



universal industries

CORPORATION LIMITED

Universal Industries Corporation Limited
(formerly Universal Food Systems (Proprietary) Limited)
(Incorporated in the Republic of South Africa)
(Registration Number: 1996/004343/06)
("Universal" or "the Group")

AUDITED RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Highlights

- Acquisition of the baking equipment business of Macadams effective from 15 November 2007 (6 weeks trading is included in the 2007 results); and
- Successful private placement of shares raising R120 million and listing on the JSE main board on 29 November 2007.

Consolidated Income Statement

Period ended 31 December

	2007 R'000 Year	2006 R'000 16 months
Revenue	314 222	331 189
Cost of goods sold	(235 476)	(253 370)
Gross profit	78 746	77 819
Other income	452	443
Operating expenses	(32 891)	(26 198)
Profit from operations	46 307	52 064
Interest received	1 706	1 530
Interest paid	(2 281)	(1 569)
Profit before taxation	45 732	52 025
Taxation	(16 753)	(15 021)
Profit attributable to the equity holders of the parent	28 979	37 004
Number of shares in issue ('000)	480 000	353 333*
Weighted average number of shares in issue ('000)	364 438	360 128*
Basic earnings per share (cents)	8,0	10,3*
Basic headline earning per share (cents)	8,0	10,3*

* The actual number and weighted average number of shares in issue for the 2006 period was 195 and 199 shares respectively. The earnings and net asset value per share were calculated on the equivalent number of shares taking into account the sub-division and capitalisation issue during the 2007 financial year.

Consolidated Balance Sheet

as at 31 December

	2007 R'000	2006 R'000
ASSETS		
Non-current assets	191 335	17 921
Property, plant and equipment	12 968	8 800
Deferred taxation	2 144	228
Goodwill	176 223	7 037
Listed investment	-	1 856
Current assets	239 636	104 013
Inventories	73 795	29 923
Trade and other receivables	116 341	43 222
Taxation prepaid	28	28
Bank and call deposits	49 472	30 840
Total assets	430 971	121 934
EQUITY AND LIABILITIES		
Capital and reserves	265 073	75 902
Share capital and share premium	189 834	2 142
Accumulated profits	75 239	73 760
Non-current liabilities	60 647	2 281
Interest bearing liabilities	1 009	2 281
Other financial liabilities	59 638	-
Current liabilities	105 251	43 751
Trade and other payables	76 518	27 639
Current portion of:		
- interest bearing liabilities	1 533	7 610
- other financial liabilities	15 408	-
Taxation payable	11 792	8 502
Total equity and liabilities	430 971	121 934
Number of shares in issue ('000)	480 000	353 333*
Net asset value per share (cents)	55,2	21,5*
Tangible net asset value per share (cents)	18,1	19,4*

Consolidated Cash Flow Statement

Period ended 31 December

	2007 R'000 Year	2006 R'000 16 months
Cash flows from operating activities	39 899	41 207
Cash generated by operations	55 853	48 926
Interest received	1 706	1 530
Interest paid	(2 281)	(1 569)
Taxation paid	(15 379)	(7 680)
Cash flows from investing activities	(104 204)	(5 811)
Additions to property, plant and equipment	(1 427)	(3 964)
Acquisition of business	(104 570)	-
Listed investment acquired	-	(1 856)
Proceeds on disposal of:		
- property, plant and equipment	109	9
- listed investment	1 684	-
Cash flows from financing activities	82 937	(12 723)
Shareholders' loans repaid	(5 686)	(6 060)
Net repayment of interest bearing liabilities	(1 569)	(5 305)
Share buy back	-	(1 358)
Net proceeds from shares issued	117 692	-
Dividends paid	(27 500)	-
Increase/(decrease) in cash resources	18 632	22 673
Cash resources at beginning of period	30 840	8 167
Cash resources at end of period	49 472	30 840

Consolidated Statement of Changes in Equity

	Share capital R'000	Share premium R'000	Accumulated profits R'000	Total R'000
Balances at 31 August 2005	-	3 500	36 756	40 256
Share buy back	-	(1 358)	-	(1 358)
Profit for the 16 month period	-	-	37 004	37 004
Balances at 31 December 2006	-	2 142	73 760	75 902
Share capitalisation	4	(4)	-	-
Issue of shares	1	189 999	-	190 000
Listing expenses	-	(2 308)	-	(2 308)
Profit for the year	-	-	28 979	28 979
Dividends paid	-	-	(27 500)	(27 500)
Balances at 31 December 2007	5	189 829	75 239	265 073

COMMENTARY

INTRODUCTION

The directors are pleased to announce the financial results of Universal Industries Corporation Limited ("Universal") for the year ended 31 December 2007. Universal achieved some significant milestones during this reporting period, the most notable being:

- the acquisition of the Macadams business, effective from 15 November 2007; and
- the successful private placement of shares raising R120 million and listing of Universal on the JSE main board on 29 November 2007.

REVIEW OF OPERATIONS

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

- For the period ended 31 December 2006:
 - o Universal consisted of the refrigeration businesses only and the results do not include the baking systems business acquired from Macadams in 2007; and
 - o the reporting period covers a 16-month period following a change in the financial year-end from 31 August to 31 December;
- For the year ended 31 December 2007:
 - o the acquisition of the Macadams business was only effective as of 15 November 2007 and the results incorporate only six weeks of trading of the baking systems business. As a result of the December factory shut down Macadams' profit contribution to the group for the period was negligible; and
 - o the raising of R120 million following the private placement and subsequent listing of the group on the JSE, effective 29 November 2007.

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

Refrigeration businesses

The refrigeration businesses had another good year increasing sales by 12% (when compared to the sales for the 12 months ended 31 December 2006) to R284 million with operating income of R44 million. Capital expenditure of some R10 million on the upgrading of plant and equipment in recent years is expected to continue to contribute to improved efficiencies and product quality.

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

Baking systems business

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

During the 12 month period Macadams successfully added a further range of complementary and specialist items to its product offering that has improved its ability to offer a "one stop" solution to all its customers' baking and related equipment needs. The move into foodservice equipment (commercial kitchen type equipment) offers a tremendous opportunity for the business. Having already established itself as a preferred supplier to the majority of the local baking customers, cross-selling opportunities through the same sales and distribution channels will continue to be exploited. Macadams is committed to driving growth in this area of the business.

Export sales have always been a significant component of the business and for the past year these amounted to 28% of total sales. Going forward Macadams will continue its drive into export markets, with a strong emphasis on the African market.

FINANCIAL RESULTS

Universal achieved attributable profit of R29 million, translating to basic earnings of 8,0 cents per share.

The group experienced margin pressure towards the end of 2007 attributed to:

- cost increases, mainly on labour and steel related products;
- the weakening of the Rand that led to margin pressure on imported equipment whilst the majority of export sales are Rand denominated and therefore do not enjoy the immediate benefit of any weakening of the Rand; and
- Macadams' entry into the foodservice market required an investment in resources to establish capacity and the foodservice equipment generally has a lower gross profit margin than their traditional baking equipment.

The group ended the year with a strong balance sheet with R49 million cash on hand.

Acquisition of the Macadams business

Universal acquired the Macadams business for a total consideration of R250 million, being:

- R110 million which was paid in cash on the implementation date, 15 November 2007;
- R70 million which was paid through the issue of 46 666 667 shares at R1,50 per share on 29 November 2007; and
- R70 million payable on 31 December 2009 (disclosed as other financial liabilities at a present value of R60 million).

The company is liable to pay an additional R15 million for each of the 2008 and 2009 years should profit after tax exceed R40 million and R46 million respectively.

As at acquisition date the business had net tangible assets of R71 million with the balance of the purchase price of R169 million accounted for as goodwill. The identifiable intangible assets will be fair valued in terms of IFRS 3 during the next reporting period.

Segment reporting

The 2007 results include only six weeks of trading of the baking systems business. The 2006 year comprised only the refrigeration businesses.

Business segments:	Refrigeration	December 2007 (R'million) Baking Systems	Group Total
Revenue	284	30	314
Segment profit from operations	44	3	47

Capital commitments

The group has capital expenditure already contracted but not provided for in respect of property, plant and equipment amounting to R3,8 million. The expenditure will be financed from operating cash flow and available bank facilities.

PROSPECTS

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

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

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

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

Universal's strong balance sheet with R49 million of cash and R110 million of unutilised facilities will enable Universal to capitalise on acquisition opportunities which arise, particularly in light of the current decrease in asset valuations in general.

DIVIDENDS

On 1 November 2007 the company declared a dividend of R27,5 million (being 7,8 cents per share) to the pre-listing shareholders in settlement of their unsecured loans.

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

CHANGES TO CAPITAL STRUCTURE

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

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

BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the requirements of IAS 34 and in compliance with the listing requirements of the JSE and the Companies Act of South Africa, 1973. The accounting policies used to prepare these financial statements are consistent with those applied at the previous financial year-end.

AUDIT REPORT

These summarised financial statements have been audited by Universal's Auditors, PKF (Hb) Incorporated, whose unqualified audit report is available for inspection at the company's registered office.

ANNUAL REPORT

Shareholders are advised that the annual report containing the financial statements will be posted by 31 March 2008.

APPRECIATION

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

By order of the Board

L Boyd
Chairman

13 March 2008

DG Paynter
Chief Executive Officer

CORPORATE INFORMATION

Executive directors: D Paynter (CEO), I Morgan (CFO)

Non-executive directors: L Boyd (Chairman); G Khan (Deputy Chairman); C Brayshaw, W Brett, A Esa, I Essa

(Alternate to A Esa), A Levy

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Registered address: 16 Precision Street, Kya Sand, Randburg

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Telephone: 011 462 2130

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Company Secretary: Probity Business Services (Pty) Limited

Transfer secretaries: Link Market Services South Africa (Pty) Limited

Auditors: PKF (Hb) Inc

Sponsors: Java Capital (Pty) Limited