



**09**

South Africa's leading  
supplier of refrigerated  
and baking systems



## 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.

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Universal  
Annual Report

09

## Company profile

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

For more information about  
this report and investor  
information please visit

[www.universalindustries.co.za](http://www.universalindustries.co.za)

# Group profile and operational structure



**universal industries**  
CORPORATION LIMITED

Operating entities

100%



## Refrigeration business

The group's refrigeration business is conducted through Colcab and Insulated Structures out of manufacturing facilities in Blackheath, Cape Town and Kya Sand, Randburg. Colcab also has sales offices in Durban and Johannesburg. The business supplies refrigerated display cabinets, polyurethane insulated panels for cold rooms, freezer rooms and other industrial applications and ancillary products. It is SA's largest manufacturer of refrigerated display cabinets with a significant market share and a substantial installed base (some 75 000 cabinets).

## Client approach

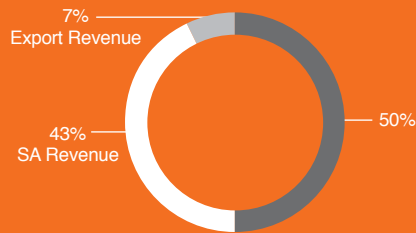
Clients are predominantly in the perishable food industry and include all of the major supermarket chains, convenience stores, fast food shops, petroleum companies (forecourt shops), building and refrigeration contractors.

The success of the refrigeration business is largely attributed to its ability to customise and develop products to individual customer requirements. The business does not operate as a mass producer but works closely with its customers to develop equipment best suited to their specific circumstances and product offering.

Globally, the environmental impact of supermarket refrigeration (being a significant consumer of electricity) has come under the spotlight. In certain countries legislative changes are forcing supermarkets to upgrade and install more environmentally friendly and efficient display cases.

Significant time is spent monitoring international developments with regard to refrigeration technology and the business has introduced many of these initiatives into the SA market.

### Contribution to group revenue



100%



## Baking systems business

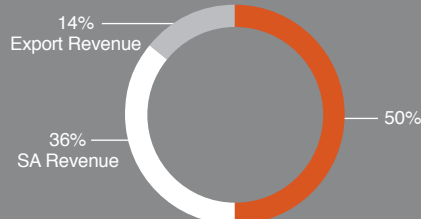
The group's baking systems business is conducted through Macadams International which supplies baking systems, ovens and supplementary equipment to a wide range of outlets. In addition, Marsden Bakeware, a division of Macadams, manufactures high quality pressed metal bakeware serving the baking and confectionery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

## Client approach

Macadams has over the last 100 years become a major force in oven manufacturing both in Africa and the rest of the world. Over time it has built up a comprehensive product range offering a "one stop" solution. 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. New product development and design is a continued focus, and the group is also the leading supplier of bakeware (baking tins, pans and trays) to industrial baking operations.

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, ingredient suppliers and recipes and in obtaining finance.

### Contribution to group revenue



*Universal's main area of operation is as supplier and manufacturer of refrigerated and baking plant, equipment and utensils to the perishable foods industry. The group conducts its operations through three wholly owned operating subsidiaries, namely Colcab, Insulated Structures and Macadams.*

*The group does not own any fixed property, but leases facilities as required. All property leases, some of which are with related parties, are on terms and at rates in line with prevailing market rates. The group has facilities in excess of 45 000m<sup>2</sup>, employing 640 people.*

## Expertise and skills

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 group.

In recent years additional capacity has been added to the group's manufacturing facilities, which has considerably increased production capacity. Colcab has achieved ISO 9001 certification and is in the process of getting its laboratory SANS and ISO certified, making it the only such testing facility in SA.

## Products

### Refrigerated display cabinets

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 and freezer rooms, other industrial applications and ancillary products. The 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.

### 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), EuroCryor (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).



## Expertise and skills

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.

The business is managed on a centralised basis with regional sales offices staffed by a team of experienced and highly competent executives. Key executives have a significant shareholding 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. Macadams continuously seeks to improve on these requirements.

## Products

### Bakery equipment

Macadams is the only local manufacturer and supplier that can offer the complete range of equipment required by the retail baking industry. Through its own manufacturing capability and associations and agency agreements with international suppliers Macadams can supply a wide range of equipment ranging from standard type items to highly specialised equipment.

### Food service equipment

Macadams has established a dedicated division to service and supply its own as well as leading international products specifically suited to the retail industry's kitchen requirements. A wide range of products is offered such as grillers, fryers, ice making equipment, ovens, microwaves etc.

### Bakeware

Through its Marsden division Macadams is able to supply a wide range of bakeware products such as baking tins and pans for use in retail and industrial baking. These items have a limited life and have to be replaced on an ongoing basis.



# Group three-year review

for the year ended 31 December

		2009	2008	2007 <sup>(i)</sup>
<b>Statement of comprehensive income</b>				
Revenue	R'000	587 072	648 188	314 222
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	R'000	79 531	105 930	47 757
Profit from operations	R'000	72 938	100 335	46 307
Headline earnings	R'000	51 074	73 636	28 979
<b>Statement of financial position</b>				
Cash and cash equivalents	R'000	110 349	135 576	49 472
Total assets	R'000	542 992	596 737	435 880
Shareholders' funds (capital and reserves)	R'000	353 388	316 079	265 073
<b>Statement of cash flows</b>				
Cash generated by operations	R'000	111 785	65 245	55 853
<b>Share statistics (per share)</b>				
Headline earnings	Cents	11,4	15,6	8,0
Distribution to shareholders	Cents	3,0	3,0	7,8 <sup>(ii)</sup>
Net asset value	Cents	78,8	70,4	55,2
Tangible net asset value	Cents	36,0	27,1	17,4
<b>Other statistics</b>				
Shares in issue at year-end	'000	448 419	448 912	480 000
Weighted average number of shares in issue	'000	448 863	472 369	364 438
Number of employees		641	686	688
<b>JSE statistics</b>				
Market capitalisation	R'000	403 577	336 684	720 000
Share price	Rand	0,90	0,75	1,50
Price earnings ratio	Times	7,9	4,8	18,8
<b>Selected ratios</b>				
Profit from operations as percentage of revenue	%	12,4	15,5	14,7
Effective tax rate (refer note 19 to the financial statements)	%	30,1	28,0	36,6
Current asset ratio (current assets/current liabilities)	Times	2,7	2,0	2,3
Quick asset ratio (current assets – inventories/current liabilities)	Times	2,0	1,5	1,6
Debt to equity (refer note 28 to the financial statements)	%	–	13,3	10,6
Return on equity (headline earnings/average shareholders' funds)	%	15,3	25,3	17,0

<sup>(i)</sup> The 2007 year includes only six weeks of trading for Macadams, as the acquisition of the Macadams International business was only effective from 15 November 2007. The group listed on 29 November 2007 following a private placement of R120 million.

<sup>(ii)</sup> Dividend payment to the pre-listing shareholders in settlement of their unsecured loans.

# Chairman and Chief Executive Officer's report

## Salient features:

- Revenue ▼ 9% and headline earnings per share ▼ 27%
- Tangible net asset value per share ▲ 33%
- Strong balance sheet with R24 million cash on hand net of interest bearing liabilities
- Export revenue ▲ 16% to R126 million

### DEAR SHAREHOLDER

The board is pleased to report satisfactory results for Universal in what was a very challenging year for most businesses. For the year under review basic and headline earnings per share declined by 27% to 11,4 cents compared to 15,6 cents per share reported in 2008.

The global economic downturn in 2009 had a profound effect on our business, in particular in the first half of 2009. This is demonstrated by headline earnings per share declining by 75% (2009: 1,3 cents vs 2008: 5,1 cents) at half year and by only 4% in the second six months (2009: 10,1 cents vs 2008: 10,5 cents).

A pleasing feature of the current year's performance has been the continued growth experienced in our export revenue with total group export revenue now amounting to R126 million (comprising 21% of revenue). This is particularly encouraging considering the international economic slowdown and it validates the group's continued emphasis on developing other markets for our products.

### INDUSTRY OVERVIEW

The group's primary area of operation is as a major supplier of refrigerated and baking plant, equipment and utensils to the perishable foods industry, encompassing the retail, wholesale and manufacturing segments. Trading is predominantly exposed to the SA economy and food retailers in particular.

#### South African market

In the year under review the South African economy contracted and experienced significant job losses with consumer spending reflecting the general strain being felt in the economy. This resulted in a high level of uncertainty in the business community which, amongst other things, led to a decline in property development and a delay of capital projects.

Although trading conditions in 2009 were far more challenging than those experienced in the preceding years, food retail remained resilient relative to other sectors of the economy.

Food retailers and their suppliers continue to invest in new locations (albeit at a slower rate) as well as in the refurbishment and upgrading of existing facilities. That these retailers are still reporting satisfactory earnings, coupled with strong balance sheets, bodes well for continued investment in new outlets and the upgrading of existing stores.

The slowdown in retail property development has impacted on the availability of new sites and new store roll-outs will probably be limited until activity in the retail property market improves. However, the group has a significant installed base of products that has a useful life estimated between six and eight years. The replacement of product already makes up a significant portion of the group's revenue.

#### Export markets

The group's products and services conform to international standards and exports represent a significant source of future growth for the group. This potential is particularly exciting in the context of the African market. In this regard the group continues to benefit from the roll-out by South African retailers into Africa both directly through the sale of units and indirectly through the stimulation and development of the retail market in those countries.

For the year under review exports revenue accounted for 21% (2008: 17%) of the group's revenue. Our medium-term target is for exports to be 25% of group revenue and the group will continue to invest in resources required to service these growing markets.

### FINANCIAL RESULTS

Group revenue declined by 9% to R587 million (2008: R648 million) resulting in profit after tax declining by 31% to R51 million (2008: R74 million). Operating margin declined in line with lower manufacturing volumes.

The group's balance sheet remains strong, with R24 million cash on hand net of interest bearing liabilities.

# Chairman and Chief Executive Officer's report

## continued

The group's operations have a significant installed product base that requires ongoing replacement. The replacement lifecycle is estimated as between six and eight years. The replacement of product already makes up a significant portion of the group's revenue.

When it became apparent that trading conditions were going to be challenging, the board and management took steps to focus on protecting margins, controlling expenses and maximising cash generation. By adopting this strategy:

- gross profit margins declined only slightly notwithstanding that our operations are manufacturing entities with substantial fixed overheads where declining volumes have a dramatic effect on cost recoveries and resultant margins;
- sales and administration operating expenses grew only 4% year on year; and
- through the aggressive management of our working capital, cash generated from operations increased to R112 million (2008: R65 million).

### OPERATIONAL REVIEW

#### Refrigeration businesses

Revenue decreased by 6% to R292 million. The unit produced less products and performed below budget with operating margins under pressure.

Operating income declined by 17% to R39 million (2008: R47 million) and as can be expected in a manufacturing concern with high fixed overheads, the reduced volumes resulted in a decrease in its operating margin.

For the year under review the businesses invested some R6 million in new plant and equipment. A key differentiating factor of the business is its ability to provide customised solutions tailored to customer requirements. This flexibility in manufacturing capability will be further enhanced through the continued upgrading of selected items of plant and equipment in the future.

The international trend towards more environmentally friendly technologies and the emphasis on improved energy efficiency of refrigeration products is increasingly evident in SA. The refrigeration division has access to international technology and continues to work closely with its customer base in this regard. Over the past year a number of new installations, utilising some of these technologies, were successfully installed with considerable energy savings being achieved.

Historically exports have predominantly been through the supply to local customers embarking on international expansion and represented a small percentage of the refrigeration business revenue. The African export market was identified as a growth area and continued investment in resources is starting to yield results with export revenue increasing to R42 million (2008: R14 million).

#### Baking systems business

The baking systems business had a challenging year with revenue decreasing by 13% to R295 million (2008: R338 million). Operating income declined by 27% to R41 million (2008: R56 million). Whilst the decline in revenue is disappointing, management remains confident that this was due to prevailing economic conditions and not the loss of market share.

Export revenue has always been a significant component of the business, historically fluctuating between 25% and 35% of total revenue. For the year under review export revenue amounted to 29%. Having invested in additional resources to service the export market, the business expects exports to improve in 2010.

Marsden, the bakeware division supplying baking tins and pans, had a reasonable year and is investing in a semi-automated plant that will increase production capacity to better service its customers.

By June 2010 Macadams will relocate to a new purpose built 17 000m<sup>2</sup> factory that will offer improved production flow and warehousing. The Marsden facility will relocate to the same facility which should result in operational synergies and cost savings.

#### BLACK ECONOMIC EMPOWERMENT

Universal remains committed to finding a solution for our lack of BEE shareholding. We also continue to implement initiatives relating to the other aspects covered by the DTI scorecard to improve the overall BEE ratings of our operations.



## OUTLOOK

The group's trading recovered significantly toward the end of 2009 and business sentiment seems to have improved but the short-term prospects of the global economy remains difficult to assess. It would seem that the general consensus is for a gradual recovery and therefore it may be some time before property development and capital projects recover to the levels experienced in prior years.

Under the current circumstances management finds it difficult to predict trading levels over the short term but remains confident that the group is well positioned for growth when the economy fully recovers.

One of the reasons for listing was to expand the group through acquisitions. The group's cash on hand and borrowing capacity leaves it well positioned to regularly evaluate and to capitalise on suitable acquisition opportunities.

## CAPITAL COMMITMENTS

The group has committed capital of R5 million to the acquisition of new plant and equipment and the relocation of the Macadams and Marsden factories. The commitments will be funded from bank facilities and internal cash resources.

## CHANGES TO CAPITAL STRUCTURE

In November 2009 Universal acquired 492 963 of its own shares at an average price of 60 cents per share. These shares were cancelled resulting in the total number of shares in issue decreasing to 448 418 999. Authority to continue with share repurchases will be renewed at the annual general meeting and the board will continue to evaluate this strategy.

## DISTRIBUTION TO SHAREHOLDERS BY WAY OF A CAPITAL REDUCTION

The group has a dividend policy of annually distributing 25% of profits attributable to equity holders. Approval was granted at the last annual general meeting for distributions by way of a capital reduction and accordingly the board has declared a cash distribution from share premium, in lieu of an ordinary dividend, of 3 cents per share (2008: 3 cents per share).

The relevant dates for the distribution are as follows:

Last day to trade <i>cum</i> the distribution	9 April 2010
Shares will commence trading ex the distribution on	12 April 2010
Record date	16 April 2010
Distribution paid on	19 April 2010
Shares may not be dematerialised or re-materialised between Monday, 12 April 2010 and Friday, 16 April 2010.	

## IN APPRECIATION

Our business performed satisfactorily through the recessionary economic conditions of 2009 largely due to the quality and dedication of our senior management teams and our staff. The board extends its thanks to the management and employees for their considerable efforts in producing an acceptable result in challenging times.

In closing we would also like to thank the non-executive directors for their continued support and valuable contribution.

**Gaff Khan**  
Chairman

**Daryl Paynter**  
Chief Executive Officer

# Directorate

Universal's code of ethics sets out high standards of honesty, integrity and mutual respect and the group is committed to creating a culture of the highest levels of professionalism and integrity in its business dealings with all stakeholders.

## Non-executive Directors



**Gaff Khan**

Independent  
Non-executive  
Chairman

Chairman of the remuneration and nomination committee

Member of the audit and risk management committee

Appointed: As director on 29 November 2007 and as Chairman on 25 June 2008

Gaff has more than 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 the Western Cape. He also served on the board of the National Construction Company. He later joined Asrin Property Developers as a partner and Executive Director.



**Colin  
Brayshaw**

Independent  
Non-executive  
Director

Chairman of the audit and risk management committee

Member of the remuneration and nomination committee

Appointed: 29 November 2007

Colin is a member of the South African Institute of Chartered Accountants and a Fellow of the Institute of Accountants in England and Wales. He was an audit partner of firms that later became Deloitte. In his last years in practice he was the managing partner and Chairman of Deloitte & Touche. Previous directorships include AECI, AngloGold Ashanti, Anglo Platinum, Datatec, Freestone Property Holdings (Chairman) and Johnnic Holdings. Current directorships include Metmar Trading (Chairman), Buildmax and Highveld Steel and Vanadium Corporation.



**Avram  
Levy**

Non-executive  
Director

Appointed: 20 September 2004

Avram completed a BSc (Finance) degree at the University of Cape Town. Thereafter he qualified as a Chartered Accountant in the United Kingdom and did mergers and acquisition advisory work before returning to South Africa in 1996. He was then operationally involved in various businesses including a large micro finance business, which was sold to African Bank Investments. In 2004 he co-founded Interactive Capital with Wayne Brett which has successfully concluded a number of equity transactions in various industries.



**Ishmail  
Essa**

Independent  
Non-executive  
Director  
(Alternate to  
Gaff Khan)

Appointed: 29 November 2007

Ishmail has 15 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 15 years to be one of the leading Black Empowerment players in the property development industry.



**Wayne  
Brett**

Non-executive  
Director

Member of the remuneration and nomination committee

Appointed: 20 September 2004

Wayne qualified as a Chartered Accountant following his studies 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 co-founded Interactive Capital with Avram Levy, which has successfully concluded a number of equity transactions in various industries including media, manufacturing, micro finance, retail, mining, sand and aggregates and buildware.



## Executive Directors



**Daryl Paynter (42)**

Chief Executive Officer and Executive Director

CA(SA), HDip (Tax)

After completing 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 businesses that were part of Corpcapital's portfolio at that stage. In 2004 Daryl was appointed Managing Director of Universal following a private equity buyout of Universal.



**Ivor Morgan (59)**

Group Financial Director and Managing Director of Colcab

BSocSc, BA Hons (UCT), CA (SA)

Ivor completed his studies at the University of Cape Town before becoming a teacher, and later Deputy Principal. He then served articles with auditors BDO Spencer Steward before becoming Financial Manager of Matador Refrigeration and Colcab, then divisions of Columbit Holdings. In 1988 he was part of a management buyout of these divisions and was appointed Financial Director. In 2003 he was appointed Managing Director of Colcab and became a shareholder in Universal following a private equity transaction in 2004.



**Jimmy Martin (60)**

Executive Director and Technical Director for Insulated Structures and Colcab

BSc Eng, MBA

Jimmy obtained a BSc Mechanical Engineering degree at the University of the Witwatersrand and later an MBA at the University of Cape Town.

Past employment includes Anglovaal Group Mines, Delta Metal Holdings, James Howden and a stockbroking firm. He became a shareholder of Insulated Structures in 1994 and was appointed managing director of Universal when it acquired Insulated Structures and Colcab in 1996. In 2004 he was part of the management buyout of Universal and became the group's technical director.



**Richard Wilkes (55)**

Executive Director and Chief Executive Officer of Macadams

Dip Bus Man

Richard's past employment includes Holiday Inn (as qualified chef), Phillip Bros (general manager fast food and event catering) and Norbake (branch manager). In 1985 he joined Backon which later became part of Macadams. Richard then had his own supermarket and bakery business for seven years. He rejoined Macadams in 1992 as sales manager and was appointed CEO in 1998. Richard became the majority shareholder of Macadams in 2004 following management buyout transactions before selling the business to Universal in 2007 at which stage he became a shareholder in Universal.

# Corporate governance

**Universal recognises that good governance and compliance practices are important in developing and sustaining any successful business and is committed to incorporating good governance and compliance processes into all its operations.**

## **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 complies with the requirements of the Code of Corporate Practice and Conduct in the King 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.

The directors have taken steps to ensure that Universal complies, in all material respects and with due consideration to the group's size, with the recommendations incorporated in the Code.

## **SEPARATION OF ROLES OF CHAIRPERSON AND CHIEF EXECUTIVE OFFICER**

The board is chaired by Gaff Khan, 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 four executive directors and five non-executive directors (three 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 employment agreements (the key terms are disclosed in the report of the remuneration and nomination committee) and all the 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 meets at least four times a year with additional meetings called if warranted. 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 only 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 board 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

Refer to the report of the audit and risk management committee on page 13 of the annual report.

### Remuneration and nomination committee

Refer to the report of the remuneration and nomination committee on page 15 of the annual report.

### Attendance at board meetings

For the year ended 31 December 2009:

	Number of meetings	Attendance
<b>Independent non-executive directors:</b>		
Gaff Khan/Ishmail Essa	4	4
Colin Brayshaw	4	4
<b>Non-executive directors:</b>		
Wayne Brett	4	4
Avram Levy	4	3
<b>Executive directors:</b>		
Daryl Paynter	4	4
Ivor Morgan	4	4
Jimmy Martin <sup>(i)</sup>	2	2
Richard Wilkes <sup>(i)</sup>	2	1

<sup>(i)</sup> Appointed on 18 June 2009

## SHARE DEALING

The board has implemented a policy in respect of trading in securities of the company in line with the JSE regulations, which prohibits 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, details of 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.

## 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.

## BEHAVIOURAL CODE

Universal is committed to creating a culture of the highest levels of professionalism and integrity in its business dealings with stakeholders. The group's code of ethics sets out high standards of honesty, integrity and mutual respect. Employees are expected to act in terms of the code of ethics at all times and failure to do so may result in disciplinary measures.

## 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 encourages 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 is 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.

The group's direct activities do not pose any threat to the environment in which it operates. The activities do not generate any significant pollution that may require the future rehabilitation of land or cause other environmental effects harmful to the surrounding communities.

### 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.

Examples of our participation would include:

- Insulated Structures participated in a project at the University of Johannesburg – Centre for Culinary Excellence, a facility established to train and empower chefs. Our participation was through the donation of cold storage equipment as well as the installation thereof and the sourcing of other equipment contributions from our contacts in industry;
- Macadams operates a test kitchen utilised by them and their customers for testing of equipment and training of staff. Products from this kitchen are donated to a local crèche; and
- unskilled staff are allowed time off to attend ABET (basic literacy) courses that are presented on-site.

### 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.

During the past year we had no fatalities and only a few minor injuries of staff whilst on duty. The group however aims to have zero incidents and accordingly these incidents, although considered minor, were fully investigated and corrective action taken where necessary.

Staff are issued the necessary safety equipment, and trained in the use thereof, for use in potential risk areas such as exposure to chemicals or noisy processes. These potential risk areas are reviewed and tested on a regular basis to ensure compliance with relevant regulations.

All operations have trained first aid staff that undergo certification on a regular basis. Where appropriate the operations offer outsourced on-site medical services.

# Report of the audit and risk management committee

for the year ended 31 December 2009

The audit and risk management committee is a committee of the board of directors and in addition to having specific statutory responsibilities to the shareholders in terms of the Companies Act, it assists the board through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the company.

## TERMS OF REFERENCE

The audit and risk management committee has adopted formal terms of reference that have been approved by the board of directors, and has executed its duties during the past financial year in accordance with these terms of reference.

## COMPOSITION

The committee consists of two independent non-executive directors.

At 31 December 2009 the audit and risk management committee comprised:

Name	Date appointed
Mr Colin Brayshaw (Chairman) (CA (SA))	29 November 2007
Mr Gaff Khan	25 June 2008
Mr Wayne Brett (CA (SA)) (alternate member for Mr Gaff Khan)	25 June 2008

The Chief Executive Officer, the Financial Director, senior financial executives of the group and representatives from the external auditors attend the committee meetings by invitation only. The external auditors have unrestricted access to the audit and risk management committee.

## MEETINGS

During the year the audit and risk management committee met three times at which all committee members were present.

## STATUTORY DUTIES

In execution of its statutory duties during the past financial year, the audit and risk management committee:

- nominated for appointment as auditor, PKF (JHB) Inc who, in its opinion, is independent of the company;
- determined the fees to be paid to PKF (JHB) Inc as disclosed in the paragraph "external audit" of this report;
- determined PKF (JHB) Inc's terms of engagement;
- believes that the appointment of PKF (JHB) Inc complies with the relevant provisions of the Companies Act, the JSE listing requirements and King;

- developed and implemented a policy setting out the categories of non-audit services that the external auditors may and may not provide, split between permitted, permissible and prohibited services;
- pre-approved all non-audit service contracts with PKF (JHB) Inc;
- received no significant complaints relating to the accounting practices of the company, the content or auditing of its financial statements, the internal financial controls of the company, and any other related matters; and
- made the following submissions to the board on matters concerning the company's accounting policies, financial controls, records and reporting:
  - We concur that the adoption of the going concern premise in the preparation of the financial statements is appropriate, and
  - As required by the JSE rules we concluded that the financial director had the necessary experience and expertise.

## DELEGATED DUTIES

### Oversight of risk management

The committee has:

- also fulfilled the role of the risk management committee and reviewed management's assessment of risks to ensure that financial and other risks are identified and monitored;
- satisfied itself that the following areas have been appropriately addressed:
  - Financial reporting risks;
  - Internal financial controls;
  - Fraud risks as it relates to financial reporting;
  - IT risks as it relates to financial reporting;
- reviewed tax and technology risks, in particular how they are managed;
- reviewed the effectiveness of the company's system of internal financial controls including receiving assurance from management and external audit; and
- reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, we believe that significant internal financial controls are effective, and risk is properly assessed and managed.

## REGULATORY COMPLIANCE

The audit and risk management committee has complied with all applicable legal and regulatory responsibilities.

# Report of the audit and risk management committee

## continued

for the year ended 31 December 2009

### EXTERNAL AUDIT

Based on processes followed and assurances received, nothing has come to our attention with regard to the external auditor's independence.

The following table reflects amounts paid to external auditors during the year:

	2009		2008	
	Fees paid R'000	% of total fees paid	Fees paid R'000	% of total fees paid
Audit services	798	95,3	847	94,5
Non-audit services	39	4,7	49	5,5
Total	837	100,0	896	100,0

Based on our satisfaction with the results of the activities outlined above, we have recommended to the board and shareholders that PKF (JHB) Inc should be reappointed as external auditors for 2010.

### INTERNAL AUDIT

None of the businesses within the group has an internal audit function. The committee considered the requirement for an internal audit function but agreed with management's assessment that an internal audit function is not currently feasible considering the:

- relatively small size of the group's businesses; and
- daily involvement of senior management in the underlying operations.

The need for an internal audit function is continuously being re-evaluated.

### FINANCE FUNCTION

The committee is of the view that Mr Ivor Morgan, the group Financial Director, possesses the appropriate expertise and experience to meet his responsibilities in that position as required by the JSE.

The committee is satisfied with:

- the expertise and adequacy of resources within the finance function; and
- the experience of the financial managers.

In making these assessments, feedback was obtained from the external auditors.

Based on the processes and assurances obtained, we believe that the accounting practises are effective.

On behalf of the audit and risk management committee



**Mr Colin Brayshaw** (Chairman)  
4 March 2010

# Report of the remuneration and nomination committee

for the year ended 31 December 2009

## COMPOSITION AND RESPONSIBILITIES

The responsibilities of the remuneration and nomination committee ("Remco") are set out in a charter approved by the board of directors.

Membership of the Remco comprises a majority of independent non-executive directors, currently Gaff Khan (Chairman) and Colin Brayshaw, both independent non-executive directors, and Wayne Brett, a non-executive director.

During 2009 the committee met twice with full attendance. To assist the committee with its work executive directors attend meetings, by invitation, but are recused when matters pertaining to their remuneration or other benefits are discussed. The company's secretaries provide the committee with secretarial services.

The main responsibilities of the committee are to:

- set the group's overall remuneration policies;
- annually to review the ongoing remuneration of the executive directors and other key members of management as well as generic adjustments for all other staff members; and
- consider any nominations for additional directors for recommendation to the board.

## REMUNERATION POLICY

Broadly the company's remuneration policy is to ensure the executive directors and other employees receive packages which are market related and sufficient for retention purposes but not excessive.

Specifically the remuneration of the executive directors and other key members of management comprise a fixed annual salary plus a bonus, which is dependent on both the performance of the group as well as each person's contribution to achieving this performance.

The group enables directors and staff to become members of both a defined contribution retirement plan and a medical aid scheme. Executive directors and certain key management also receive motor vehicle allowances.

## SHARE OPTIONS

Although shareholders have approved a share option scheme, no options have yet been issued.

## SALIENT TERMS OF SERVICE AGREEMENTS

The directors' service agreements contain terms and conditions that are standard for these types of agreements, and are terminable on three months' notice by either party. The directors are remunerated during their notice period and the contracts contain restraint of trade provisions in terms of which the directors are restrained from competing with the group during their employment and for a period of six months (with the exception of Richard Wilkes, who has a five year restraint) after termination of their employment with the group. There were no changes from the prior year.

## NON-EXECUTIVE DIRECTORS' FEES

The only remuneration paid to non-executive directors is an annual fee, approved by shareholders, for their service as a director, as well as serving on the board committees.

The annual remuneration approved for 2009 and as is being proposed for 2010 is as set out below:

	2009 R	2010 R
<b>Universal board</b>		
– Chairperson	325 000	348 000
– Non-executive directors	130 000	140 000
<b>Audit and risk management committee</b>		
– Chairperson	108 000	116 000
– Members	54 000	58 000
<b>Remuneration and nomination committee</b>		
– Chairperson	65 000	70 000
– Members	33 000	35 000

# Report of the remuneration and nomination committee continued

Year ended 31 December 2009

## DISCLOSURE OF DIRECTORS' REMUNERATION

The following table fully discloses all remuneration received by directors for 2009 as well as in the prior year.

R'000	Fees		Salary		Bonus		Group total	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Non-executive</b>								
Leslie Boyd	–	175	–	–	–	–	–	175
Gafoor Khan *	444	280	–	–	–	–	444	280
Colin Brayshaw	271	250	–	–	–	–	271	250
Wayne Brett	163	150	–	–	–	–	163	150
Avram Levy	130	120	–	–	–	–	130	120
Adam Esa	–	120	–	–	–	–	–	120
<b>Executive</b>								
Daryl Paynter	–	–	1 546	1 477	1 000	500	2 546	1 977
Ivor Morgan	–	–	1 086	1 011	650	350	1 736	1 361
Jimmy Martin **	–	–	522	–	325	–	847	–
Richard Wilkes **	–	–	701	–	2 400	–	3 101	–
<b>Total</b>	<b>1 008</b>	1 095	<b>3 855</b>	2 488	<b>4 375</b>	850	<b>9 238</b>	4 433

\*Alternate director: Ishmail Essa

\*\*Appointed 18 June 2009



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## Group annual financial statements

Year ended 31 December 2009

### Registration number

1996/004343/06

Incorporated in the Republic of South Africa

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# Directors' responsibility for financial reporting

for the year ended 31 December 2009

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 December 2010 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on page 19.

The annual financial statements set out on pages 20 to 45, which have been prepared on the going concern basis, were approved by the board on 5 March 2010 and were signed on its behalf by:



Director



Director

## Certificate by the company secretary

In terms of the Companies Act ("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 by 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

5 March 2010

# Report of the independent auditors

to the shareholders of Universal Industries Corporation Limited

We have audited the annual financial statements and group annual financial statements of Universal Industries Corporation Limited, which comprise the directors' report, the statements of financial position as at 31 December 2009, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, of the company and group, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 45.

## DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these annual financial statements and group annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, as amended. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of annual 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.

## AUDIT RESPONSIBILITY

Our responsibility is to express an opinion on these annual financial statements and group annual 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 annual financial statements and group annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements and group annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements and group annual 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 annual financial statements and group annual 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 annual financial statements and group annual 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 annual financial statements and group annual financial statements present fairly, in all material respects, the financial position of Universal Industries Corporation Limited as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, as amended.

PKF (JHB) Inc

### PKF (JHB) Inc

Per RM Huiskamp

Registered Auditor

Chartered Accountants (S.A)

Registration number 1994/001166/21

Johannesburg

5 March 2010

# Directors' report

Year ended 31 December 2009

Your directors have pleasure in presenting the company and the group annual financial statements for the year ended 31 December 2009.

## 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 machinery as well as equipment and utensils of all descriptions applicable to that industry.

## RESULTS OF OPERATIONS

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

## GOING CONCERN

The directors believe that the group has or has access to adequate resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going-concern basis.

## SUBSEQUENT EVENTS

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

## SPECIAL RESOLUTION

On 28 April 2009 the directors were authorised to effect a buyback of up to 20% of the company's shares upon such terms and conditions as the directors may from time to time decide, but subject to the Companies Act and the listing requirements of the JSE.

This authority will be renewed at the annual general meeting as disclosed in the notice of annual general meeting distributed with the annual report.

## AUTHORISED AND ISSUED SHARE CAPITAL

Details are contained in note 11 to the annual financial statements.

During the year under review the company bought back 492 963 of its own shares at an average price of 60 cents per share. These shares have been cancelled.

## BORROWING POWERS

The company has unlimited borrowing powers.

## DISTRIBUTION

At listing the group adopted a dividend policy of annually distributing 25% of profits attributable to equity holders. Approval was granted at the last annual general meeting for distributions by way of a capital reduction and accordingly the board has declared a cash distribution from share premium, in *lieu* of an ordinary dividend, of 3 cents per share.

The relevant dates are as follows:

- |  |                       |
|--|-----------------------|
| • Last day to trade <i>cum</i> the distribution              | Friday, 9 April 2010  |
| • Shares will commence trading <i>ex</i> the distribution on | Monday, 12 April 2010 |
| • Record date  | Friday, 16 April 2010 |
| • Distribution paid on                                       | Monday, 19 April 2010 |

Shares may not be dematerialised or re-materialised between Monday, 12 April 2010 and Friday, 16 April 2010.

## SUBSIDIARIES

The following companies, 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 and distributor of refrigerated display cases, insulated panels and related items; and
- Macadams International (Pty) Limited ("Macadams International") 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 annual financial statements.

## COMPANY SECRETARY

Probity Business Services (Pty) Limited  
3rd Floor, The Mall Offices, 11 Cradock Avenue, Rosebank, 2196

## AUDITORS

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

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The audit and risk management committee has fulfilled its responsibilities during the year as more fully documented in the report of the audit and risk management committee on page 13 of the annual report. The committee has furthermore satisfied itself as to the independence of the external auditors and their suitability for re-appointment at the annual general meeting for the ensuing year.

## DIRECTORATE AS AT DATE OF THIS REPORT

### Independent non-executive directors

Gaff Khan (Chairman)  
Colin Brayshaw  
Ishmail Essa (alternate to Gaff Khan)

### Non-executive directors

Wayne Brett  
Avram Levy

### Executive directors

Daryl Paynter (CEO)  
Ivor Morgan (CFO)  
Jimmy Martin  
Richard Wilkes

The only change from the last report was the appointment of Jimmy Martin and Richard Wilkes as executive directors on 18 June 2009.

## SALIENT TERMS OF THE SERVICE AND RESTRAINT AGREEMENTS OF EXECUTIVE DIRECTORS

The directors' service agreements contain terms and conditions that are standard for these types of agreements and are terminable on three months' notice by either party. The directors are remunerated during their notice period and the contracts contain restraint of trade provisions in terms of which the directors are restrained from competing with the group during their employment and for a period of six months (with the exception of Richard Wilkes who has a five year restraint) after termination of their employment with the group. There were no changes from the prior year.

## DIRECTORS' INTEREST IN SHARES OF THE COMPANY AS AT 31 DECEMBER (NUMBER OF SHARES)

	Direct		Indirect beneficial		Total	
	2009	2008	2009	2008	2009	2008
Gaff Khan	-	-	-	-	-	-
Colin Brayshaw	250 000	250 000	-	-	250 000	250 000
Wayne Brett	-	-	70 923 217	70 832 324	70 923 217	70 832 324
Ishmail Essa	-	-	-	-	-	-
Avram Levy	-	-	70 632 324	70 632 324	70 632 324	70 632 324
Daryl Paynter	-	-	86 827 625	86 827 625	86 827 625	86 827 625
Ivor Morgan	6 419 658	6 419 658	-	-	6 419 658	6 419 658
Jimmy Martin	-	-	32 598 290	32 598 290	32 598 290	32 598 290
Richard Wilkes	-	-	22 990 654	22 990 654	22 990 654	22 990 654
	6 669 658	6 669 658	283 972 110	283 881 217	290 641 768	290 550 875

There has been no change in the directors' shareholding from year-end to the date of this report. No share options have been awarded at the date of this report.

# Statements of financial position

As at 31 December 2009

	Notes	GROUP		COMPANY	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>211 946</b>	210 676	<b>193 089</b>	152 823
Property, plant and equipment	4	18 563	15 041	-	-
Intangible assets	5	192 064	194 305	-	-
Deferred taxation assets	6	1 319	1 330	45	45
Investment in and loans to subsidiaries	7	-	-	193 044	152 778
<b>Current assets</b>		<b>331 046</b>	386 061	<b>77 483</b>	75 628
Inventories	8	87 047	91 365	-	-
Trade and other receivables	9	133 622	153 427	452	-
Taxation receivable		28	5 693	-	-
Cash and cash equivalents	10	110 349	135 576	77 031	75 628
<b>Total assets</b>		<b>542 992</b>	596 737	<b>270 572</b>	228 451
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>		<b>353 388</b>	316 079	<b>194 954</b>	201 713
Share capital	11	4	4	4	4
Share premium	12	153 435	167 200	153 435	167 200
Accumulated profits		199 949	148 875	41 515	34 509
<b>Non-current liabilities</b>		<b>68 803</b>	87 342	<b>72 025</b>	19 059
Interest bearing liabilities	13	65 316	82 843	-	-
Loans from subsidiaries	7	-	-	72 025	19 059
Deferred taxation liabilities	6	1 008	2 424	-	-
Operating lease liability		2 479	2 075	-	-
<b>Current liabilities</b>		<b>120 801</b>	193 316	<b>3 593</b>	7 679
Trade and other payables	14	96 257	88 472	3 046	1 420
Interest bearing liabilities	13	20 714	14 956	-	-
Other financial liabilities	15	350	79 887	-	-
Taxation payable		3 480	10 001	547	6 259
<b>Total equity and liabilities</b>		<b>542 992</b>	596 737	<b>270 572</b>	228 451
Asset value per share (cents):					
- Net asset value		78,8	70,4		
- Tangible net asset value		36,0	27,1		

# Statements of comprehensive income

Year ended 31 December 2009

	Notes	GROUP		COMPANY	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Revenue</b>	16	<b>587 072</b>	648 188	<b>1 440</b>	1 440
Cost of goods sold		<b>(421 309)</b>	(462 165)	-	-
<b>Gross profit</b>		<b>165 763</b>	186 023	<b>1 440</b>	1 440
Other income		<b>323</b>	3 798	-	-
Operating expenses		<b>(93 148)</b>	(89 486)	<b>(7 005)</b>	(3 224)
<b>Profit/(loss) from operations</b>	17	<b>72 938</b>	100 335	<b>(5 565)</b>	(1 784)
Interest received	18	<b>16 863</b>	7 982	<b>16 872</b>	24 161
Interest paid	18	<b>(16 693)</b>	(6 081)	<b>(1 577)</b>	(25)
<b>Profit before taxation</b>		<b>73 108</b>	102 236	<b>9 730</b>	22 352
Taxation	19	<b>(22 034)</b>	(28 600)	<b>(2 724)</b>	(6 235)
<b>Profit for the year attributable to the equity holders of the parent</b>		<b>51 074</b>	73 636	<b>7 006</b>	16 117
Other comprehensive income		-	-	-	-
<b>Total comprehensive income attributable to the equity holders of the parent</b>		<b>51 074</b>	73 636	<b>7 006</b>	16 117
Basic and headline earnings per share (cents)	20	<b>11,4</b>	15,6		
Distribution per share (cents)					
- capital reduction from share premium		<b>3,0</b>	3,0		

# Statements of changes in equity

Year ended 31 December 2009

	Share capital R'000	Share premium R'000	Accumulated profits R'000	Total R'000
<b>GROUP</b>				
<b>Balances at 31 December 2007</b>	5	189 829	75 239	265 073
Share buyback and expenses	(1)	(22 629)	–	(22 630)
Total comprehensive income for the year	–	–	73 636	73 636
<b>Balances at 31 December 2008</b>	<b>4</b>	<b>167 200</b>	<b>148 875</b>	<b>316 079</b>
Share buyback and expenses	–	(298)	–	(298)
Capital distribution to shareholders	–	(13 467)	–	(13 467)
Total comprehensive income for the year	–	–	51 074	51 074
<b>Balances at 31 December 2009</b>	<b>4</b>	<b>153 435</b>	<b>199 949</b>	<b>353 388</b>
<b>COMPANY</b>				
<b>Balances at 31 December 2007</b>	5	189 829	18 392	208 226
Share buyback and expenses	(1)	(22 629)	–	(22 630)
Total comprehensive income for the year	–	–	16 117	16 117
<b>Balances at 31 December 2008</b>	<b>4</b>	<b>167 200</b>	<b>34 509</b>	<b>201 713</b>
Share buyback and expenses	–	(298)	–	(298)
Capital distribution to shareholders	–	(13 467)	–	(13 467)
Total comprehensive income for the year	–	–	7 006	7 006
<b>Balances at 31 December 2009</b>	<b>4</b>	<b>153 435</b>	<b>41 515</b>	<b>194 954</b>

# Statements of cash flows

Year ended 31 December 2009

	Notes	GROUP		COMPANY	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Cash flows from operating activities</b>		<b>93 234</b>	33 793	<b>2 468</b>	23 148
Cash generated/(utilised) by operations	21.1	<b>111 785</b>	65 245	<b>(4 391)</b>	(444)
Interest received	18	<b>16 863</b>	7 982	<b>16 872</b>	24 161
Interest paid	18	<b>(11 119)</b>	(1 100)	<b>(1 577)</b>	(25)
Taxation paid	21.2	<b>(24 295)</b>	(38 334)	<b>(8 436)</b>	(544)
<b>Cash flows from investing activities</b>		<b>(7 816)</b>	(5 369)	-	-
Additions to property, plant and equipment	4	<b>(8 010)</b>	(5 433)	-	-
Proceeds on disposal of property, plant and equipment		<b>194</b>	64	-	-
<b>Cash flows from financing activities</b>		<b>(110 645)</b>	57 680	<b>(1 065)</b>	52 479
Net loans repaid by subsidiaries		-	-	<b>12 700</b>	76 046
Net interest bearing liabilities (repaid)/raised		<b>(11 769)</b>	95 257	-	(937)
Net payment of other financial liabilities		<b>(85 111)</b>	(14 947)	-	-
Payment on buyback of shares		<b>(298)</b>	(22 630)	<b>(298)</b>	(22 630)
Capital distribution from share premium		<b>(13 467)</b>	-	<b>(13 467)</b>	-
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(25 227)</b>	86 104	<b>1 403</b>	75 627
Cash and cash equivalents at beginning of year		<b>135 576</b>	49 472	<b>75 628</b>	1
<b>Cash and cash equivalents at end of year</b>	21.3	<b>110 349</b>	135 576	<b>77 031</b>	75 628

# Notes to the annual financial statements

Year ended 31 December 2009

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

## 1. BASIS OF PREPARATION

These annual 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 Standards and interpretations effective in 2009 but not relevant

The following amendments were mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant to the operations of the company:

IAS 20 – Accounting for government grants and disclosure of government assistance;  
IAS 28 – Investments in associates;  
IAS 29 – Financial reporting in hyperinflationary economies;  
IAS 40 – Investment property;  
IAS 41 – Agriculture; and  
IFRIC 15 – Agreements for the construction of real estate.

### 1.2 Standards in issue, not yet effective

At the date of approving these annual financial statements, the following standards and interpretations were in issue but not yet effective (effective from the annual periods beginning on or after the date shown in brackets):

IFRS 1 – First time adoption of IFRS: changes for oil and gas assets (1 January 2010);  
IFRS 2 – Share-based payments (1 January 2010);  
IFRS 3 – Business combinations (1 July 2009);  
IFRS 5 – Non-current assets held for sale and discontinued operations (1 January 2010);  
IFRS 9 – Financial instruments (1 January 2013);  
IAS 1 – Presentation of financial statements (1 January 2010);  
IAS 7 – Statement of cash flows (1 January 2010);  
IAS 10 – Events after the reporting period (1 July 2009);  
IAS 17 – Leases (1 January 2010);  
IAS 24 – Related party disclosure (1 January 2011);  
IAS 27 – Consolidated and separate financial statements (1 July 2009);  
IAS 21 – Interest in joint ventures (1 July 2009);  
IAS 32 – Financial instruments presentation (1 February 2010);  
IAS 36 – Impairment of assets (1 January 2010);  
IAS 38 – Intangible assets (1 July 2009);  
IAS 39 – Financial instruments: Recognition and measurement (1 July 2009);  
IFRIC 9 – (amended) Reassessment of embedded derivatives (1 July 2009);  
IFRIC 14: IAS 19 – The limit on a defined benefit asset (1 January 2011);  
IFRIC 16 – (amended) Hedges of a net investment in foreign operations (1 July 2009);  
IFRIC 17 – Distribution of non-cash assets to owners (1 July 2009);  
IFRIC 18 – Transfer of assets from customers (1 July 2009); and  
IFRIC 19 – Extinguishing financial liabilities with equity instruments (1 July 2010).

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the company.

# Notes to the annual financial statements continued

Year ended 31 December 2009

## 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:

### 2.1 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 insignificant. 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 group has a policy of utilising all motor vehicles for a period of five years, after which the residual value is considered to be insignificant.

### 2.2 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.

### 2.3 Inventory impairments

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

### 2.4 Impairment of trade and other receivables

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

### 2.5 Discounting of trade receivables and trade payables

Normal trade credit terms in South Africa have been judged to be equal to 60 days. Where trade receivables and payables are settled beyond the normal trade credit terms, the transaction is deemed to include a financing arrangement. The resulting trade receivable or trade payable is discounted from the date of settlement to day 60 using an appropriate discount rate. The group discounts its trade receivables and trade payables using the borrowing rate the group could obtain from its commercial bankers for borrowing funds on similar terms.

## 3. ACCOUNTING POLICIES

### 3.1 Basis of consolidation

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its wholly owned subsidiaries, which have been consolidated.

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 statement of financial position 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. Subsequently, property, plant and equipment is carried at cost less accumulated depreciation and impairment. Useful lives and residual values are reassessed at the end of each financial period. The useful life applicable to each category of plant and equipment is estimated as follows:

Plant and equipment	8 years	Furniture and fittings	6 years
Motor vehicles	5 years	Leasehold improvements	5 years
Office equipment	6 years	Computer equipment	3 years
Computer software	2 years		

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

# Notes to the annual financial statements continued

Year ended 31 December 2009

## 3. ACCOUNTING POLICIES (continued)

### 3.3 Impairment of assets

The carrying amounts of property, plant and equipment are reviewed annually for an indication of whether or not the relevant asset is impaired. If any such indication exists, and where the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. 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 statement of comprehensive income under the line item "operating expenses". Reversals of impairments are limited to the carrying amount of the asset had no impairment been recognised previously.

### 3.4 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 statement of comprehensive income 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.

### 3.5 Intangible assets

#### *Goodwill*

Goodwill on acquisitions comprises the excess of the fair value of the purchase consideration plus any associated costs for the initial acquisition or further investments in subsidiary undertakings over the fair value of the net identifiable assets acquired. The costs of integrating and re-organising acquired businesses are charged to the post acquisition statement of comprehensive income.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### *Other intangible assets*

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at the end of each financial period. Other intangible assets are amortised from the date they are available for use.

The useful life applicable to each category of intangible asset is estimated as follows:

Brand names	10 years
Customer lists	5 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

### 3.6 Taxation

#### *Current tax*

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

#### *Deferred tax*

Deferred taxation is provided on the comprehensive liability basis computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax is recognised on all temporary differences other than on initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting or taxable profit or loss.

# Notes to the annual financial statements continued

Year ended 31 December 2009

## 3. ACCOUNTING POLICIES (continued)

### 3.6 Taxation (continued)

#### *Deferred tax (continued)*

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 substantially enacted at the reporting 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 for the year.

### 3.7 Investments in subsidiaries

Investments in subsidiaries are stated at cost, less accumulated impairment losses.

### 3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transport and handling costs. 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.

### 3.9 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 reporting 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.

### 3.10 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

### 3.11 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. Revenue from rendering of services is recognised by reference to the stage of completion of the service.

### 3.12 Employee benefits – Defined contribution plans

Contributions to a defined contribution plan in respect of service are recognised as an expense in the relevant period as they fall due. The group has no further payment obligations once the contributions have been made.

## 3. ACCOUNTING POLICIES (continued)

### 3.13 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 3.14 Financial instruments

#### *Initial recognition and measurement*

All financial instruments are recognised on the balance sheet. Financial instruments are initially recognised when the company or a subsidiary 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 group's principal financial assets are trade and other receivables and cash and cash equivalents.

#### *Trade and other receivables*

Trade and other receivables originated by the group are stated at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the present value of future estimated cash flows, discounted at the original effective interest rate. The carrying amount of trade receivables is reduced through the use of an allowance account. Movements in the allowance account are recognised in profit or loss. When a receivable is uncollectable it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

#### *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.

#### *Financial liabilities*

The company and group's principal financial liabilities are interest bearing liabilities, non-interest bearing liabilities, other financial liabilities and trade and other payables.

#### *Interest bearing liabilities*

Interest bearing liabilities are recognised at amortised cost using the effective interest rate method.

#### *Non-interest bearing liabilities*

Non-interest bearing liabilities are recognised at amortised cost using the effective interest rate method.

#### *Trade and other payables*

Trade and other payables are recognised at amortised cost using the effective interest rate method.

#### *Other financial liabilities*

Other financial liabilities comprises vendor loans and foreign exchange contracts. Vendor loans are recognised at amortised cost using the effective interest rate method. Foreign exchange contracts are recognised at fair value through profit or loss.

#### *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 statement of comprehensive income.

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 statement of comprehensive income.

### 3. ACCOUNTING POLICIES (continued)

#### 3.14 Financial instruments (continued)

##### *Fair value methods and assumptions*

The fair value of instruments traded in an active market is based on current bid prices. 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 year-end, 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.

##### *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.

#### 3.15 Related party transactions

All subsidiaries of the group are related parties. Details of subsidiaries are contained in note 7. All transactions entered into with subsidiaries have been eliminated on consolidation.

Directors' emoluments are disclosed in the special report from the remuneration and nomination committee.

Transactions with other related parties are set out in note 23. There were no other material contracts with related parties. All transactions with other related parties were under terms no more favourable than those with third parties.

#### 3.16 Segment reporting

A segment is a distinguishable component of the group that is engaged in activities which are subject to risk and rewards that are different from those of other segments.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other group segments.

Segment assets and liabilities comprise those assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

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# Notes to the annual financial statements continued

Year ended 31 December 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Cost</b>	<b>37 478</b>	<b>30 394</b>	<b>-</b>	<b>-</b>
Plant and equipment	29 580	23 387	-	-
Furniture and fittings	726	684	-	-
Motor vehicles	1 511	1 560	-	-
Leasehold improvements	995	547	-	-
Office equipment	627	617	-	-
Computer equipment	3 732	3 310	-	-
Computer software	307	289	-	-
<b>Accumulated depreciation</b>	<b>(18 915)</b>	<b>(15 353)</b>	<b>-</b>	<b>-</b>
Plant and equipment	(13 704)	(11 580)	-	-
Furniture and fittings	(381)	(299)	-	-
Motor vehicles	(948)	(769)	-	-
Leasehold improvements	(372)	(236)	-	-
Office equipment	(464)	(261)	-	-
Computer equipment	(2 750)	(1 943)	-	-
Computer software	(296)	(265)	-	-
<b>Carrying amount at end of year</b>	<b>18 563</b>	<b>15 041</b>	<b>-</b>	<b>-</b>
Plant and equipment	15 876	11 807	-	-
Furniture and fittings	345	385	-	-
Motor vehicles	563	791	-	-
Leasehold improvements	623	311	-	-
Office equipment	163	356	-	-
Computer equipment	982	1 367	-	-
Computer software	11	24	-	-
<b>Movements for the year:</b>				
<b>Carrying amount at beginning of year</b>	<b>15 041</b>	<b>12 968</b>	<b>-</b>	<b>-</b>
<b>Additions</b>	<b>8 010</b>	<b>5 433</b>	<b>-</b>	<b>-</b>
Plant and equipment	6 877	4 002	-	-
Furniture and fittings	22	166	-	-
Motor vehicles	134	140	-	-
Leasehold improvements	447	90	-	-
Office equipment	11	236	-	-
Computer equipment	501	799	-	-
Computer software	18	-	-	-
<b>Book value of disposals and adjustments</b>	<b>(136)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>
Plant and equipment	(50)	(6)	-	-
Furniture and fittings	8	-	-	-
Motor vehicles	(89)	-	-	-
Leasehold improvements	(2)	-	-	-
Office equipment	(1)	-	-	-
Computer equipment	(2)	-	-	-
<b>Depreciation for the year</b>	<b>(4 352)</b>	<b>(3 354)</b>	<b>-</b>	<b>-</b>
Plant and equipment	(2 758)	(1 662)	-	-
Furniture and fittings	(70)	(80)	-	-
Motor vehicles	(273)	(266)	-	-
Leasehold improvements	(133)	(149)	-	-
Office equipment	(203)	(203)	-	-
Computer equipment	(884)	(911)	-	-
Computer software	(31)	(83)	-	-
<b>Carrying amount at end of year</b>	<b>18 563</b>	<b>15 041</b>	<b>-</b>	<b>-</b>

**Encumbrances:**

- Property, plant and equipment has been encumbered by general and special notarial bonds as detailed in note 10; and
- Certain items of plant and equipment were acquired under instalment sale agreements as detailed in note 13.

# Notes to the annual financial statements continued

Year ended 31 December 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>5. INTANGIBLE ASSETS</b>				
<b>Cost</b>				
Arising on acquisition of Insulated Structures:				
– Goodwill	7 037	7 037	–	–
Arising on acquisition of business of Macadams International:	189 509	189 509	–	–
– Goodwill	170 490	170 490	–	–
– Brand names	15 622	15 622	–	–
– Customer lists	3 397	3 397	–	–
	<b>196 546</b>	<b>196 546</b>	<b>–</b>	<b>–</b>
<b>Accumulated amortisation</b>				
– Brand names	(3 124)	(1 562)	–	–
– Customer lists	(1 358)	(679)	–	–
	<b>(4 482)</b>	<b>(2 241)</b>	<b>–</b>	<b>–</b>
<b>Carrying value</b>				
Insulated Structures				
– Goodwill	7 037	7 037	–	–
Macadams International	185 027	187 268	–	–
– Goodwill	170 490	170 490	–	–
– Brand names	12 498	14 060	–	–
– Customer lists	2 039	2 718	–	–
	<b>192 064</b>	<b>194 305</b>	<b>–</b>	<b>–</b>
<b>Movements for the year:</b>				
<b>Carrying value at beginning of year</b>	<b>194 305</b>	<b>181 739</b>	<b>–</b>	<b>–</b>
<b>Additions</b>				
– Goodwill	–	14 807	–	–
<b>Amortisation for the year</b>	<b>(2 241)</b>	<b>(2 241)</b>	<b>–</b>	<b>–</b>
– Brand names	(1 562)	(1 562)	–	–
– Customer lists	(679)	(679)	–	–
<b>Carrying value at end of year</b>	<b>192 064</b>	<b>194 305</b>	<b>–</b>	<b>–</b>

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 17,5% (2008: 17,5%) and a terminal growth rate of 6% (2008: 6%) has been applied. The recoverable amounts of the units were determined to be higher than the attributable portion of goodwill and therefore no impairment was necessary.

The remaining useful life for brand names and customer lists are 8 (2008: 9) and 3 (2008: 4) years, respectively.

# Notes to the annual financial statements continued

Year ended 31 December 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>6. DEFERRED TAXATION</b>				
<b>Disclosed as:</b>				
Deferred taxation assets	1 319	1 330	45	45
Deferred taxation liabilities	(1 008)	(2 424)	-	-
	<b>311</b>	<b>(1 094)</b>	<b>45</b>	<b>45</b>
<b>Movements for the year:</b>				
Balance at beginning of the year	(1 094)	(3 372)	45	22
Movements during the year attributable to:				
- Tax rate change	-	110	-	(1)
- Prior year over provision	-	190	-	-
- Intangible assets	-	627	-	-
- Temporary differences	1 405	1 351	-	24
Balance at end of the year	<b>311</b>	<b>(1 094)</b>	<b>45</b>	<b>45</b>
<b>The balance comprises:</b>				
- Provisions	5 072	4 188	45	45
- Intangible assets	(4 070)	(4 698)	-	-
- Deposits	1 073	120	-	-
- Operating lease liabilities	694	581	-	-
- Accelerated capital allowances	(2 458)	(1 285)	-	-
	<b>311</b>	<b>(1 094)</b>	<b>45</b>	<b>45</b>

	COMPANY	
	2009 R'000	2008 R'000
<b>7. INVESTMENT IN AND LOANS TO/(FROM) SUBSIDIARIES</b>		
<b>Disclosed as:</b>		
Investment in and loans to subsidiaries	193 044	152 778
Loans from subsidiaries	(72 025)	(19 059)
	<b>121 019</b>	<b>133 719</b>
<b>Unlisted shares at cost <sup>(i)</sup></b>	<b>15 422</b>	<b>15 422</b>
- Colcab (cost less than R1 000)	-	-
- Colcab Manufacturing	8 313	8 313
- Insulated Structures	7 108	7 108
- Macadams International	1	1
<b>Interest bearing loans receivable <sup>(ii)</sup></b>	<b>177 622</b>	<b>127 358</b>
- Colcab	14 898	14 898
- Insulated Structures	7 392	7 392
- Macadams International	155 332	105 068
<b>Non-interest bearing loan receivable <sup>(iii)</sup></b>		
- Colcab	-	9 998
<b>Interest bearing loans payable <sup>(iii)</sup></b>	<b>(72 025)</b>	<b>(19 059)</b>
- Colcab	(36 060)	-
- Colcab Manufacturing	(10 018)	(10 018)
- Insulated Structures	(25 947)	(9 041)
	<b>121 019</b>	<b>133 719</b>

<sup>(i)</sup> All wholly owned subsidiaries. The shares have been ceded to the bank as detailed in note 10.

<sup>(ii)</sup> The loans are unsecured, bear interest at rates as agreed from time to time (which approximates the prime overdraft rate or cash deposit rates), and are repayable subject to a twelve-month notice period or earlier by mutual agreement. At 31 December 2009 no notice for repayment had been given by either party. The loans have been ceded to the bank as detailed in note 10.

<sup>(iii)</sup> The loans are unsecured, bear interest at rates as agreed from time to time (which approximates the prime overdraft rate or cash deposit rates) and are repayable subject to a twelve-month notice period or earlier by mutual agreement. At 31 December 2009 no notice for repayment had been given by either party. The loans have been ceded to the bank as detailed in note 10.

# Notes to the annual financial statements continued

Year ended 31 December 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>8. INVENTORIES</b>				
<b>These comprise:</b>				
– Raw materials	32 606	38 818	–	–
– Work in progress	13 603	10 637	–	–
– Manufactured finished goods	20 315	20 065	–	–
– Merchandise finished goods	30 231	31 165	–	–
	96 755	100 685	–	–
– Less allowances for impairment	(9 708)	(9 320)	–	–
	87 047	91 365	–	–
Inventories have been ceded to the bank as security for facilities granted (refer note 10).				
<b>9. TRADE AND OTHER RECEIVABLES</b>				
<b>These comprise:</b>				
– Trade receivables net of allowances for impairment	131 923	152 064	–	–
– Prepayments	249	295	–	–
– Deposits	98	996	–	–
– Other receivables	1 352	72	452	–
	133 622	153 427	452	–
Trade receivables have been ceded to the bank as security for facilities granted (refer note 10).				
<b>Allowances for impairment</b>				
Opening balance	15 607	11 512	–	–
Impairments recognised for year	1 438	4 095	–	–
Closing balance	17 045	15 607	–	–
The following factors were considered in determining the amounts of the impairment:				
– each account was assessed based on past credit history;				
– the extent of credit guarantee insurance; and				
– any knowledge of particular insolvency or other risk.				
<b>Trade receivables past due but not impaired</b>				
Amounts in 30 to 60 days	17 351	22 939	–	–
Amounts in 60 to 90 days	7 001	14 021	–	–
Amounts in 90 days plus	4 144	4 219	–	–
	28 496	41 179	–	–
<b>Related credit exposure and enhancements</b>				
Maximum exposure to credit losses of trade and other receivables	133 622	153 427	452	–
Credit risk mitigated through credit guarantee insurance for the event of liquidation of selected debtors	(7 687)	(15 583)	–	–
Residual exposure	125 935	137 844	452	–
<b>10. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of bank and call deposits	110 349	135 576	77 031	75 628

## Banking facilities

The group has overdraft and other short-term bank facilities of R20 million. At year-end these facilities were unutilised. The long-term facilities that were utilised are disclosed in note 13.

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 International (R70 million);
- cession of all trade and other receivables;
- unlimited cross suretyship in favour of the bank provided by all the group entities; and
- the company has ceded to the bank its shares and loan accounts in its subsidiaries (refer note 7).

# Notes to the annual financial statements continued

Year ended 31 December 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>11. SHARE CAPITAL</b>				
<b>Authorised</b>				
2 000 000 000 ordinary shares of R0,00001 each	20	20	20	20
<b>Issued</b>				
Beginning of year 448 911 962 (2008: 480 000 000) shares of R0,00001 each	4	5	4	5
Share buyback <sup>(i)</sup>	*	(1)	*	(1)
Balance at end of year 448 418 999 (2008: 448 911 962) shares of R0,00001 each <sup>(ii)</sup>	4	4	4	4
<sup>(i)</sup> In terms of the authority given by shareholders at the last annual general meeting 492 963 (2008: 31 088 038) shares were bought back and cancelled.				
<sup>(ii)</sup> The 1 551 581 001 (2008: 1 551 088 038) unissued ordinary shares are under the control of the directors until the next annual general meeting.				
* Less than R1 000				
<b>12. SHARE PREMIUM</b>				
Arising on issue of shares	153 435	167 200	153 435	167 200
<b>13. INTEREST BEARING LIABILITIES</b>				
<b>Disclosed as:</b>				
Non-current portion	65 316	82 843	-	-
Current portion	20 714	14 956	-	-
	86 030	97 799	-	-
<b>These comprise:</b>				
Variable rate term loan <sup>(i)</sup>	61 681	82 466	-	-
Capital outstanding	81 521	96 825	-	-
Less: Current portion	(19 840)	(14 359)	-	-
Instalment sale creditors <sup>(ii)</sup>	3 635	377	-	-
Capital outstanding	4 509	974	-	-
Less: Current portion	(874)	(597)	-	-
<b>Present value of repayments</b>				
Due within 1 year	20 714	14 956	-	-
Total repayments	26 827	28 365	-	-
Unearned finance charges	(6 113)	(13 409)	-	-
Due within 1 to 5 years	65 316	82 843	-	-
Total repayments	79 136	111 375	-	-
Unearned finance charges	(13 820)	(28 532)	-	-
Total	86 030	97 799	-	-
Total repayments	105 963	139 740	-	-
Unearned finance charges	(19 933)	(41 941)	-	-

<sup>(i)</sup> The variable rate term loan bears interest at the prime overdraft rate plus 0,25% and is repayable in 47 (2008: 59) equal monthly instalments of R2 136 550 (2008: R2 344 912) inclusive of finance charges. Secured as per note 10.

<sup>(ii)</sup> Instalment sale creditors bear interest at the prime overdraft rate less 0,5% (2008: prime overdraft rate less 1%). The liability is repayable in monthly instalments totalling R99 023 (2008: R51 459). The instalment sale agreements are secured by plant and equipment with a carrying value of R5 147 629 (2008: R2 384 752).

# Notes to the annual financial statements continued

Year ended 31 December 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>14. TRADE AND OTHER PAYABLES</b>				
<b>These comprise:</b>				
– Trade payables	61 357	62 838	546	420
– Payroll and statutory accruals	19 915	13 836	2 500	1 000
– Income received in advance	14 985	11 798	–	–
	<b>96 257</b>	<b>88 472</b>	<b>3 046</b>	<b>1 420</b>
<b>15. OTHER FINANCIAL LIABILITIES</b>				
<b>These comprise:</b>				
Foreign exchange contracts <sup>(i)</sup>	350	461	–	–
Vendor loans: present value of: <sup>(ii)</sup>				
– payment of purchase price <sup>(iii)</sup>	–	64 619	–	–
– payment of purchase price <sup>(iv)</sup>	–	14 807	–	–
	<b>350</b>	<b>79 887</b>	<b>–</b>	<b>–</b>
<sup>(i)</sup> All outstanding foreign exchange contracts ("FEC") were re-valued using the FEC rate ruling at year-end for similar contracts.				
<sup>(ii)</sup> HMW Investments (Pty) Limited (previously Macadams Baking Systems (Pty) Limited), the vendor of the Macadams International business. All the amounts were unsecured and bore no interest.				
<sup>(iii)</sup> Final payment of the unconditional purchase price of R70 million paid on 31 December 2009.				
<sup>(iv)</sup> Contingent purchase price of R15 million paid in March 2009 on achievement of the December 2008 profit target.				
<b>16. REVENUE</b>				
Gross revenue comprises the invoiced value of goods and services supplied, excluding value added tax.				
Major classes of revenue comprise:				
– Sales of goods	587 072	648 188	–	–
– Management fees received	–	–	1 440	1 440
	<b>587 072</b>	<b>648 188</b>	<b>1 440</b>	<b>1 440</b>
<b>17. PROFIT FROM OPERATIONS</b>				
<b>Profit from operations is stated after taking into account the following items:</b>				
<b>Income</b>				
Profit on foreign exchange	–	3 228	–	–
Profit on disposal of property, plant and equipment	58	58	–	–
Management fees received	–	–	1 440	1 440
<b>Expenditure</b>				
Amortisation of intangible assets	2 241	2 241	–	–
Auditors' remuneration	837	896	233	211
Audit fee				
– Current year	821	830	226	211
– (Over)/under provision prior year	(23)	17	(3)	(9)
Other services	39	49	10	9

# Notes to the annual financial statements continued

Year ended 31 December 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>17. PROFIT FROM OPERATIONS (continued)</b>				
<b>Expenditure (continued)</b>				
Consulting fees	257	182	38	14
Depreciation	4 352	3 354	-	-
Impairment of inventories	388	80	-	-
Impairment of trade receivables	1 438	4 095	-	-
Loss on foreign exchange	2 196	-	-	-
Management fees paid	-	-	2 569	-
Operating lease charge	17 939	17 149	-	-
- Property: rent paid	17 463	15 009	-	-
- Property: charge on straight-lining of leases	404	2 075	-	-
- Plant and equipment	72	65	-	-
Remuneration:				
- Directors	9 238	4 433	1 008	1 095
- Key management	14 623	13 198	-	-
- Other staff costs	75 178	82 926	-	-
<b>18. INTEREST RECEIVED AND PAID</b>				
Interest received	16 863	7 982	16 872	24 161
- Bank and call deposits	13 132	5 389	9 221	1 160
- Loans to subsidiaries	-	-	7 651	23 001
- Notional interest charged on trade and other receivables	3 731	2 593	-	-
Interest paid	(16 693)	(6 081)	(1 577)	(25)
- Bank loans and instalment sales	(11 119)	(1 100)	-	(25)
- Loans from subsidiaries	-	-	(1 577)	-
- Notional interest paid on other financial liabilities	(5 574)	(4 981)	-	-
<b>19. TAXATION</b>				
Normal tax	23 439	30 878	2 724	6 258
- Current year	23 439	31 294	2 724	6 258
- Prior year over provision	-	(416)	-	-
Deferred tax	(1 405)	(2 278)	-	(23)
- Current year	(1 405)	(1 978)	-	(24)
- Prior year over provision	-	(190)	-	-
- Tax rate change	-	(110)	-	1
	22 034	28 600	2 724	6 235
<b>Reconciliation of rate of taxation:</b>	%	%	%	%
South African normal tax rate	28,0	28,0	28,0	28,0
Adjusted for:				
- Exempt income and disallowable expenditure	2,1	0,7	-	(0,1)
- Prior year over provision	-	(0,6)	-	-
- Tax rate change	-	(0,1)	-	-
Effective rate	30,1	28,0	28,0	27,9

# Notes to the annual financial statements continued

Year ended 31 December 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>20. BASIC AND HEADLINE EARNINGS PER SHARE</b>				
<b>Reconciliation of net profit to basic earnings:</b>				
Net profit for the year attributable to equity holders of the parent	51 074	73 636		
Basic earnings	51 074	73 636		
Basic earnings per share (cents)	11,4	15,6		
Headline earnings per share (cents)	11,4	15,6		
Weighted average number of shares in issue used to calculate earnings per share	448 863 048	472 369 465		
Shares in issue at year-end	448 418 999	448 911 962		
Refer note 11 for the movement in issued shares.				
<b>21. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>21.1 Cash generated/(utilised) by operations</b>				
Profit before taxation	73 108	102 236	9 730	22 352
<b>Adjusted for:</b>				
Amortisation	2 241	2 241	-	-
Depreciation	4 352	3 354	-	-
Interest paid	16 693	6 081	1 577	25
Interest received	(16 863)	(7 982)	(16 872)	(24 161)
Profit on disposal of property, plant and equipment	(58)	(58)	-	-
Movement in:				
- impairment of trade receivables and inventories	1 826	4 175	-	-
- operating lease liabilities	404	2 075	-	-
	81 703	112 122	(5 565)	(1 784)
Working capital changes	30 082	(46 877)	1 174	1 340
Decrease/(increase) in inventories	3 930	(17 650)	-	-
Decrease/(increase) in trade and other receivables	18 367	(41 181)	(452)	285
Increase in trade and other payables	7 785	11 954	1 626	1 055
Cash generated/(utilised) by operations	111 785	65 245	(4 391)	(444)
<b>21.2 Taxation paid</b>				
Net payable at beginning of year	(4 308)	(11 764)	(6 259)	(545)
Taxation charge (refer to note 19)	(23 439)	(30 878)	(2 724)	(6 258)
Net payable at end of year	3 452	4 308	547	6 259
Payments made	(24 295)	(38 334)	(8 436)	(544)
<b>21.3 Cash and cash equivalents</b>				
Consist of bank and call deposits (refer to note 10)	110 349	135 576	77 031	75 628
<b>22. ACQUISITION OF THE MACADAMS INTERNATIONAL BUSINESS</b>				
Present value of additional cash payment paid in March 2009 based on the achievement of profit targets for the December 2008 year	-	(14 807)		
Recognised as intangible asset	-	(14 807)		

# Notes to the annual financial statements continued

Year ended 31 December 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>23. RELATED PARTY TRANSACTIONS</b>				
<b>Transactions with subsidiaries (as identified in note 7)</b>				
– Interest received			7 651	23 001
– Interest paid			(1 577)	–
– Management fees received			1 440	1 440
– Management fees paid			(2 569)	–
– Net loans advanced			105 597	118 297
<b>Transactions with directors and key management or entities where directors or key management have an interest</b>				
– Corporate finance and advisory fees paid	180	150	180	150
– Directors' fees paid (refer disclosure in special report from the remuneration and nomination committee)	9 238	4 433	1 008	1 095
– Rent paid	8 118	6 778	–	–
– Other financial liabilities (vendor liabilities refer note 15)	–	79 426	–	–

Macadams will relocate to a new manufacturing facility in May 2010. The new premises are owned by certain directors of Macadams. No rent has been paid in the current financial year and the increased lease commitment is reflected in note 26.

All transactions with directors and key management or entities where directors or key management have an interest, were under terms no more favourable than those with third parties.

## 24. RETIREMENT BENEFITS

The majority of the group's employees are members of various pension and provident funds. These funds are independently administered defined contribution funds of the operating entities and defined contribution funds for the industries in which the group's employees work. The group's contributions are charged against income when incurred. The total company contribution to such schemes in 2009 was R5,2 million (2008: R4,7 million).

## 25. GUARANTEES, SURETIES AND CONTINGENCIES

### Guarantees

The company bound itself as surety jointly and severally for and as co-principal debtor *in solidum* with its wholly owned subsidiaries (Colcab, Insulated Structures and Macadams International) for the due and punctual performance by them of all their obligations to Nedbank Limited (see note 10).

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.

### Litigation

Insulated Structures has instituted legal action for the collection of an overdue debt of R440 928 (excluding VAT) due from a building contractor. The amount of R440 928 has been provided for as a doubtful debt. The building contractor has lodged a counter claim for R900 000 citing penalties due to late completion of the project. Legal opinion is that the claim for penalties is unlikely to be successful and has therefore not been provided for.

### Secondary Tax on Companies

Secondary Tax on Companies ("STC") is levied on dividend distributions at a rate of 10% with effect from 1 October 2007. Current and deferred tax are measured at the tax rate applicable to undistributed income and therefore only take STC into account to the extent that dividends have been paid or received. In the event the company or group were to declare a dividend equal to its distributable reserve, it would be liable for STC amounting to R4,2 million (2008: R3,5 million) and R20,0 million (2008: R14,9 million) respectively.

# Notes to the annual financial statements continued

Year ended 31 December 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>26. COMMITMENTS</b>				
<b>Operating leases</b>				
Future operating lease charges for premises:	<b>83 810</b>	65 761	-	-
– Due within one year	<b>16 373</b>	16 570	-	-
– In second to fifth year	<b>53 409</b>	33 812	-	-
– Later than five years	<b>14 028</b>	15 379	-	-
Future operating lease charges for equipment:	-	6	-	-
– Due within one year	-	6	-	-
– In second to fifth year	-	-	-	-
<b>Capital expenditure</b>				
Capital expenditure already contracted but not provided for in respect of property, plant and equipment	<b>3 358</b>	-	-	-
Capital expenditure not yet contracted for but authorised by directors, being expenses in respect of the relocation of Macadams to a new manufacturing facility in May 2010	<b>2 000</b>	-	-	-

The expenditure will be financed from operating cash flow and available bank facilities.

## 27. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

	Held for trading (at fair value through profit and loss)		Loans and receivables		Financial liabilities at amortised cost		Non-financial instruments		Total	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Group</b>										
<b>Non-current assets</b>	-	-	-	-	-	-	211 946	210 676	211 946	210 676
Property, plant and equipment	-	-	-	-	-	-	18 563	15 041	18 563	15 041
Intangible assets	-	-	-	-	-	-	192 064	194 305	192 064	194 305
Deferred taxation assets	-	-	-	-	-	-	1 319	1 330	1 319	1 330
<b>Current assets</b>	-	-	242 731	287 712	-	-	88 315	98 349	331 046	386 061
Inventories	-	-	-	-	-	-	87 047	91 365	87 047	91 365
Trade and other receivables	-	-	132 382	152 136	-	-	1 240	1 291	133 622	153 427
Taxation assets	-	-	-	-	-	-	28	5 693	28	5 693
Cash and cash equivalents	-	-	110 349	135 576	-	-	-	-	110 349	135 576
<b>Total assets</b>	-	-	242 731	287 712	-	-	300 261	309 025	542 992	596 737
<b>Non-current liabilities</b>	-	-	-	-	65 316	82 843	3 487	4 499	68 803	87 342
Interest bearing liabilities	-	-	-	-	65 316	82 843	-	-	65 316	82 843
Deferred taxation liabilities	-	-	-	-	-	-	1 008	2 424	1 008	2 424
Operating lease liabilities	-	-	-	-	-	-	2 479	2 075	2 479	2 075
<b>Current liabilities</b>	350	461	-	-	98 903	166 683	21 548	26 172	120 801	193 316
Trade and other payables	-	-	-	-	78 189	72 301	18 068	16 171	96 257	88 472
Current portion of:										
– interest bearing liabilities	-	-	-	-	20 714	14 956	-	-	20 714	14 956
– other financial liabilities	350	461	-	-	-	79 426	-	-	350	79 887
Taxation liabilities	-	-	-	-	-	-	3 480	10 001	3 480	10 001
<b>Total liabilities</b>	350	461	-	-	164 219	249 526	25 035	30 671	189 604	280 658

# Notes to the annual financial statements continued

Year ended 31 December 2009

## 27. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (continued)

	Loans and receivables		Financial liabilities at amortised cost		Non-financial instruments		Total	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Company</b>								
<b>Non-current assets</b>	<b>177 622</b>	137 356	-	-	<b>15 467</b>	15 467	<b>193 089</b>	152 823
Deferred taxation assets	-	-	-	-	45	45	45	45
Investment in and loans to subsidiaries	177 622	137 356	-	-	15 422	15 422	193 044	152 778
<b>Current assets</b>	<b>77 031</b>	75 628	-	-	<b>452</b>	-	<b>77 483</b>	75 628
Trade and other receivables	-	-	-	-	452	-	452	-
Cash and cash equivalents	77 031	75 628	-	-	-	-	77 031	75 628
<b>Total assets</b>	<b>254 653</b>	212 984	-	-	<b>15 919</b>	15 467	<b>270 572</b>	228 451
<b>Non-current liabilities</b>								
Loans from subsidiaries	-	-	72 025	19 059	-	-	72 025	19 059
<b>Current liabilities</b>	-	-	<b>3 046</b>	1 420	<b>547</b>	6 259	<b>3 593</b>	7 679
Trade and other payables	-	-	3 046	1 420	-	-	3 046	1 420
Taxation liabilities	-	-	-	-	547	6 259	547	6 259
<b>Total liabilities</b>	-	-	<b>75 071</b>	20 479	<b>547</b>	6 259	<b>75 618</b>	26 738

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

At year-end there were no significant uncovered foreign currency liabilities.

### Interest rate risk

The group 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.

### Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources and unutilised borrowing facilities are maintained. At balance sheet date the group had an unutilised overdraft and short-term borrowing facilities of R20 million.

### Credit risk

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

The group 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. Credit guarantee insurance has been taken where considered advisable.

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

# Notes to the annual financial statements continued

Year ended 31 December 2009

## 28. FINANCIAL RISK MANAGEMENT (continued)

### Capital risk management

The group's objectives when managing capital are to safeguard the group as a going concern, so that in the long term it can continue to provide returns for shareholders and benefits for other stakeholders. The group allocates the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The group monitors capital on the basis of the debt-to-adjusted capital ratio and the long-term objective is to maintain this ratio below 60%. This ratio is calculated as net debt/adjusted capital. Net debt is calculated as total interest bearing debt and other financial liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. ordinary shares, share premium, retained earnings and other reserves).

The group debt-to-adjusted capital ratios were as follows:

	2009 R'000	2008 R'000
Interest bearing borrowings	86 030	97 799
Other financial liabilities	350	79 887
Less: Cash and cash equivalents	(110 349)	(135 576)
Net (cash)/debt position	(23 969)	42 110
Total equity	353 388	316 079
Debt-to-adjusted capital ratios	-	0,13:1

The improvement in the group's gearing ratio is mainly attributable to the repayment of the vendor loans as disclosed in note 15.

### Sensitivity analysis

	Carrying value R'000	Foreign exchange risk Profit/(loss) should the Rand exchange rate change by 5%			Interest rate risk Profit/(loss) should the interest rate change by 2%		
		Amount exposed to risk R'000	Rand appre- ciation R'000	Rand depre- ciation R'000	Amount exposed to risk R'000	Rate increase R'000	Rate decrease R'000
<b>Group 2009</b>							
<b>Financial assets</b>							
Cash and cash equivalents	110 349	4 069	(203)	203	110 349	2 207	(2 207)
Trade and other receivables	133 622	4 336	(217)	217	-	-	-
Impact of financial assets on:							
- profit before taxation			(420)	420		2 207	(2 207)
- profit after taxation			(302)	302		1 589	(1 589)
<b>Financial liabilities</b>							
Interest bearing liabilities							
Variable rate loan	86 030	-	-	-	86 030	(1 721)	1 721
Trade and other payables	96 257	9 089	454	(454)	-	-	-
Impact of financial liabilities on:							
- profit before taxation			454	(454)		(1 721)	1 721
- profit after taxation			327	(327)		(1 239)	1 239
Overall impact on profit after taxation			25	(25)		350	(350)

No company sensitivity analysis is presented as there were no balances exposed to foreign exchange risk and the only interest rate risk would relate to bank and call deposits of R77 million (2008: R76 million) at year-end, on which the after tax impact on profit or loss would be R1,1 million (2008: R1 million) should the interest rate change by 2%.

# Notes to the annual financial statements continued

Year ended 31 December 2009

## 28. FINANCIAL RISK MANAGEMENT (continued)

### Sensitivity analysis

	Carrying value R'000	Foreign exchange risk Profit/(loss) should the Rand exchange rate change by 5%			Interest rate risk Profit/(loss) should the interest rate change by 2%		
		Amount exposed to risk R'000	Rand appre- ciation R'000	Rand depre- ciation R'000	Amount exposed to risk R'000	Rate increase R'000	Rate decrease R'000
<b>Group 2008</b>							
<b>Financial assets</b>							
Cash and cash equivalents	135 576	6 990	(350)	350	135 576	2 711	(2 711)
Trade and other receivables	153 427	6 938	(347)	347	-	-	-
Impact of financial assets on:							
- profit before taxation			(697)	697		2 711	(2 711)
- profit after taxation			(502)	502		1 952	(1 952)
<b>Financial liabilities</b>							
Interest bearing liabilities							
Variable rate loan	97 799	-	-	-	97 799	(1 956)	1 956
Trade and other payables	88 472	-	-	-	-	-	-
Impact of financial liabilities on:							
- profit before taxation			-	-		(1 956)	1 956
- profit after taxation			-	-		(1 408)	1 408
Overall impact on profit after taxation			(502)	502		544	(544)

### Liquidity risk – maturity analysis of financial liabilities

	Carrying amount of financial liabilities R'000	Expected settlement period of financial liabilities				Total undiscounted value of financial liabilities R'000
		< 3 months R'000	3 – 6 months R'000	6 – 12 months R'000	12+ months R'000	
<b>Group 2009</b>						
<b>Non-current liabilities</b>						
Interest bearing liabilities	65 316	-	-	-	79 136	79 136
<b>Current liabilities</b>						
Trade and other payables	78 189	78 189	-	-	-	78 189
Interest bearing liabilities	20 714	6 707	6 707	13 413	-	26 827
Other financial liabilities	350	350	-	-	-	350
	164 569	85 246	6 707	13 413	79 136	184 502
<b>Group 2008</b>						
<b>Non-current liabilities</b>						
Interest bearing liabilities	82 843	-	-	-	111 375	111 375
<b>Current liabilities</b>						
Trade and other payables	72 301	72 301	-	-	-	72 301
Interest bearing liabilities	14 956	7 191	7 191	13 983	-	28 365
Other financial liabilities	79 887	15 461	-	70 000	-	85 461
	249 987	94 953	7 191	83 983	111 375	297 502

# Notes to the annual financial statements continued

Year ended 31 December 2009

## 28. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk – maturity analysis of financial liabilities (continued)

	Carrying amount of financial liabilities R'000	Expected settlement period of financial liabilities				Total undiscounted value of financial liabilities R'000
		< 3 months R'000	3 – 6 months R'000	6 – 12 months R'000	12+ months R'000	
<b>Company 2009</b>						
<b>Non-current liabilities</b>						
Loans from subsidiaries	72 025	-	-	-	72 025	72 025
<b>Current liabilities</b>						
Trade and other payables	3 046	3 046	-	-	-	3 046
	<b>75 071</b>	<b>3 046</b>	<b>-</b>	<b>-</b>	<b>72 025</b>	<b>75 071</b>
<b>Company 2008</b>						
<b>Non-current liabilities</b>						
Loans from subsidiaries	19 059	-	-	-	19 059	19 059
<b>Current liabilities</b>						
Trade and other payables	1 420	1 420	-	-	-	1 420
	<b>20 479</b>	<b>1 420</b>	<b>-</b>	<b>-</b>	<b>19 059</b>	<b>20 479</b>

## 29. SEGMENT REPORTING

	Refrigeration		Baking Systems		Group total	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Business segment <sup>(i)</sup></b>						
<b>Revenue <sup>(ii)</sup></b>						
Non-RSA/export revenue	41 522	13 772	84 643	95 222	126 165	108 994
RSA revenue	250 348	296 292	210 559	242 902	460 907	539 194
Total external revenue	<b>291 870</b>	<b>310 064</b>	<b>295 202</b>	<b>338 124</b>	<b>587 072</b>	<b>648 188</b>
<b>Profitability</b>						
Segment profit from operations	<b>38 778</b>	47 414	<b>41 164</b>	56 145	<b>79 942</b>	103 559
Unallocated corporate net expense					<b>(7 004)</b>	(3 224)
Profit from operations					<b>72 938</b>	100 335
Interest received					<b>16 863</b>	7 982
Interest paid					<b>(16 693)</b>	(6 081)
Taxation					<b>(22 034)</b>	(28 600)
Profit for the year attributable to the equity holders of the parent					<b>51 074</b>	73 636
<b>Assets</b>						
Segment assets	<b>113 624</b>	130 536	<b>318 491</b>	330 551	<b>432 115</b>	461 087
Cash and cash equivalents					<b>110 349</b>	135 576
Unallocated corporate assets					<b>528</b>	74
Total assets					<b>542 992</b>	596 737
<b>Liabilities</b>						
Segment liabilities	<b>46 604</b>	40 237	<b>139 407</b>	232 742	<b>186 011</b>	272 979
Unallocated corporate liabilities					<b>3 593</b>	7 679
Total liabilities					<b>189 604</b>	280 658
Capital expenditure	<b>5 807</b>	4 279	<b>2 203</b>	1 154	<b>8 010</b>	5 433
Depreciation and amortisation	<b>2 536</b>	1 422	<b>4 057</b>	4 173	<b>6 593</b>	5 595

<sup>(i)</sup> Refer to the group profile and operational structure in the annual report for an overview and background on the business segments.

<sup>(ii)</sup> The group has two (2008: two) customers that individually each comprise more than 10% of group revenue. Their combined revenue for the year was R162 million (2008: R206 million).

# Shareholder information

As at 31 December 2009

## SHAREHOLDERS

	Number of share- holders	% of total of share- holders	Number of shares	% of total issued share capital
<b>Analysis of shareholdings</b>				
1 – 1 000	634	76,8	317 379	0,1
1 001 – 10 000	51	6,2	298 966	0,1
10 001 – 100 000	74	9,0	3 319 928	0,7
100 001 – 1 000 000	38	4,6	17 632 799	3,9
1 000 001 and more	28	3,4	426 849 927	95,2
	<b>825</b>	<b>100,0</b>	<b>448 418 999</b>	<b>100,0</b>
<b>Major shareholders (5% and more of the shares in issue)</b>				
LNP Trust			86 827 625	19,4
Wayne Brett Primary Trust			70 923 217	15,8
Jacob Levy Trust			70 632 324	15,8
James Martin Family Trust			32 598 290	7,3
The Wilkes Trust			22 990 654	5,1
<b>Shareholder spread</b>				
Non-public: Directors and key management	17	2,1	343 456 242	76,6
Public	808	97,9	104 962 757	23,4
	<b>825</b>	<b>100,0</b>	<b>448 418 999</b>	<b>100,0</b>
<b>Distribution of shareholders</b>				
Close corporations	5	0,6	1 071 371	0,2
Individuals	784	95,0	66 911 322	14,9
Trusts	20	2,4	300 348 374	67,0
Collective investment schemes and mutual funds	16	2,0	80 087 932	17,9
	<b>825</b>	<b>100,0</b>	<b>448 418 999</b>	<b>100,0</b>

## SHAREHOLDERS' DIARY

Financial year-end	31 December
Annual financial statements distribution	31 March 2010
Annual general meeting	31 May 2010
Proposed capital distribution:	
– Last day to trade shares <i>cum</i> distribution	9 April 2010
– Shares will commence trading ex distribution	12 April 2010
– Record date	16 April 2010
– Distribution paid	19 April 2010

## JSE SHARE TRADES DURING THE YEAR

	2009	2008
• Closing price	R0,90	R0,75
• High	R0,90	R1,50
• Low	R0,57	R0,50
• Volume traded (number of shares)	9 590 036	34 003 652

# 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: ZAE000110664

Notice is hereby given that the annual general meeting of shareholders of Universal Industries Corporation Limited ("the company") will be held at Main Boardroom, PKF Inc. Limited, 42 Wierda Road West, Wierda Valley, Sandton, Gauteng on 31 May 2010 at 10h00 for the following purposes:

1. To consider the annual financial statements for the year ended 31 December 2009;
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: GENERAL AUTHORITY FOR 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 counterparty;
2. The company (or its subsidiary) may only appoint one agent to effect repurchases on its behalf;
3. The company (or its subsidiary) 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 2010) may not in the aggregate exceed 20% (twenty percent) or 10% where the acquisition is effected by a subsidiary 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 a repurchase programme is in place and 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 the company entering the market to proceed with the repurchase."

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

- the company and the group will in the ordinary course of business be able to pay their debts;
- the consolidated assets of the company and of the group fairly valued in accordance with International Financial Reporting Standards, 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.

## **SPECIAL RESOLUTION NUMBER 1: GENERAL AUTHORITY FOR SHARE REPURCHASES (continued)**

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 and management – page 21
- Major beneficial shareholders – page 46
- Directors' interests in ordinary shares – page 20
- Share capital of the company – page 36

### **Litigation statement**

The directors, whose names appear on page 21 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**

Directors, whose names appear on page 21 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 2009 and up to the date of this notice.

### **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 and not to related parties as defined in the Listings Requirements of the JSE;
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;
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, net tangible asset value, earnings, headline earnings and if applicable diluted earnings and headline 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."

# Notice of annual general meeting continued

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.”

## **ORDINARY RESOLUTION NUMBER 3: GENERAL PAYMENTS TO SHAREHOLDERS**

“Resolved that the directors of the company shall be entitled at their discretion to make general payments to shareholders, by way of a reduction of share capital or share premium, in *lieu* of an ordinary dividend, an amount equal to the amount which the directors would have declared and paid out of profits in respect of the company’s dividends.”

In terms of paragraph 5.86 of the JSE Listings Requirements, any such general payment will not exceed 20% of the company’s issued share capital, including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year.

This general authority shall be valid until the company’s next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of the passing of this ordinary resolution number 3.

Before effecting any general payment contemplated by this ordinary resolution number 3, the directors will consider the effect of the general payment and will ensure that for a period of 12 (twelve) months after the date of the notice of the general payment to be made:

- the company and the group will be able, in the ordinary course of business, to pay their debts;
- the assets of the company and the group, measured in accordance with the accounting policies used in the latest audited annual financial statements, will be in excess of the liabilities of the company and the group; and
- the working capital, share capital and reserves of the company and the group are adequate for ordinary business purposes.

## **ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF A LEVY AS A DIRECTOR OF THE COMPANY**

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

A brief *curriculum vitae* is included in the annual report of which this notice forms part.

## **ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF JL MARTIN AS A DIRECTOR OF THE COMPANY**

“Resolved that JL Martin be re-elected as a director of the company.”

A brief *curriculum vitae* is included in the annual report of which this notice forms part.

## **ORDINARY RESOLUTION NUMBER 6: RE-ELECTION OF RW WILKES AS A DIRECTOR OF THE COMPANY**

“Resolved that RW Wilkes be re-elected as a director of the company.”

A brief *curriculum vitae* is included in the annual report of which this notice forms part.

## **ORDINARY RESOLUTION NUMBER 7: DIRECTORS’ REMUNERATION**

“Resolved that the remuneration of the non-executive directors for the 2009 and 2010 financial years, as set out on page 15 of the annual report of which this notice forms part, be and is hereby confirmed and approved.”

## **ORDINARY RESOLUTION NUMBER 8: RE-APPOINTMENT OF AUDITORS**

“Resolved that PKF (JHB) Inc be re-appointed as auditors of the company.”

## **ORDINARY RESOLUTION NUMBER 9: 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 and 8 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 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*  
5 March 2010

#### **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)

# Form of proxy



**UNIVERSAL INDUSTRIES CORPORATION LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 1996/004343/06)  
JSE CODE: UNI  
ISIN: ZAE000110664

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 10h00 on 31 May 2010, 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 approve general payments to shareholders			
4. To re-elect A Levy as a director of the company			
5. To re-elect JL Martin as a director of the company			
6. To re-elect RW Wilkes as a director of the company			
7. To confirm and approve non-executive directors' remuneration: 2009 and 2010			
8. To re-appoint PKF (JHB) Inc as auditors of the company			
9. 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 \_\_\_\_\_ 2010

Signature \_\_\_\_\_ Assisted by (if applicable) \_\_\_\_\_

# Notes to form of proxy

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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) (Fax: 086 674 4381) 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.

# Administration

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<b>Company name</b>	Universal Industries Corporation Limited
<b>Registration number</b>	1996/004343/06
<b>Registered Address</b>	16 Precision Street, Kya Sand, Randburg, Gauteng 2163
<b>Telephone number</b>	011 462 2130
<b>Facsimile number</b>	011 704 3257
<b>E-mail</b>	accounts@insulated.co.za
<b>Website</b>	www.universalindustries.co.za
<b>Bankers</b>	Nedbank Limited
<b>Company Secretary</b>	Probity Business Services (Pty) Limited 3rd Floor, The Mall Offices, 11 Cradock Avenue Rosebank, Johannesburg Tel: 011 327 7146
<b>Auditors</b>	PKF (JHB) Incorporated 42 Wierda Road West, Wierda Valley, Sandton Tel 011 384 8000
<b>Transfer secretaries</b>	Link Market Services South Africa (Pty) Limited 5th Floor 11 Diagonal Street, Johannesburg PO Box 4844 Johannesburg 2000 Tel 011 834 2266
<b>Corporate Advisers and Sponsors</b>	Java Capital (Pty) Limited 2 Arnold Road, Rosebank, Johannesburg 2196 Tel 011 283 0042



**universal industries**  
CORPORATION LIMITED

[www.universalindustries.co.za](http://www.universalindustries.co.za)