



Universal Industries Corporation Limited
(Incorporated in the Republic of South Africa)
(Registration number 1996/004343/06)
JSE code: UNI ISIN: ZAE000110664
("Universal")

AGREEMENT TO ACQUIRE THE SHARES AND CLAIMS IN BCE FOODSERVICE EQUIPMENT (PROPRIETARY) LIMITED ("BCE") AND WITHDRAWAL OF CAUTIONARY

INTRODUCTION

Universal shareholders are referred to the cautionary announcement dated 21 April 2010 and are advised that Universal has concluded an agreement with Investec Bank Limited, Cida BCE Investments (Proprietary) Limited ("Cida"), the Boner Family Trust and the L M Nestadt Trust (collectively, the "sellers") to acquire all of the shares and claims on loan account against BCE (the "sale equity") for a maximum purchase consideration of R224 550 000 ("the acquisition").

The acquisition will be implemented on the 7th business day following fulfilment of the last of the conditions precedent to the acquisition (the "closing date").

BCE

BCE is Southern Africa's leading supplier of catering equipment, kitchen utensils, industrial cookware and commercial kitchen appliances, also conducting business throughout the rest of Africa and the Indian Ocean islands.

RATIONALE FOR THE ACQUISITION

Universal's primary area of operation is as a major supplier of refrigeration and baking equipment, plant and utensils to the perishable foods industry, encompassing the retail, wholesale and manufacturing segments of the market. Universal's trading exposure is largely to the SA economy, and SA food retailers in particular, but growing export revenue (primarily into the rest of Africa) remains a strategic objective.

BCE's product categories include heating, refrigeration and washing equipment. The BCE business is synergistic with Universal's existing operations and will enhance the Universal group's offering to its customers while offering significant opportunities through Universal's export initiatives.

TERMS OF THE ACQUISITION

The sale equity is being acquired with effect from 1 May 2010 (the "effective date").

The purchase consideration will be funded by way of bank funding, vendor funding and available cash resources within the group.

The purchase consideration is subject to adjustment downwards on a Rand for Rand basis in the following circumstances:

- if the BCE group is found during the due diligence process to have insufficient working capital for the twelve month period post the effective date; and/or
- if certain assumptions on which the purchase consideration has been determined are found to be incorrect, including if the net asset value of BCE at the effective date is less than R140 million and the tangible net asset value is less than R117,5 million.

If the adjustments referred to above result in the purchase consideration being reduced by more than R4 million then either the sellers or Universal shall be entitled to elect not to proceed with the acquisition.

The acquisition agreement contains warranties normal for acquisitions of this nature and a 5 year non-compete undertaking by the sellers in favour of Universal.

CONDITIONS PRECEDENT

The acquisition is subject to various conditions precedent including:

- the preparation of audited effective date financial statements;
- the purchaser confirming to the sellers that it is satisfied with the results of its due diligence investigation;
- the securing of the requisite Competition Authority approval;
- the execution of 3 year service and non-compete agreements between BCE (assignable to the Universal group) and its key executives;
- the securing by Universal of bank funding in an amount of at least R125 million (against the security of BCE's assets) in order for the Universal group to partly fund the purchase consideration. If Universal is not able to raise R125 million then the sellers will advance vendor finance to the Universal group in a maximum of R15 million such that, together with the bank funding, R125 million is available to Universal for the purpose of funding a portion of the purchase consideration;
- Cida shareholders ratifying the sale by Cida of its portion of the sale equity in terms of s228 of the Companies Act (Act 61 of 1973, as amended); and
- the securing from Universal's shareholders of the requisite approval required in terms of the JSE Listings Requirements to the implementation of the acquisition. Universal has obtained undertakings from its shareholders holding in excess of 80% of the issued share capital of Universal to vote in favour of any resolution required to be passed by Universal shareholders in terms of the JSE Listings Requirements.

FINANCIAL EFFECTS

The *pro forma* financial effects of the acquisition on Universal set out below are the responsibility of the directors of Universal, have been prepared for illustrative purposes only to show the effect of the acquisition based on Universal's published audited financial results for the year ended 31 December 2009 and have not been reviewed or reported on by the auditors.

	Before (cents)	After (cents)	% change
Earnings and headline earnings per share	11.4	15.8	39
Net asset value per share	78.8	78.8	-
Tangible net asset value per share	36.0	18.9	(47)

Notes and assumptions:

- The figures set out in the "Before" column above have been extracted from the audited financial results of Universal for the year ended 31 December 2009.
- The figures set out in the "After" column above have been calculated after including the results attributable to BCE extracted from its audited financial results for the year ended 30 June 2009, and the adjustments referred to below.
- The acquisition of BCE is assumed to have been implemented on 1 January 2009 for earnings and headline earnings per share purposes and on 31 December 2009 for net asset and tangible net asset value per share purposes.
- BCE had an attributable net profit of R33,7 million for the year ended 30 June 2009, and a net asset value of R117 million at that date.
- It is assumed that:
 - the maximum purchase consideration payable of R224 550 000 is paid, settled as to R89 550 000 from existing cash resources within the group, R125 000 000 from the raising of bank funding and R10 000 000 is vendor funded;
 - the reduction in finance income resulting from the cash portion that is settled out of existing cash resources has been calculated at 6,5%, being the average rate at which the Universal group earned finance income during the financial period ended 31 December 2009;
 - the interest expense on the bank funding has been calculated at the prime rate of interest, i.e. 10%;
 - the interest expense on the vendor funding has been calculated at the prime rate of interest, i.e. 10%;
 - the difference between the purchase consideration and the carrying value of the tangible assets acquired is assumed to be allocated to goodwill;
 - taxation has been provided for at 28%;
 - there are 448 million ordinary Universal shares in issue before and after the acquisition.

FURTHER DOCUMENTATION AND WITHDRAWAL OF CAUTIONARY

The acquisition is a category 1 transaction in terms of the JSE Listings Requirements and as such requires Universal shareholder approval. Accordingly a circular to Universal shareholders will be prepared and circulated in due course.

The cautionary announcement dated 21 April 2010 is hereby withdrawn.

Post implementation of the acquisition the articles of association of BCE will be replaced in compliance with the JSE Listings Requirements.

FURTHER ANNOUNCEMENTS

Further announcements will be released on SENS once the conditions to the acquisition have been fulfilled and the circular has been issued.

9 June 2010

CORPORATE ADVISOR, LEGAL ADVISOR AND SPONSOR

JAVACAPITAL

LEGAL ADVISOR TO BCE

Fluxmans
ATTORNEYS

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