universal industries
CORPORATION LIMITED

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

AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

- **Revenue ↑ by 20% and headline earnings per share ("HEPS") ↑ by 19%;**
- **Distribution to shareholders ↑ to 3,5 cents per share (↑ of 17%);**
- **Net asset value per share ↑ by 14%;**
- **Export revenue ↑ by 19% to R151 million, amounting to 21% of revenue; and**
- **Acquisitions of BCE and Glacier completed during the year under review but had no impact on HEPS due to the timing of the acquisition.**

Consolidated Statement of Comprehensive Income
Year ended 31 December

R'000	Audited 2010	Audited 2009
Revenue	702 318	587 072
Cost of goods sold	(496 482)	(421 309)
Gross profit	205 836	165 763
Other income	1 776	323
Operating expenses	(117 651)	(93 148)
Profit from operations	89 961	72 938
Interest received	9 677	16 863
Interest paid	(10 750)	(16 693)
Profit before taxation	88 888	73 108
Taxation	(27 265)	(22 034)
Profit for the year	61 623	51 074
Other comprehensive income	–	–
Total comprehensive income for the year	61 623	51 074
Attributable to:		
Equity holders of the parent	60 921	51 074
Non-controlling interest	702	–
	61 623	51 074
Number of shares in issue ('000)	457 919	448 419
Weighted average number of shares in issue ('000)	449 198	448 863
Diluted weighted average number of shares in issue ('000)	449 225	448 863
Basic and headline earnings per share (cents)	13,6	11,4
Diluted basic and headline earnings per share (cents)	13,6	11,4
Distribution per share (cents)	3,5	3,0

Consolidated Statement of Financial Position
As at 31 December

R'000	Audited 2010	Audited 2009
ASSETS		
Non-current assets	361 312	211 946
Property, plant and equipment	57 593	18 563
Intangible assets	285 771	192 064
Restraint of trade prepayment	8 700	–
Deferred taxation assets	1 475	1 319
Loan receivable	7 773	–
Current assets	423 489	331 046
Inventories	169 340	87 047
Trade and other receivables	207 299	133 622
Taxation receivable	2 609	28
Cash and cash equivalents	44 241	110 349
Total assets	784 801	542 992
EQUITY AND LIABILITIES		
Capital and reserves	413 609	353 388
Share capital and premium	151 957	153 439
Accumulated profits	260 950	199 949
Equity attributable to the equity holders of the parent	412 907	353 388
Non-controlling interest	702	–
Non-current liabilities	187 063	68 803
Interest bearing liabilities	159 669	65 316
Deferred taxation liabilities	9 536	1 008
Operating lease liabilities	3 452	2 479
Other financial liabilities	14 406	–
Current liabilities	184 129	120 801
Trade and other payables	124 686	96 257
Current portion of:		
– interest bearing liabilities	43 753	20 714
– other financial liabilities	9 977	350
Taxation payable	5 713	3 480
Total equity and liabilities	784 801	542 992
Number of shares in issue ('000)	457 919	448 419
Net asset value per share (cents)	90,2	78,8
Tangible net asset value per share (cents)	30,3	36,0

Consolidated Statement of Cash Flows
Year ended 31 December

R'000	Audited 2010	Audited 2009
Cash flows from operating activities	36 989	93 234
Cash generated by operations	79 448	111 785
Interest received	9 677	16 863
Interest paid	(10 626)	(11 119)
Taxation paid	(41 510)	(24 295)
Cash flows from investing activities	(84 937)	(7 816)
Additions to property, plant and equipment	(15 070)	(8 010)
Proceeds on disposal of property, plant and equipment	138	194
Acquisition of businesses and subsidiaries	(59 205)	–
Restraint of trade payment	(10 800)	–
Cash flows from financing activities	(18 160)	(110 645)
Net interest bearing liabilities repaid	(10 297)	(11 769)
Net other financial liabilities raised/(repaid)	1 392	(85 111)
Capital distribution paid to shareholders from share premium	(13 453)	(13 467)
Proceeds from issue of shares net of loans advanced to executives under the assisted share purchase scheme	4 244	–
Share buyback and expenses	(46)	(298)
Decrease in cash and cash equivalents	(66 108)	(25 227)
Cash and cash equivalents at beginning of year	110 349	135 576
Cash and cash equivalents at end of year	44 241	110 349

Segment Reporting
Year ended 31 December

R'000	Audited 2010	Audited 2009
Revenue	702 318	587 072
– Refrigeration	336 474	291 870
– Baking systems	308 012	295 202
– Catering and kitchen equipment	59 467	–
– Inter segment sales eliminated on consolidation	(1 635)	–
Segment profit from operations	101 242	79 942
– Refrigeration	42 422	38 778
– Baking systems	48 132	41 164
– Catering and kitchen equipment	10 688	–
Business acquisition expenses	(7 242)	–
Unallocated corporate expenses	(4 039)	(7 004)
Profit from operations	89 961	72 938
Net interest (paid)/received	(1 073)	170
Profit before taxation	88 888	73 108

Consolidated Statement of Changes in Equity

Audited	Share capital R'000	Share premium R'000	Accumulated profits R'000	Total equity attributable to the equity holders of the parent R'000	Non-controlling interest R'000	Total equity R'000
Balances at 31 December 2008	4	167 200	148 875	316 079	–	316 079
Capital distribution to shareholders	–	(13 467)	–	(13 467)	–	(13 467)
Share buyback and expenses	–	(298)	–	(298)	–	(298)
Total comprehensive income for the year	–	–	51 074	51 074	–	51 074
Balances at 31 December 2009	4	153 435	199 949	353 388	–	353 388
Capital distribution to shareholders	–	(13 453)	–	(13 453)	–	(13 453)
Issue of shares	1	12 016	–	12 017	–	12 017
Share buyback and expenses	–	(46)	–	(46)	–	(46)
Total comprehensive income for the year	–	–	60 921	60 921	702	61 623
Share based payments	–	–	80	80	–	80
Balances at 31 December 2010	5	151 952	260 950	412 907	702	413 609

COMMENTARY

TRADING ENVIRONMENT
The group operates as a major supplier of commercial refrigeration, baking, catering and kitchen equipment to the food industry encompassing the retail, wholesale, hospitality and manufacturing segments. Trading has traditionally been primarily with the SA food retailers but following the acquisition of BCE the hospitality industry (ie hotels, restaurants and fast food outlets) will become a significant revenue source for the group. BCE is Southern Africa's leading supplier of a comprehensive range of commercial catering equipment, kitchen utensils, industrial cookware and kitchen appliances.

Food retailers are still reporting satisfactory profitability which, coupled with strong statements of financial position, bodes well for continued investment in new outlets and the upgrading of existing stores. However, the lack of property development has impacted on the availability of new sites and accordingly further store roll-outs will be limited until retail property development recovers. The group has a significant installed base of products that have limited useful lives, which ensures a healthy component of annuity based revenue on an ongoing basis.

FINANCIAL RESULTS
Group revenue increased by 20% to R702 million (2009: R587 million) resulting in profit after tax increasing by 19% to R61 million (2009: R51 million).

Excluding the BCE and Glacier acquisitions the group increased revenue by 4% but increased operating profit by 15% (refer to "Acquisitions" paragraph below). Operating profit margin improved as the businesses benefited from the relative strength of the exchange rate and from an improved sales mix with more internally manufactured products being sold.

Cash generated from operations was R79 million despite improved seasonal trading during the last quarter of 2010, which absorbed a further R22 million into working capital. Although the group raised a term loan of R121 million to partly finance the acquisition of BCE, the statement of financial position remains strong with a gearing ratio of 44% and with R44 million cash on hand at year end.

REVIEW OF OPERATIONS
Refrigeration business
The business unit performed satisfactorily in a tough trading environment, increasing revenue by 15% and operating income by 9%.

To date the business manufactured evaporator coils mainly for its own internal consumption. The group has committed to invest a further R5,5 million in new plant and equipment to increase manufacturing capacity and efficiency in this department, and will aggressively pursue external coil manufacturing opportunities in the future.

Baking business
The baking systems business had a satisfactory performance with revenue increasing by 4% and operating income by 17% to R48 million (2009: R41 million) in a tough trading environment. Operating profit margin improved as the business benefited from the relative strength of the exchange rate and from an improved sales mix with more internally manufactured products being sold.

The business invested a further R9 million in new plant and equipment. The additional capacity from the capital equipment investment will reduce lead times and increase capacity to meet customer requirements, in particular the bakeware division supplying baking tins and pans.

The businesses successfully relocated to a new purpose built facility in May 2010 which now includes Marsden (the bakeware division) which operated from a separate facility in the past. The integration of Marsden offers many operational synergies and savings.

Catering and kitchen equipment
As the acquisition of the BCE business only became unconditional on 1 November 2010 the results only include eight weeks of trading. BCE reported satisfactory results for this limited period. BCE will become a significant contributor to group earnings in the future. The BCE business is synergistic with the group's other operations and will enhance the group's offering to its customers while offering significant opportunities through the group's export initiatives.

PROSPECTS
Provided there is no deterioration in the global political and economic situation the anticipated improvement in general economic conditions and recovery in consumer spending in 2011 is expected to create favourable trading conditions for the group's activities. Enquiry and activity levels across the group's operations are encouraging and are expected to continue into the coming year.

The full impact of the BCE acquisition will only reflect in the group's 2011 results. In the BCE acquisition circular to shareholders of 29 July 2010, ("the acquisition circular") the *pro-forma* financial impact of the acquisition on the group's HEPS was calculated as an increase of 4,2 cents per share (4,9 cents if transaction expenses are excluded).

Based on the anticipated improved market conditions, and taking into account the full impact of the BCE acquisition, the board expects continued growth for the 2011 financial year.

ACQUISITIONS
The company made the following acquisitions during the year under review:

BCE Food Service Equipment (Pty) Limited ("BCE")
Universal acquired BCE effective from 1 November 2010. Comprehensive information on BCE and the acquisition was provided in the acquisition circular.

Glacier Door Systems (Pty) Limited ("Glacier")
The company acquired a 51% interest in Glacier, effective from 1 March 2010. Glacier is a manufacturer of glass products, primarily glass doors and aligned products used in the refrigeration industry. Subsequently a manufacturing, technology sharing and distribution agreement was concluded with Anthony International, the world's leading manufacturer and supplier of these products, that allows for the local manufacture of Anthony International products utilising Glacier's plant and expertise.

Details of acquisitions	R'000
Tangible net assets acquired	134 111
Intangible assets	30 446
Surplus recognised as goodwill	66 625
Fair value of assets acquired	231 182
Loans acquired and/or raised	(134 259)
Cash paid by Universal	96 923
Cash acquired	(37 718)
Net cash outflow for Universal	59 205

Contribution to revenue and profit
The acquired businesses contributed revenue of R93 million, operating income of R6 million and profit after tax of less than R1 million (after taking into account transaction related expenses of R7 million incurred during the current period).

Had the acquisitions been effective from 1 January 2010 the businesses would have contributed R367 million to revenue and R50 million to operating profit (based on information extracted from management accounts and excluding transaction related expenses) which would have resulted in group revenue being R976 million and operating profit being R134 million.

The increased borrowings (and reduction in group cash) should be considered when evaluating the full effect of the acquisitions and shareholders are referred to the *pro-forma* financial impact of the BCE acquisition as contained in the acquisition circular.

CAPITAL COMMITMENTS
The group has committed capital of R9,5 million to the acquisition of new plant and equipment for the refrigeration businesses. The commitments will be funded from bank facilities and internal cash resources.

CHANGES TO CAPITAL STRUCTURE
In November 2010 the company bought back 36 000 of its own shares at an average price of R1,26 per share. Authority to continue with share repurchases will be submitted for renewal at the annual general meeting and the board will continue to evaluate this strategy subject to the group's liquidity position and the share price.

During the year the company issued 9 536 127 shares under the executive assisted share purchase scheme at R1,26 per share and granted 4 675 000 share options at R1,40 to selected executive directors and senior management. Details of the assisted share purchase scheme were included in the acquisition circular.

DISTRIBUTION TO SHAREHOLDERS BY WAY OF A CAPITAL REDUCTION
The group has a dividend policy of distributing 25% of profits attributable to equity holders annually, subject to the operational cash requirements of the group. 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 by way of a capital reduction from share premium, *in lieu* of an ordinary dividend, of 3,5 cents per share (2009: 3 cents per share).

The relevant dates are as follows:

Last day to trade *cum* the distribution	Friday, 1 April 2011
Shares will commence trading *ex* the distribution on	Monday, 4 April 2011
Record date	Friday, 8 April 2011
Distribution paid on	Monday, 11 April 2011

Shares may not be dematerialised or rematerialised between Monday, 4 April 2011 and Friday, 11 April 2011.

BASIS OF PREPARATION
These annual financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the AC500 series of Interpretations, the requirements of IAS34, the Listing Requirements of the JSE Limited and the Companies Act of South Africa. The accounting policies used are consistent with those applied in the previous financial year.

AUDIT REPORT
These summarised financial results have been audited by Universal's auditors, PKF (Jhb) Inc, whose unqualified audit report is available for inspection at Universal's registered office.

ANNUAL REPORT
Shareholders are advised that the annual report containing the financial statements will be posted on or before 31 March 2011.

IN APPRECIATION
The board extends its thanks to management, employees and the directors for their efforts, support and valuable contribution over the past year.

By order of the board

G Khan
Chairman

D Paynter
Chief Executive Officer

10 March 2011

CORPORATE INFORMATION
Executive directors:
D Paynter (CEO), I Morgan (CFO), J Martin
Non-executive directors:
G Khan (Chairman), C Brayshaw, W Brett
I Essa (alternate to G Khan), A Levy
Registration number:
1996/004343/06
Registered address:
16 Precision Street, Kya Sand, Randburg
Postal address:
PO Box 3667, Randburg, 2125
Telephone: 011 462 2130
Facsimile: 011 704 3257
Company secretary:
Probity Business Services (Pty) Limited
Transfer secretaries:
Link Market Services South Africa (Pty) Limited
Auditors: PKF (Jhb) Inc
Sponsor: Java Capital