its trade and other receivables for impairment at each balance sheet date. In determining whether an impairment should be recognised in the income statement, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from each receivable.

Residual values and useful lives of items of property, plant and equipment

Plant and equipment

Due to the specialised nature of the group's plant and equipment, the residual value attached to these assets has been estimated to be negligible. The group estimates that the useful life of the plant and equipment, being the period of time for which the assets can be utilised without significant modifications, replacements or improvements, is eight years based on current levels of production.

Motor vehicles

The entity has a policy of utilising all motor vehicles for a period of five years. Heavy duty trucks are estimated to have no residual value at the end of five years.

3. ACCOUNTING POLICIES

3.1 Basis of consolidation

The group financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries. Subsidiaries, which are those entities in which the group has an interest of more than one half of the voting rights or the power to exercise control, have been consolidated.

Notes to the financial statements **continued**

Year ended 31 December 2007

3. ACCOUNTING POLICIES **continued**

3.1 Basis of consolidation **continued**

The results of any subsidiaries acquired or disposed of during the year are included from the dates effective control was acquired and up to the dates effective control ceased. The assets and liabilities of companies acquired are included in the consolidated balance sheet at their estimated fair values to the group as at the date of acquisition.

All material intragroup transactions and balances are eliminated on consolidation.

3.2 Property, plant and equipment

Property, plant and equipment is initially recorded at cost.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life. The depreciation rate applicable to each category of plant and equipment is as follows:

Plant and equipment	12,50%
Motor vehicles	20,00%
Furniture and fittings	16,67%
Leasehold improvements	20,00%
Office equipment	16,67%
Computer equipment	33,33%
Computer software	50,00%

The profit or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense.

3.3 Impairment of assets

The carrying amounts of property, plant and equipment are reviewed annually for an indication whether or not the relevant asset is impaired. If any such indication exists and where the carrying amounts exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Impairment losses and reversals are recognised directly in the income statement under the line item "other operating expenses", unless such reversals relate to previously recognised revaluation reserves in equity.

3.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes transport and handling cost. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs to be incurred in marketing, selling and distribution.

Where necessary, provisions are made for obsolete, slow moving and defective inventories.

During the year the group changed its accounting policy and cost is now calculated on a weighted average basis (previously on a first in first out basis).

Notes to the financial statements **continued**

Year ended 31 December 2007

3. ACCOUNTING POLICIES **continued**

3.5 Taxation

Current tax

The charge for current tax is based on the financial results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred taxation is provided on the comprehensive basis computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on the rates that have been enacted or substantively enacted by the balance sheet date.

Secondary Tax on Companies

Secondary Tax on Companies is provided in respect of dividend payments net of dividends received or receivable and is recognised as a taxation charge in the period in which the dividend is declared.

3.6 Translation of foreign currencies

Transactions

Foreign currency transactions are recorded, on initial recognition, by applying the exchange rate ruling at the date of the transaction.

At each balance sheet date:

- Foreign currency monetary items are reported using the closing rate;
- Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate ruling at the date of the transaction; and
- Non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

3.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, and in respect of services rendered when the services are rendered. Revenue excludes value added taxation.

Notes to the financial statements **continued**

Year ended 31 December 2007

3. ACCOUNTING POLICIES **continued**

3.8 Employee benefits

Defined contribution plans

Contributions to a defined contribution plan in respect of service are recognised as an expense in the relevant period.

3.9 Financial instruments

Initial recognition and measurement

All financial instruments are recognised on the balance sheet. Financial instruments are initially recognised when the company becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument. Transaction costs are not included in the initial recognition of financial assets carried at fair value through profit and loss.

Subsequent to initial recognition financial instruments are measured as set out below.

Financial assets

The company's principal financial assets are trade and other receivables and bank and call deposits.

Trade and other receivables

Trade and other receivables originated by the company are stated at their nominal value less impairments. An estimate of impairment is made on a review of each outstanding amount at the balance sheet date. Irrecoverable amounts are written off during the period in which they are identified.

Bank and call deposits

The accounting policy for bank and call deposits is dealt with under cash and cash equivalents set out below.

Financial liabilities

The company's principal financial liabilities are interest bearing liabilities, non-interest bearing liabilities, accounts payable, bank overdrafts and other short-term liabilities.

Interest bearing liabilities

Interest bearing liabilities are recognised at amortised cost, namely original debt less principal payments and amortisation.

Non-interest bearing liabilities

Non-interest bearing liabilities are recognised at original debt less principal payments.

Trade and other payables

Trade and other payables are stated at their nominal value.

Notes to the financial statements **continued**

Year ended 31 December 2007

3. ACCOUNTING POLICIES **continued**

3.9 Financial instruments **continued**

Other financial liabilities

The accounting policy for bank overdraft and other short-term borrowings is dealt with under cash and cash equivalents set out below.

Derecognition

Financial assets (or a portion thereof) are derecognised when the company realises the rights to the benefits specified in the contract, the rights expire or the company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. In derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the income statement.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and amounts paid for it are included in the income statement.

Fair value methods and assumptions

The fair value of financial instruments, not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risk existing at balance sheet date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their nominal amounts.

Cash and cash equivalents

Cash and cash equivalents are measured at their fair value. For the purpose of the cash flow statement, cash and cash equivalents comprise bank and call deposits.

Set-off

Where a legally enforceable right to set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are set-off.

3.10 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Notes to the financial statements **continued**

Year ended 31 December 2007

3. ACCOUNTING POLICIES **continued**

3.11 Goodwill

Positive goodwill

Any payment made by the group in excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities being acquired, in anticipation of future economic benefits from the assets that are not capable of being individually identified and separately recognised, is recognised as goodwill. Goodwill is tested on an annual basis for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

Negative goodwill

Where the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised, exceeds the cost of the business combination, the excess is recognised immediately in profit and loss, after a reassessment of the measurement of the acquiree's identifiable assets, liabilities and contingent liabilities has been performed.

3.12 Investments in subsidiaries

Investments in subsidiaries are stated at cost.

3.13 Leased assets

Leases of property, plant and equipment, which confer substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance lease agreements are capitalised at fair value or, if lower, at the present value of the minimum lease payments. Finance lease payments are allocated using the effective interest rate method, between finance costs and capital repayments.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases are those leases that do not meet the above definition. Operating lease rentals are charged against profit on a straight-line basis over the term of the lease.

Notes to the financial statements **continued**

Year ended 31 December 2007

	GROUP		COMPANY	
	2007 R 000	2006 R 000	2007 R 000	2006 R 000
4. PROPERTY, PLANT AND EQUIPMENT				
Cost				
Plant and equipment	21 748	19 210	-	-
Furniture and fittings	871	669	-	-
Motor vehicles	1 443	1 034	-	-
Leasehold improvements	590	222	-	-
Office equipment	508	251	-	-
Computer equipment	2 760	2 118	-	-
Computer software	269	153	-	-
	28 189	23 657	-	-
Accumulated depreciation				
Plant and equipment	12 275	11 427	-	-
Furniture and fittings	575	614	-	-
Motor vehicles	527	468	-	-
Leasehold improvements	218	195	-	-
Office equipment	90	147	-	-
Computer equipment	1 354	1 884	-	-
Computer software	182	122	-	-
	15 221	14 857	-	-
Carrying amount at end of period				
Plant and equipment	9 473	7 783	-	-
Furniture and fittings	296	55	-	-
Motor vehicles	916	566	-	-
Leasehold improvements	372	27	-	-
Office equipment	418	104	-	-
Computer equipment	1 406	234	-	-
Computer software	87	31	-	-
	12 968	8 800	-	-

Notes to the financial statements **continued**

Year ended 31 December 2007

	GROUP		COMPANY	
	2007 R 000	2006 R 000	2007 R 000	2006 R 000
4. PROPERTY, PLANT AND EQUIPMENT continued				
Movements for the period				
Carrying amount at beginning of year	8 800	6 857	-	-
Additions:	5 720	3 964	-	-
Plant and equipment	2 656	3 096	-	-
Furniture and fittings	276	-	-	-
Motor vehicles	638	508	-	-
Leasehold improvements	367	-	-	-
Office equipment	358	87	-	-
Computer equipment	1 309	34	-	-
Computer software	116	239	-	-
Book value of disposals	(102)	(9)	-	-
Motor vehicles	(102)	-	-	-
Computer equipment	-	(9)	-	-
Depreciation for the year	(1 450)	(2 012)	-	-
Plant and equipment	(855)	(1 527)	-	-
Furniture and fittings	(35)	(42)	-	-
Motor vehicles	(189)	(150)	-	-
Leasehold improvements	(20)	(20)	-	-
Office equipment	(35)	(15)	-	-
Computer software	(256)	(89)	-	-
Computer equipment	(60)	(169)	-	-
Carrying amount at end of year	12 968	8 800	-	-

Encumbrances:

- Property, plant and equipment have been encumbered by general and special notarial bonds as detailed in note 17; and
- Certain items of plant and equipment were acquired under instalment sale agreements as detailed in note 13.

Notes to the financial statements **continued**

Year ended 31 December 2007

	GROUP		COMPANY	
	2007 R 000	2006 R 000	2007 R 000	2006 R 000
5. DEFERRED TAXATION				
Balance at beginning of year	228	2 621	22	–
Movement during period attributable to:				
– Temporary differences	1 916	(2 393)	–	22
Balance at end of year	2 144	228	22	22
The balance comprises:				
– Provisions	3 400	228	22	22
– Deposits	189	–	–	–
– Accelerated capital allowances	(1 445)	–	–	–
	2 144	228	22	22
6. GOODWILL				
Goodwill arising on acquisition of subsidiary – Insulated Structures	7 037	7 037	–	–
Goodwill arising on acquisition of business – Macadams	169 186	–	–	–
	176 223	7 037	–	–

On 15 November 2007, the group acquired the business assets and liabilities of Macadams. Refer note 22 for more details of the acquisition. The goodwill comprises the excess of the cost of the acquisition over the fair value of net tangible assets. Identifiable intangible assets will be fair valued in terms of IFRS 3 during the next reporting period.

To assess any impairment of goodwill the recoverable amount of the cash generating units, applicable to goodwill, have each been determined on a value in use calculation, using cash flow projections, which cover a five-year period. The cash flows have been discounted at a rate of 16,9% and a growth rate of 6% has been applied.

The recoverable amounts of the units were determined to be higher than the relevant portion of goodwill and therefore no impairment was necessary.

Notes to the financial statements **continued**

Year ended 31 December 2007

	GROUP		COMPANY	
	2007 R 000	2006 R 000	2007 R 000	2006 R 000
7. INVESTMENT IN AND LOANS TO SUBSIDIARIES				
Unlisted shares at cost – all wholly owned			15 422	15 421
– Colcab			–	–
– Colcab Manufacturing			8 313	8 313
– Insulated Structures			7 108	7 108
– Macadams			1	–
Interest bearing loans			22 290	22 290
– Colcab			14 898	14 898
– Insulated Structures			7 392	7 392
The loans are unsecured, bear interest at an average rate, which approximates the prime overdraft rate, and are repayable subject to a twelve month notice period. At 31 December 2007, no notice for repayment had been given. The loans have been ceded to the company’s bankers as detailed in note 17.				
Non-interest bearing loans receivable/(payable)			182 071	5 346
– Colcab			(3 660)	–
– Insulated Structures			3 907	5 346
– Macadams			181 824	–
The loans are unsecured, and are repayable subject to a twelve month notice period. At 31 December 2007, no notice for repayment had been given. The loans have been ceded to the company’s bankers as detailed in note 17.				
			219 783	43 057
8. LISTED INVESTMENT				
2 000 ABSA Bank Limited preference shares at market value	–	1 856	–	1 856

Notes to the financial statements **continued**

Year ended 31 December 2007

	GROUP		COMPANY	
	2007 R 000	2006 R 000	2007 R 000	2006 R 000
9. INVENTORIES				
The amounts attributable to the different categories are as follows:				
Raw materials	27 598	20 726	–	–
Work in progress	8 216	2 790	–	–
Finished goods	37 981	6 407	–	–
	73 795	29 923	–	–
Inventories have been ceded to the bank as security for facilities granted (refer note 17).				
10. TRADE AND OTHER RECEIVABLES				
These comprise:				
– Trade receivables net of impairments	114 263	35 522	–	–
– Prepayments	565	1 609	–	–
– Deposits	1 225	26	–	–
– Other receivables	288	6 065	285	6 063
	116 341	43 222	285	6 063
Trade receivables have been ceded to the bank as security for facilities granted (refer note 17).				
Allowances for impairment				
Balance at beginning of year	1 513	1 608	–	–
Impairment balances acquired at acquisition of Macadams	8 500	–	–	–
Impairments recognised/(derecognised) in income statement	1 499	(95)	–	–
Balance at end of year	11 512	1 513	–	–
The following factors were considered in determining the amounts of the impairment:				
– each account was assessed based on past credit history;				
– extent of credit guarantee insurance; and				
– any knowledge of particular insolvency or other risk.				
Trade receivables past due but not impaired:				
Amounts in 30 to 60 days	15 508	11 332	–	–
Amounts in 60 to 90 days	9 746	5 342	–	–
Amounts in 90 days plus	3 351	950	–	–
	28 605	17 624	–	–

Notes to the financial statements **continued**

Year ended 31 December 2007

	GROUP		COMPANY	
	2007 R 000	2006 R 000	2007 R 000	2006 R 000
10. TRADE AND OTHER RECEIVABLES continued				
Related credit exposure and enhancements				
Total trade and other receivables	116 341	43 222	285	6 063
Prepayments, deposits and other receivables	(2 078)	(7 700)	(285)	(6 063)
Maximum exposure to credit losses of trade and other receivables	114 263	35 522	–	–
Credit risk mitigated through credit guarantee insurance	(9 709)	–	–	–
Residual exposure	104 554	35 522	–	–
11. SHARE CAPITAL				
Authorised				
2 000 000 000 (2006: 4 000) ordinary shares of R0,00001 (2006: R1) each	20	4	20	4
Issued				
480 000 000 ordinary shares of R0,00001 each				
Beginning of year 195 shares (2006: 200) of R1 each	–	–	–	–
Share buy back	–	–	–	–
Share capitalisation	4	–	4	–
Issue of shares	1	–	1	–
Balance at end of year 480 000 000 shares (2006: 195) of R0,00001 (2006: R1) each	5	–	5	–
1 520 000 000 unissued ordinary shares are under the control of the directors until the next annual general meeting.				
12. SHARE PREMIUM				
Arising on issue of shares	189 829	2 142	189 829	2 142

Notes to the financial statements **continued**

Year ended December 2007

	GROUP		COMPANY	
	2007 R 000	2006 R 000	2007 R 000	2006 R 000
13. INTEREST BEARING LIABILITIES				
Amounts owing to:				
Fixed rate term loan	-	998	-	998
Capital outstanding	937	2 409	937	2 409
Less: Current portion	(937)	(1 411)	(937)	(1 411)
Instalment sale agreements	1 009	1 283	-	-
Capital outstanding	1 605	1 796	-	-
Less: Current portion	(596)	(513)	-	-
Shareholders' unsecured loans	-	-	-	-
Capital outstanding	-	5 686	-	5 686
Less: Current portion	-	(5 686)	-	(5 686)
Non-current portion	1 009	2 281	-	998
Fixed rate term loan	937	1 411	937	1 411
Instalment sale agreements	596	513	-	-
Shareholders' unsecured loans	-	5 686	-	5 686
Current portion	1 533	7 610	937	7 097

Fixed rate term loan

Fixed interest rate of 10,85%, repayable in 7 (2006: 19) equal monthly instalments of R137 205 inclusive of finance charges. Secured as per note 17.

Instalment sale agreements

The agreements bear interest at the prime overdraft rate less 1%. The liability is repayable in monthly instalments of R179 961 (2006: R42 757). The instalment sale agreements are secured by plant and equipment with a carrying value of R2 572 504 (2006: R4 917 415).

Shareholders' unsecured loans

Unsecured, bearing interest at rates agreed from time to time and were ceded to the bank for facilities granted.

Notes to the financial statements **continued**

Year ended 31 December 2007

	GROUP		COMPANY	
	2007 R 000	2006 R 000	2007 R 000	2006 R 000
14. INTEREST FREE LIABILITIES				
Colcab Manufacturing (Pty) Limited	–	–	10 018	10 018
The loan is unsecured and is repayable subject to a twelve month notice period. At 31 December 2007, no notice for repayment had been received.				
15. OTHER FINANCIAL LIABILITIES				
At fair value through profit or loss				
Foreign exchange contracts (“FEC”). All outstanding FECs were revalued using the exchange rate ruling at year end	32	–	–	–
Held at amortised cost				
Macadams Baking Systems (Pty) Limited (being the vendor of the Macadams International business). The loan is unsecured, bears no interest and will be repayable as to R15 million during the 2008 financial year and the balance on 31 December 2009	75 014	–	–	–
	75 046	–	–	–
Non-current liabilities				
At amortised cost	59 638	–	–	–
Current liabilities	15 408	–	–	–
At fair value	32	–	–	–
At amortised cost	15 376	–	–	–
	75 046	–	–	–
16. TRADE AND OTHER PAYABLES				
Trade payables	59 283	20 938	365	29
Payroll and statutory accruals	8 730	5 302	–	–
Other	8 505	1 399	–	–
	76 518	27 639	365	29

Notes to the financial statements **continued**

Year ended 31 December 2007

17. BANK OVERDRAFT

The banking facilities of the company and its subsidiaries are secured as follows:

- General notarial bond over all moveable assets of:
 - Insulated Structures (R10 million); and
 - Colcab (R15 million).
- Special and general notarial bonds over all moveable assets of Macadams (R70 million).
- Cession of all trade and other receivables.
- Unlimited suretyship in favour of the bank provided by:
 - Universal Industries;
 - Colcab;
 - Insulated Structures; and
 - Macadams.
- The company has ceded to the bank its shares and loan accounts in:
 - Insulated Structures;
 - Colcab; and
 - Macadams.

	GROUP		COMPANY	
	2007 R 000 Year	2006 R 000 16 months	2007 R 000 Year	2006 R 000 16 months
18. REVENUE				
Gross revenue comprises turnover, which excludes value added tax and represents the invoiced value of goods and services supplied:				
Major classes of revenue comprise:				
– Sales of goods and services	314 222	331 189	–	–
– Management fees received	–	–	780	480
	314 222	331 189	780	480
19. PROFIT FROM OPERATIONS				
Profit from operations is stated after taking into account the following items:				
Income				
Profit on foreign exchange	145	65	–	–
Dividends received	157	48	17 181	12 548
Profit on disposal of property, plant and equipment	7	–	–	–
Management fees	–	–	780	480

Notes to the financial statements **continued**

Year ended 31 December 2007

	GROUP		COMPANY	
	2007	2006	2007	2006
	R 000 Year	R 000 16 months	R 000 Year	R 000 16 months
19. PROFIT FROM OPERATIONS continued				
Expenditure				
Auditors' remuneration	641	419	230	23
Audit fee				
– Current year	662	236	220	15
– (Over)/underprovision prior year	(21)	169	10	(6)
– Other services	–	14	–	14
Consulting fees	184	170	–	–
Depreciation	1 450	2 012	–	–
Fair value adjustment on listed investment	–	153	–	153
Impairment of inventories	850	4 065	–	–
Impairment of trade receivables	1 499	(95)	–	–
Loss on disposal of listed investment	172	–	172	–
Management fees	420	648	420	–
Operating lease charges	4 313	5 874	–	–
– Property	4 285	5 753	–	–
– Plant and equipment	28	121	–	–
Remuneration:				
– Directors	2 902	2 265	–	–
– Key management	5 813	5 534	–	–
– Other staff costs	47 599	62 574	–	–

Notes to the financial statements **continued**

Year ended December 2007

	GROUP		COMPANY	
	2007 R 000 Year	2006 R 000 16 months	2007 R 000 Year	2006 R 000 16 months
20. TAXATION				
Normal tax				
– Current year	15 919	12 628	545	415
Deferred tax				
– Current year	(1 916)	2 393	–	(22)
Secondary tax on companies	2 750	–	2 750	–
	16 753	15 021	3 295	393
Reconciliation of rate of taxation:	%	%	%	%
South African normal tax rate	29,0	29,0	29,0	29,0
Adjusted for:				
– Exempt income and disallowable expenditure	1,6	(0,1)	(26,1)	(25,4)
– Assessed loss	–	–	–	(0,8)
– Secondary tax on companies	6,0	–	14,5	–
Effective rate	36,6	28,9	17,4	2,8
21. NOTES TO THE CASH FLOW STATEMENT				
21.1 Cash generated by operations				
Profit before taxation	45 732	52 025	18 888	14 228
Adjusted for:				
Depreciation	1 450	2 012	–	–
Profit on disposal of property, plant and equipment	(7)	–	–	–
Interest paid	2 281	1 569	306	1 520
Interest received	(1 706)	(1 530)	(2 323)	(3 026)
Loss on disposal of listed investment	172	–	172	–
	47 922	54 076	17 043	12 722
Working capital changes	7 931	(5 150)	6 114	(6 226)
(Increase)/decrease in inventories	(3 485)	1 575	–	–
(Increase)/decrease in trade and other receivables	(788)	(5 709)	5 778	(6 062)
Increase/(decrease) in trade and other payables	12 204	(1 016)	336	(164)
Cash generated by operations	55 853	48 926	23 157	6 496

Notes to the financial statements **continued**

Year ended 31 December 2007

	GROUP		COMPANY	
	2007	2006	2007	2006
	R 000	R 000	R 000	R 000
	Year	16 months	Year	16 months
21. NOTES TO THE CASH FLOW STATEMENT continued				
21.2 Taxation paid				
Taxation payable opening balance	(8 502)	(3 554)	(415)	–
Charge per income statement	(18 669)	(12 628)	(3 295)	(415)
Taxation payable closing balance	11 792	8 502	545	415
Payments made	(15 379)	(7 680)	(3 165)	–
21.3 Cash and cash equivalents				
Cash and cash equivalents consist of bank and call deposits	49 472	30 840	1	–
22. ACQUISITION OF MACADAMS BUSINESS				
Fair value of assets acquired				
Property, plant and equipment	4 293			
Inventories	40 387			
Trade and other receivables	72 331			
Trade and other payables	(36 675)			
Other financial liabilities	(15 314)			
Bank and call deposits	5 722			
Total net tangible assets acquired	70 744			
Surplus recognised as goodwill	169 186			
Fair value of assets acquired	239 930			
Consideration paid				
Cash paid on the implementation date	(110 292)			
46 666 667 ordinary shares issued in Universal Industries	(70 000)			
Present value of cash payable on 31 December 2009	(59 638)			
Consideration paid	(239 930)			
Net cash outflow on acquisition				
Cash consideration paid	(110 292)			
Cash acquired	5 722			
Net cash outflow on acquisition	(104 570)			

Notes to the financial statements **continued**

Year ended 31 December 2007

	GROUP		COMPANY	
	2007 R 000	2006 R 000	2007 R 000	2006 R 000
23. RELATED PARTY TRANSACTIONS				
Transactions with subsidiaries				
– Dividends received	–	–	17 024	12 500
– Interest received	–	–	2 244	2 992
– Management fees received	–	–	780	480
– Net loans advanced (refer note 7)	–	–	204 361	27 636
Transactions with directors and key management or entities where directors or key management have an interest				
– Balances in trade receivables	–	6 063	–	6 063
– Other financial liabilities (refer note 15)	75 014	–	–	–
– Rent paid	323	–	–	–
– Management fees paid	420	648	420	–
– Share buy back	–	1 358	–	1 358

24. GUARANTEES AND SURETIES

The company bound itself as surety jointly and severally for and as co-principal debtor in solidum with Colcab, Insulated Structures and Macadams for the due and punctual performance by Colcab, Insulated Structures and Macadams of all their obligations to Nedbank Limited.

The company bound itself as surety jointly and severally for and as co-principal debtor in solidum with Insulated Structures for the due and punctual payment by Insulated Structures to Mittal Steel Limited and its subsidiaries for a maximum of R2 million.

	GROUP		COMPANY	
	2007 R 000	2006 R 000	2007 R 000	2006 R 000
25. COMMITMENTS				
Operating leases				
Future operating lease charges for premises:	53 183	5 813	–	–
– Due within one year	10 617	3 963	–	–
– In second to fifth year	27 189	1 850	–	–
– Later than five years	15 377	–	–	–
Future operating lease charges for equipment:	39	67	–	–
– Due within one year	33	28	–	–
– In second to fifth year	6	39	–	–
Capital expenditure				
Capital expenditure already contracted but not provided for in respect of property, plant and equipment. The expenditure will be financed from operating cash flow and available bank facilities	3 800	–	–	–

Notes to the financial statements **continued**

Year ended 31 December 2007

26. CONTINGENCIES

In terms of the purchase agreement entered into with Macadams Baking Systems (Pty) Limited, part of the purchase price (in addition to the guaranteed price of R250 million) for the purchase of the business relates to a contingent portion based on profit after tax targets being met. The targets for the 2008 year and 2009 year are R40 million and R46 million respectively. The company is liable to pay a maximum of R15 million for each of these years if the profit targets are met i.e. a total contingent liability of R30 million exists at year end.

27. CHANGE IN ACCOUNTING POLICY

The group changed its accounting policy on the method of calculating the cost of inventories from the first-in-first-out to the weighted average method. No adjustment to amounts previously reported was required.

28. DETAILS OF DIRECTORS' EMOLUMENTS AND SHARE OPTIONS

	Fees		Salary		Bonus		Group total	
	2007 Year R 000	2006 16 months R 000	2007 Year R 000	2006 16 months R 000	2007 Year R 000	2006 16 months R 000	2007 Year R 000	2006 16 months R 000
Non-executive								
Leslie Boyd	-	-	-	-	-	-	-	-
Gafoor Khan	-	-	-	-	-	-	-	-
Colin Brayshaw	-	-	-	-	-	-	-	-
Wayne Brett	210	324	-	-	-	-	210	324
Avram Levy	210	324	-	-	-	-	210	324
Adam Esa	-	-	-	-	-	-	-	-
Ishmail Essa * (* Alternate)	-	-	-	-	-	-	-	-
Executive								
Daryl Paynter	-	-	861	1 063	1 022	224	1 883	1 287
Ivor Morgan	-	-	749	780	270	198	1 019	978
Total	420	648	1 610	1 843	1 292	422	3 322	2 913

No share options have been awarded at the date of this report.

Notes to the financial statements **continued**

Year ended 31 December 2007

29. FINANCIAL RISK MANAGEMENT

The group's operations expose it to a number of financial risks. A risk management programme has been established to protect the group against the potential adverse effects of these financial risks.

Foreign currency risk

The company undertakes certain transactions denominated in foreign currencies and therefore has exposure to exchange fluctuations. The company manages exchange rate exposures using forward exchange contracts. Where appropriate, open positions are maintained when the market trends are favourable.

Interest rate risk

The company is exposed to interest rate risk as it borrows and places funds. This risk is managed by utilising an appropriate mix between fixed and floating rate borrowings and placing funds on short-term deposit.

Credit risk

Credit risk relates to potential exposure on trade and other receivables and bank and call deposits.

The company limits its counterparty exposure arising from money market instruments by dealing only with well-established financial institutions of high credit standing.

Trade receivables consist mainly of a large widespread customer base. The financial position of customers is monitored on an ongoing basis.

At the balance sheet date, the company did not consider there to be any significant concentration of credit risk for which adequate provision has not been made.

Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources and un-utilised borrowing facilities are maintained. At balance sheet date the group had the following facilities:

- overdraft and short-term borrowing facilities of R20 million; and
 - un-utilised term loan facilities of R120 million.
-

Notes to the financial statements **continued**

Year ended 31 December 2007

29. FINANCIAL RISK MANAGEMENT **continued**

Sensitivity analysis

		GROUP 2007 R 000					
		Foreign exchange risk		Interest rate risk			
		Profit/(loss) should the Rand exchange rate change by 5%		Profit/(loss) should the interest rate change by 2%			
	Carrying value	Amount exposed to risk	Rand appre- ciation	Rand depre- ciation	Amount exposed to risk	Rate increase	Rate decrease
Financial assets							
Bank and call deposits	49 472	2 429	(121)	121	49 472	989	(989)
Trade and other receivables	116 341	3 395	(170)	170	–	–	–
Impact of financial assets on:							
– profit before taxation			(291)	291		989	(989)
– profit after taxation			(207)	207		703	(703)
Financial liabilities							
Interest bearing liabilities							
– Fixed rate	937	–	–	–	–	–	–
– Variable rate	1 605	–	–	–	1 605	(32)	32
Trade and other payables	76 518	279	14	(14)	–	–	–
Impact of financial liabilities on:							
– profit before taxation			14	(14)		(32)	32
– profit after taxation			10	(10)		(23)	23
Overall impact on profit after taxation			(197)	197		680	(680)

Maturity analysis of financial liabilities

		GROUP 2007 R 000				
		Total carrying value	Payable within (months)			
			6	7 to 12	13 to 36	37 plus
Interest bearing liabilities						
– Fixed rate		937	843	94	–	–
– Variable rate		1 605	268	328	1 009	–
Other financial liabilities		75 046	15 408	–	59 638	–
Trade and other payables		76 518	76 518	–	–	–
Taxation payable		11 792	11 792	–	–	–
Total		165 898	104 829	422	60 647	–

Notes to the financial statements **continued**

Year ended December 2007

29. FINANCIAL RISK MANAGEMENT **continued**

Sensitivity analysis **continued**

		GROUP 2006 R 000					
		Foreign exchange risk			Interest rate risk		
		Profit/(loss) should the Rand exchange rate change by 5%			Profit/(loss) should the interest rate change by 2%		
	Carrying value	Amount exposed to risk	Rand appre- ciation	Rand depre- ciation	Amount exposed to risk	Rate increase	Rate decrease
Financial assets							
Bank and call deposits	30 840	–	–	–	30 840	617	(617)
Trade and other receivables	43 222	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation			–	–		617	(617)
– profit after taxation			–	–		438	(438)
Financial liabilities							
Interest bearing liabilities							
– Fixed rate	2 409	–	–	–	–	–	–
– Variable rate	7 482	–	–	–	7 482	(150)	150
Trade and other payables	76 518	–	–	–	–	–	–
Impact of financial liabilities on:							
– profit before taxation			–	–		(150)	150
– profit after taxation			–	–		(107)	107
Overall impact on profit after taxation							
			–	–		331	(331)

Maturity analysis of financial liabilities **continued**

		GROUP 2006 R 000				
		Total carrying value	Payable within (months)			
			6	7 to 12	13 to 36	37 plus
Interest bearing liabilities						
– Fixed rate	2 409	635	776	998	–	–
– Variable rate	7 482	5 917	282	1 283	–	–
Other financial liabilities	–	–	–	–	–	–
Trade and other payables	27 639	27 639	–	–	–	–
Taxation payable	8 502	8 502	–	–	–	–
Total	46 032	42 693	1 058	2 281	–	–

Notes to the financial statements **continued**

Year ended 31 December 2007

29. FINANCIAL RISK MANAGEMENT **continued**

Maturity analysis of financial liabilities **continued**

	Total carrying value	COMPANY 2007 R 000			
		6	Payable within (months)		
		7 to 12	13 to 36	37 plus	
Interest bearing liabilities					
– Fixed rate	937	843	94	–	–
– Variable rate	–	–	–	–	–
Other financial liabilities	–	–	–	–	–
Trade and other payables	365	365	–	–	–
Taxation payable	545	545	–	–	–
Total	1 847	1 753	94	–	–

	Total carrying value	COMPANY 2006 R 000			
		6	Payable within (months)		
		7 to 12	13 to 36	37 plus	
Interest bearing liabilities					
– Fixed rate	2 409	635	776	998	–
– Variable rate	5 686	5 686	–	–	–
Other financial liabilities	–	–	–	–	–
Trade and other payables	29	29	–	–	–
Taxation payable	415	415	–	–	–
Total	8 539	6 765	776	998	–

	GROUP	
	2007 R 000 Year	2006 R 000 16 months
30. EARNINGS PER SHARE		
Basic and headline earnings per share		
Reconciliation of net profit to basic earnings:		
Net profit attributable to equity holders of the parent	28 979	37 004
Basic earnings	28 979	37 004
Basic earnings per share (cents)	8,0	10,3
Headline earnings per share (cents)	8,0	10,3
Weighted average number of shares in issue	364 438 356	360 128 205*
Shares in issue at year end	480 000 000	353 333 333*

30. EARNINGS PER SHARE

Basic and headline earnings per share

Reconciliation of net profit to basic earnings:

Net profit attributable to equity holders of the parent

Basic earnings

Basic earnings per share (cents)

Headline earnings per share (cents)

Weighted average number of shares in issue

Shares in issue at year end

*The actual weighted number of shares in issue as at year end was 199. For purposes of the earnings per share calculation the equivalent number of shares taking into account the subdivision and capitalisation award during 2007 was used.

Notes to the financial statements **continued**

Year ended December 2007

	GROUP					
	Refrigeration		Baking Systems		Total	
	2007	2006	2007	2006	2007	2006
	R 000	R 000	R 000	R 000	R 000	R 000
Year	16 months	Year	16 months	Year	16 months	
31. SEGMENT REPORTING						
Business segments						
Revenue						
External sales	284 483	331 189	29 739	–	314 222	331 189
Profitability						
Segment profit from operations	43 944	51 842	2 514	–	46 459	51 842
Unallocated corporate net (expense)/income					(152)	222
Group profit from operations					46 307	52 064
Interest income					1 706	1 530
Interest expense					(2 281)	(1 569)
Taxation					(16 753)	(15 021)
Profit attributable to the equity holders of the parent					28 979	37 004
Assets						
Segment assets	132 519	106 932	295 918	–	428 437	106 932
Unallocated corporate assets	–	–	–	–	2 534	15 002
Total assets	132 519	106 932	295 918	–	430 971	121 934
Liabilities						
Segment liabilities	50 293	37 493	113 758	–	164 051	37 493
Unallocated liabilities	–	–	–	–	1 847	8 539
Total liabilities	50 293	37 494	113 758	–	165 898	46 032
Capital expenditure	1 427	3 964	–	–	1 427	3 964

Shareholder information

At 31 December 2007

	Number of holders	% of total number of share holders	Number of shares	% of total issued share capital
SHAREHOLDERS				
Analysis of shareholdings				
1 – 1 000	5	2,4	4 316	0,0
1 001 – 10 000	69	33,2	454 100	0,0
10 001 – 100 000	67	32,2	2 961 574	0,6
100 001 – 1 000 000	36	17,3	16 664 825	3,5
1 000 001 and more	31	14,9	459 915 185	95,9
Totals	208	100,0	480 000 000	100,0
Major shareholders				
(Holding 5% or more of the shares in issue)				
LNP Trust			86 827 625	18,1
Wayne Brett Primary Trust			70 832 324	14,8
Jacob Levy Trust			70 632 324	14,7
Stanlib			47 617 021	9,9
James Martin Family Trust			32 598 290	6,8
Shareholder spread				
Non-public: Directors of Universal and its subsidiaries	17	8,2	343 615 349	71,6
Public	191	91,8	136 384 651	28,4
Totals	208	100,0	480 000 000	100,0
Distribution of shareholders				
Close corporations	8	3,9	1 464 334	0,3
Individuals	139	66,8	53 649 231	11,2
Trusts	20	9,6	304 803 374	63,5
Collective investment schemes and mutual funds	41	19,7	120 083 061	25,0
Totals	208	100,0	480 000 000	100,0

SHARE TRADES DURING THE YEAR

• Closing price	R1,50
• High	R1,60
• Low	R1,20
• Volume traded (number of shares)	5 284 793

SHAREHOLDERS' DIARY

• Financial year end	31 December 2008
• Annual financial statements distribution	31 March 2008
• Annual general meeting	25 June 2008



Notice of annual general meeting

UNIVERSAL INDUSTRIES CORPORATION LIMITED

Incorporated in the Republic of South Africa

Registration number 1996/004343/06

JSE CODE: UNI

ISIN: ZAE 000110664

("the company")

Notice is hereby given that the annual general meeting of shareholders of Universal Industries Corporation Limited ("the company") will be held at 2 Arnold Road, Rosebank 2196, Gauteng on Wednesday, 25 June 2008 at 10h00 for the following purposes:

- 1 To consider the annual financial statements for the year ended 31 December 2007;
- 2 To transact such other business as may be transacted at an annual general meeting of a company including the re-appointment of the auditors and re-election of retiring directors; and
- 3 To consider and, if deemed fit, to pass, with or without modification, the special and ordinary resolutions set out below, in the manner required by the South African Companies Act, 1973, as amended:

SPECIAL RESOLUTION NUMBER 1: SHARE REPURCHASES

"Resolved that the directors be authorised pursuant *inter alia* to the company's articles of association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company and provided that this authority shall not extend beyond 15 months from date of passing this special resolution, for the company or any subsidiary of the company to acquire shares of the company, subject to the Listings Requirements of the JSE Limited ("JSE") on the following bases:

1. Repurchases of shares must be effected through the order book operated by the JSE trading system, and done without any prior arrangement between the company and the counter-party;
2. The company may only appoint one agent to effect repurchases on its behalf;
3. The company must be authorised thereto by its articles of association;
4. The number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 January 2008) may not in the aggregate exceed 20% (twenty percent) of the company's share capital as at the date of this notice of annual general meeting;
5. Repurchases of shares may not be made at a price more than 10% (ten percent) above the weighted average of the market value on the JSE of the shares in question for the five business days immediately preceding the repurchase;
6. Repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless the dates and quantities of shares to be repurchased during the prohibited period have been determined and full details thereof announced on SENS prior to commencement of the prohibited period;
7. Repurchases may only take place if, after such repurchase, the shareholder spread of the company still complies with the Listings Requirements of the JSE;
8. After the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time; and
9. The company's sponsor shall confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase.

Notice of annual general **meeting** continued

In accordance with the Listings Requirements of the JSE, the directors record that:

Although there is no immediate intention to effect a repurchase of securities of the company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors, after considering the maximum number of securities which may be repurchased and the price at which the repurchases may take place pursuant to the buy back general authority, are of the opinion that for a period of 12 months after the date of notice of this annual general meeting:

- the company and the group will be able to pay their debts in the ordinary course of business;
- the consolidated assets of the company and of the group fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company and of the group after the buyback;
- the working capital, share capital and reserves of the company and of the group will be adequate for the purposes of the business of the company and its subsidiaries.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of paragraph 11.26 of the Listings Requirements of the JSE for purposes of this general authority:

- Directors – page 10
- Major beneficial shareholders – page 50
- Directors' interests in ordinary shares – page 19
- Share capital of the company – page 36

Litigation statement

The directors, whose names appear on pages 10 and 11 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, that may have or have had in the recent past (being at least the previous 12 (twelve) months) a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages 10 and 11 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this 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 the special resolution contains all information required in terms of the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the year ended 31 December 2007 and up to the date of this notice.

Notice of annual general meeting **continued**

Reasons for and effects of Special Resolution number 1

The reason for Special Resolution Number 1 is to afford directors of the company or a subsidiary of the company a general authority to effect a buyback of the company's shares on the JSE. The effect of the resolution will be that the directors will have the authority, subject to the Rules and Requirements of the JSE, to effect acquisitions of the company's shares on the JSE.

ORDINARY RESOLUTION NUMBER 1: ISSUE OF SHARES FOR CASH

"Resolved that the directors be authorised pursuant *inter alia* to the company's articles of association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company provided that it shall not extend beyond 15 months, to allot and issue ordinary shares for cash subject to the Rules and Requirements of the JSE Limited ("JSE") on the following bases:

1. The allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE and not to related parties;
2. The shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
3. The number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen percent) of the company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application;
4. The maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares; and
5. After the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue, (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value and earnings per share), or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time".

In terms of the Listings Requirements of the JSE a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of Ordinary Resolution Number 1 for it to be approved.

ORDINARY RESOLUTION NUMBER 2: UNISSUED ORDINARY SHARES

"Resolved that the authorised and unissued ordinary share capital of the company be and is hereby placed under the control of the directors of the company which directors are, subject to the rules and regulations of the JSE and the provisions of section 221 and section 222 of the Companies Act of 1973 as amended, authorised to allot and issue any of such shares at such time or times, to such person or persons, company or companies and upon such terms and conditions as they may determine, such authority to remain in force until the next annual general meeting of the company."

Notice of annual general **meeting** continued

ORDINARY RESOLUTION NUMBER 3: RE-ELECTION OF L BOYD AS A DIRECTOR OF THE COMPANY

“Resolved that L Boyd be re-elected as a director of the company”.

A brief *curriculum vitae* is set out on page 10 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF CB BRAYSHAW AS A DIRECTOR OF THE COMPANY

“Resolved that CB Brayshaw be re-elected as a director of the company.”

A brief *curriculum vitae* is set out on page 10 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF WL BRETT AS A DIRECTOR OF THE COMPANY

“Resolved that WL Brett be re-elected as a director of the company.”

A brief *curriculum vitae* is set out on page 10 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 6: RE-ELECTION OF A ESA AS A DIRECTOR OF THE COMPANY

“Resolved that A Esa be re-elected as a director of the company.”

A brief *curriculum vitae* is set out on page 10 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 7: RE-ELECTION OF AG KHAN AS A DIRECTOR OF THE COMPANY

“Resolved that AG Khan be re-elected as a director of the company.”

A brief *curriculum vitae* is set out on page 10 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 8: RE-ELECTION OF A LEVY AS DIRECTOR OF THE COMPANY

“Resolved that A Levy be re-elected as director of the company.”

A brief *curriculum vitae* is set out on page 11 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 9: DIRECTORS' REMUNERATION

“Resolved that the remuneration of the non-executive directors, as set out below is hereby confirmed and ratified.”

Universal Board

Chairperson	R300 000 per annum
Director	R120 000 per annum

Audit and Risk Committee

Chairperson	R100 000 per annum
Member	R50 000 per annum

Remuneration and Nomination Committee

Chairperson	R60 000 per annum
Member	R30 000 per annum

Notice of annual general meeting **meeting** continued

ORDINARY RESOLUTION NUMBER 10: RE-APPOINTMENT OF AUDITORS

"Resolved that PKF (Jhb) Inc be re-appointed as auditors of the company."

ORDINARY RESOLUTION NUMBER 11: SIGNATURE OF DOCUMENTATION

"Resolved that any director or the Company Secretary of the company be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of Special Resolution Number 1 and Ordinary Resolution Numbers 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 which are passed by the members in accordance with and subject to the terms thereof."

VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

A form of proxy is attached for the convenience of any shareholder holding Universal shares who cannot attend the annual general meeting. Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at or posted to the office of the transfer secretaries of the company, Link Market Services South Africa (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg 2000) to be received at least 48 hours prior to the meeting. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should the member subsequently decide to do so.

Shareholders who have already dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker rather than through own-name registration and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

Dematerialised shareholders, who have elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting, should complete and lodge the attached form of proxy with the transfer secretaries of the company.

Dematerialised shareholders who have not elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the shareholder and his CSDP or broker.

By order of the board



Probity Business Services (Proprietary) Limited

Company Secretary
7 March 2008

Registered address

16 Precision Street
Kya Sands
Randburg
2125

Transfer Secretaries

Link Market Services South Africa (Pty) Limited
5th Floor
11 Diagonal Street
Johannesburg
(PO Box 4844, Johannesburg 2000)

Administration

Company name:	Universal Industries Corporation Limited
Registration number:	1996/004343/07
Registered address:	16 Precision Street, Kya Sand, Randburg, Gauteng, 2163
Telephone number:	011 462 2130
Facsimile number:	011 462 2621
E-mail:	accounts@insulated.co.za
Website:	www.universalindustries.co.za
Bankers:	Nedbank Limited
Company Secretary:	Probity Business Services (Pty) Limited 3rd Floor, JHI House, Cradock Avenue Rosebank, Johannesburg Tel 011 327 7146
Auditors:	PKF (Jhb) Incorporated 42 Wierda Road West, Wierda Valley, Sandton Tel 011 384 8000
Transfer Secretaries:	Link Market Services South Africa (Pty) Limited 5th Floor 11 Diagonal Street, Johannesburg P O Box 4844 Johannesburg 2000 Tel 011 834 2266
Corporate Advisers and Sponsors:	Java Capital (Pty) Limited 2 Arnold Road, Rosebank, Johannesburg 2196 Tel 011 283 0042



UNIVERSAL INDUSTRIES CORPORATION LIMITED

Registration number 1996/004343/06

JSE CODE: UNI

ISIN: ZAE 000110664

("the company")

Form of proxy

For use by the holders of the company's certificated ordinary shares ("certified shareholders") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("CSDP") or broker who have selected "own-name" registration ("own-name dematerialised shareholders") at the annual general meeting of the company to be held at 10:00 on Wednesday, 25 June 2008, or at any adjournment thereof if required. Additional forms of proxy are available from the transfer secretaries of the company.

Not for use by holders of the company's dematerialised ordinary shares who have not selected "own-name" registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote in accordance with their instructions at the annual general meeting.

I/We _____ (Name in block letters)

of _____ (Address)

being the registered holder of ordinary shares in the capital of the company hereby appoint

1. _____ or failing him

2. _____ or failing him

3. the chairperson of the meeting

as my/our proxy to act for me/us on my/our behalf at the annual general meeting, or any adjournment thereof, which will be held for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary and special resolutions as detailed in the Notice of Annual General Meeting, and to vote for and/or against such resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	In favour of	Against	Abstain
To pass special resolution:			
1. To effect share repurchases			
To pass ordinary resolutions:			
1. To issue shares for cash			
2. To place the unissued shares under the control of the directors			
3. To re-elect L Boyd as a director of the company			
4. To re-elect CB Brayshaw as a director of the company			
5. To re-elect WL Brett as a director of the company			
6. To re-elect A Esa as a director of the company			
7. To re-elect AG Khan as a director of the company			
8. To re-elect A Levy as a director of the company			
9. To ratify non-executive directors' remuneration			
10. To re-appoint PKF (Jhb) Inc as auditors of the company			
11. To authorise the signature of documentation			

(Indicate instructions to proxy in the spaces provided above.)

Unless otherwise instructed, my proxy may vote as he thinks fit.

Signed this _____ day of _____ 2008

Signature _____ Assisted by (if applicable)

Notes to form of proxy

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.
2. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of the resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at or posted to Link Market Services South Africa (Pty) Limited, 5th Floor, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg 2000) to be received not less than 48 hours prior to the meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
7. The chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
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 the company or the transfer secretaries or waived by the chairperson of the general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
11. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.



www.universalindustries.co.za