



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)

JSE code: UNI ISIN ZAE000110664

("Universal Industries" or "the company")

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## PROSPECTUS

Prepared and issued in terms of the Listings Requirements of the JSE Limited ("the JSE") and the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), relating to a private placement of ordinary shares in Universal Industries by way of an offer to subscribe for up to 80 000 000 ordinary shares in the company ("shares") at a subscription price of 150 cents per share, which offer will raise up to R120 000 000 ("the offer" or the "private placement") and the subsequent listing of the shares in the General Industrials – Diversified Industrials sector of the Main Board of the JSE.

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Opening date of the offer (09:00)	Tuesday, 20 November 2007
Closing date of the offer (12:00)*	Friday, 23 November 2007
Anticipated listing date on the JSE (09:00)	Thursday, 29 November 2007

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*\*Shareholders wishing to receive shares in dematerialised form must advise their Central Securities Depository Participant ("CSDP") or broker of their acceptance of the offer in the manner and cut-off time stipulated by their CSDP or broker as this will be a date earlier than the closing date.*

*This prospectus is not an invitation to the general public to subscribe for shares in the company. This is a private placement to subscribe for shares in the company and is issued in compliance with the Listings Requirements of the JSE and the Act for the purpose of giving information to the public and investors with regard to the company. This is a single primary listing on the JSE.*

Subject to obtaining a spread of shareholders acceptable to the JSE, the JSE has granted the company approval for the listing of up to 480 000 000 ordinary shares in the General Industrials – Diversified Industrials sector of the JSE under the abbreviated name "Universal" JSE code "UNI" and "ISIN ZAE000110664". It is anticipated that the listing will be effective as from the commencement of trade on the JSE on Thursday, 29 November 2007.

At commencement of business on the date of listing, following the implementation of the private placement, the authorised share capital of the company will comprise 2 000 000 000 ordinary shares with a par value of R0.00001 each and the issued share capital will comprise 480 000 000 ordinary shares with a par value of R0.00001 each. The share premium after the private placement and acquisition will amount to R192 140 544. The issue price of the shares subscribed for in terms of the private placement was as per the directors' valuation of the shares before the listing. The shares issued in terms of the offer will rank *pari passu* (both in respect of dividends and otherwise) with all other shares in issue.

**Shares will only be traded in electronic form and as such all holders who elect to receive certificated shares will have to dematerialise their certificated shares should they wish to trade therein on the JSE. Conversion to dematerialised shares could take up to 10 days.**

The directors of the company, all of whose names are given on page 14 of this prospectus, accept, collectively and individually, full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that this prospectus contains all information required by law and the Listings Requirements of the JSE.

All advisors whose names and/or reports are contained in this prospectus have consented in writing to act in the capacity stated and to their names being included in this prospectus and, if applicable, to the inclusion of their respective reports in the prospectus in the form and context in which they appear and had not withdrawn their written consent prior to publication of this prospectus.

An English copy of this prospectus, accompanied by the documents referred to under "Documentation available for inspection" as set out in paragraph 33 of this prospectus, was registered by the Registrar of Companies on Monday, 19 November 2007 in terms of section 155(1) of the Act.

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Joint corporate advisor, legal advisor  
and sponsor

JAVACAPITAL

Reporting accountants and auditors

PKF

chartered accountants  
& business advisers

Joint corporate advisor

inter<active>capital

Attorneys for prospectus

Fluxmans  
ATTORNEYS

Website: [www.fluxmans.com](http://www.fluxmans.com)  
Fluxmans Inc. Registration No: 2006/024715/21

**Offer in South Africa only**

This prospectus has been issued in connection with the offer in South Africa only and is addressed only to persons to whom the offer may lawfully be made. The distribution of this prospectus and the making of the offer may be restricted by law. Persons into whose possession this prospectus comes must inform themselves about and observe any such restrictions. This prospectus does not constitute an offer of or invitation to subscribe for and/or purchase any of the shares in the company in any jurisdiction in which such offer, subscription or sale would be unlawful. No one has taken any action that would permit a public offering of shares in the company to occur outside South Africa.

**Forward-looking statements**

This prospectus includes forward-looking statements. Forward-looking statements are statements including, but not limited to, any statements regarding the future financial position of the company and its subsidiaries (the “**group**”) and its future prospects. These forward-looking statements have been based on current expectations and projections about future results which, although the directors believe them to be reasonable, are not a guarantee of future performance.

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## CORPORATE INFORMATION

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### Registered office

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### Joint corporate advisor, legal advisor and sponsor

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## IMPORTANT DATES AND TIMES<sup>(1)</sup>

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**2007**

Abridged prospectus released on SENS	Tuesday, 20 November
Opening date of the offer (09:00)	Tuesday, 20 November
Abridged prospectus published in press	Wednesday, 21 November
Closing date of the offer (12:00) <sup>(2)</sup>	Friday, 23 November
Notification of allotments	Tuesday, 27 November
Results of the offer released on SENS	Wednesday, 28 November
Results of the offer published in the press	Thursday, 29 November
Listing date (09:00)	Thursday, 29 November
Accounts at CSDP or broker updated in respect of dematerialised shareholders	Thursday, 29 November
Posting of share certificates (certificated shares only) on or about	Thursday, 29 November
Refund of surplus application monies paid (where applicable)	Thursday, 29 November

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*(1) These dates and times are subject to amendment. Any such amendment will be released on SENS and published in the press.*

*(2) Applicants wishing to receive shares in dematerialised form must advise their CSDP or broker of their acceptance of the offer in the manner and cut-off time stipulated by their CSDP or broker as this will be on a date earlier than the closing date.*

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## SALIENT FEATURES

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The information set out in this section of the prospectus is an overview and is not intended to be comprehensive. It should be read in conjunction with the information contained in the other sections of this prospectus. The definitions commencing on page 11 of this prospectus apply *mutatis mutandis* to the salient features.

### 1. INTRODUCTION

- 1.1 The group is the leading manufacturer and supplier of:
  - 1.1.1 ovens, baking systems and supplementary baking equipment to the South African retail baking market, including supermarkets, convenience stores, franchises and independent bakeries;
  - 1.1.2 refrigerated display cabinets in South Africa to supermarkets, convenience stores and wholesalers; and
  - 1.1.3 polyurethane insulated panels for cold rooms, freezer rooms and other industrial applications.
- 1.2 The group comprises well established profitable businesses with:
  - 1.2.1 *pro forma* historical annual turnover in excess of R531 million and attributable profit of approximately R58 million;
  - 1.2.2 leading manufacturing and product development capability and established intellectual property;
  - 1.2.3 proven products and service levels and a diverse, blue chip client base including, in respect of Macadams, an established worldwide network with products exported to more than 65 countries.
- 1.3 The purpose of this prospectus is to:
  - 1.3.1 provide information to investors in relation to the group and its businesses;
  - 1.3.2 set out the salient dates and times of the offer; and
  - 1.3.3 describe the procedure for subscribing for shares under the offer.

### 2. PURPOSE OF THE OFFER AND REASONS FOR LISTING

- 2.1 The listing will provide the group with the currency to expand its operations and take advantage of the growth opportunities available to it, by amongst other things:
  - 2.1.1 increasing investor and general public awareness of the group and its activities, both in South Africa and internationally;
  - 2.1.2 facilitating black economic empowerment;
  - 2.1.3 providing the group with the benefits and flexibility of listed currency in the context of merger and acquisition activity within the sector, as and when these become available; and
  - 2.1.4 giving the group the ability to attract and retain intellectual capital and ensure adequate succession planning through the incentive of meaningful, tradable equity participation.
- 2.2 The listing is being preceded by way of a private placement in order to afford specifically identified members of the public, selected financial institutions and business associates of the group the ability to participate in the equity of the company.
- 2.3 The purpose of the offer is to raise capital which will be used to:
  - 2.3.1 provide the group with capital, in whole or in part, to expand the business of the group organically and through appropriate acquisitions;
  - 2.3.2 repay, in whole or in part, the borrowings incurred by the group to acquire the Macadams business (which acquisition is described in **Annexure 3**) thus enabling the group to incur further gearing if and when required; and
  - 2.3.3 discharge the expenses of the listing.

### 3. BLACK ECONOMIC EMPOWERMENT

The pre-listing shareholders intend (and have entered into negotiations) to sell up to 80 000 000 shares to certain black economic empowerment investors. Full details of this transaction will be announced once the transaction is concluded.

## 4. HISTORY, NATURE OF BUSINESS AND FUTURE PROSPECTS

### 4.1 History

The company was established in July 1996 in order to acquire the entire issued share capital of Insulated Structures and the business conducted by Colcab. The entire issued share capital of the company was acquired by the pre-listing shareholders in September 2004.

With effect from 1 July 2007, and in terms of the acquisition agreement, the group acquired the Macadams business thereby expanding its business from the manufacture and supply of refrigeration systems to include the manufacture and supply of baking systems.

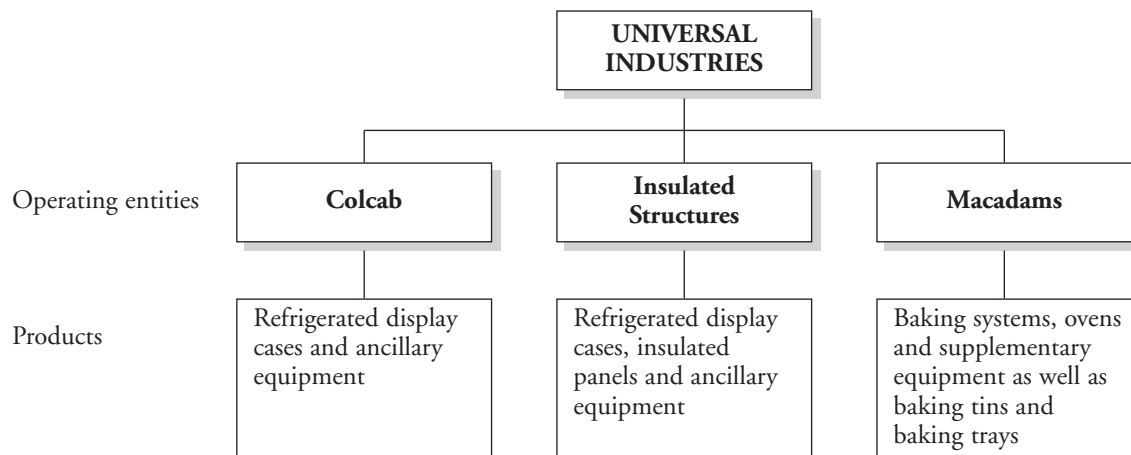
The underlying businesses in the group are all long established businesses with:

4.1.1 the Macadams business having been established in 1904; and

4.1.2 Insulated Structures and Colcab's businesses having been established in 1986 and 1958 respectively.

### 4.2 Nature of the business

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



#### *Refrigeration business*

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

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

Colcab and Insulated Structures employ approximately 400 employees and have a highly experienced and committed executive team, the majority of whom are shareholders in the company. Additional capacity has recently been added to the group's manufacturing facilities which, if required, could considerably increase production levels.

The success of the refrigeration business is based on understanding and exceeding customers' needs and expectations. Significant time is spent remaining abreast of international developments with regard to refrigeration technology. As a result of its leading manufacturing facilities and Colcab's full test laboratory, the group is able to develop and launch new products and customise products for customers.

- Refrigerated display cabinets

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

95% 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 both supply the display case and line-up of the case, whilst the customer contracts with a refrigeration contractor for the installation of the plant room, refrigeration piping and electrical connection.

- Insulated panels

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

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

- Ancillary items

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

#### *Baking systems business*

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

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

Macadams operates out of an EN ISO 9001 certified manufacturing facility in Blackheath Industrial Park in Cape Town. New product development and design is a continued focus. The business is managed on a centralised basis with regional sales offices in Johannesburg, Durban and Cape Town and has a team of experienced and highly competent executives, the key members of whom will acquire a significant interest in the company as a result of the acquisition.

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

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

Through a deliberate export drive over a number of years, Macadams has established itself in approximately 65 countries through the appointment of regional agents. Macadams' representatives interact with these agents and their significant customers on a regular basis and provide a technical support infrastructure based in Cape Town. Export sales contributed approximately 25% of turnover (in Rand value) for the 10 months ended 30 June 2007.

### **4.3 Future prospects**

In the opinion of the directors, based on their experience and market information available, the prospects of the company include the following:

#### *South African prospects*

Both the refrigeration business and the baking systems business supply customers in the perishable foods industry, in particular supermarkets and convenience stores.

Since 2004 the perishable foods industry has expanded significantly in line with general favourable economic conditions. This growing demand has been aided by the South African government's development drive (including the electrification of areas, increased fixed investment and empowerment initiatives) which has resulted in higher consumer spending in all areas including white goods and refrigerators which has in turn increased the demand for perishable foods and supermarkets.

The increased consumer spending has contributed to the improved financial performance of the food retailers allowing for the upgrading of existing stores and the opening of additional stores. The new retail developments and the upgrading of existing stores has resulted in increased demand for the group's products.

Indications are that food retailers will continue to invest in new locations as well as in the refurbishment and upgrading of existing stores in an effort to maintain or increase market share and to gain entry into historically under-serviced markets where there is more opportunity for growth.

Growth in the group's market will also continue to be driven by the changing consumer trends in the perishable foods industry, with a strong trend to convenience, ease of preparation, quality and freshness. To accommodate these trends retailers are seeking locations closer to the consumer and are upgrading existing facilities to deliver meal replacements and closer-to-fresh products to consumers. Retailers are also dedicating more floor space to "fresh product" areas (bakery, butchery, prepared meals and fresh food areas). The group's refrigeration and baking products are ideally suited to these changing consumer trends which are likely to accelerate as the population becomes more economically active.

With the ever increasing number of installed units, estimated to be approximately 70 000 in respect of the refrigeration units and 30 000 in respect of the baking units, there is also a growing replacement market with an estimated replacement cycle of between 6 and 8 years. The increasing installed base also offers accessory and part sales opportunities to the group.

The directors anticipate that the various factors set out above will result in sustained demand for its products. Although the group has a significant presence in both refrigerated display cases and baking systems, opportunities still exist for the group to grow its market share through its superior product and service offering and in particular through the group's ability to innovate and develop new product ranges. Where appropriate the group will also look to grow its business organically and through acquisitions.

#### *Export prospects*

The export market is an established part of Macadam's business with a network of agents represented throughout the world and export sales accounting for approximately 25% of Macadam's turnover. Although the refrigeration businesses have exported refrigeration units to Europe, the United Kingdom, Australia, New Zealand, the Middle East and Africa, this has been predominantly through the supply to local customers embarking on international operations and represents a small percentage of the refrigeration business' turnover. Accordingly, significant opportunities exist to grow this aspect of the group's business with the potential to leverage off Macadam's relationships in the export market.

The group's products and services are of an international standard and exports represent a significant source of future growth for the group. This potential is particularly exciting in the context of the African market:

- where the growing demand for fresh products i.e. fresh bread from smaller bakeries closer to the communities provides a natural demand for the group's products;
- to which the group's products, which are robust and come in different configurations customised for particular market requirements, are apposite;
- where South Africa's proximity, accessibility and understanding of the market gives the group an advantage over European competitors; and
- where the increasing political stability, economic growth and acceptance of South African business represents a potentially huge new market for the group.

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

## **5. DIRECTORS AND EXECUTIVE MANAGEMENT OF THE GROUP**

Details of directors and executive management including their names, addresses, qualifications, occupations and experience are set out in **Annexure 5**.

## 6. ACTION REQUIRED

The offer is made by way of a private placement comprising an offer by the company to placees to subscribe for up to 80 000 000 shares at an issue price of 150 cents per share (being the par value plus a premium of R1.4999 cents per share), which offer may raise up to R120 000 000 before issue and listing expenses.

The offer is open for acceptance by placees only. No offer will be made to the public.

Applications for both certificated and dematerialised shares should be made on the blue application form accompanying this prospectus.

Applications for dematerialised shares must be submitted through a CSDP or broker and must be made in accordance with the agreement governing the relationship between the applicant and the CSDP or broker by the cut-off time stipulated by the CSDP or broker. This will be a date earlier than the closing date.

If you are in any doubt as to what action to take, you should consult your broker, attorney or other professional advisor immediately.

Applications for shares may only be made for a minimum of 1 000 shares and in multiples of 1 000 shares thereafter.

Shares can only trade on the JSE in electronic form. Accordingly, shareholders who elect to receive their shares in certificated form will be required to dematerialise their shares should they wish to trade them on the JSE. This procedure could take between 24 hours and 10 days, depending on volumes being processed at the time.

## 7. LISTING STATEMENT

Subject to the implementation of the acquisition and the achievement of a spread of public shareholders acceptable to the JSE, the JSE has granted the company approval for the listing for up to 480 000 000 shares in the General Industrials – Diversified Industrials sector of the JSE under the short name “Universal”. It is anticipated that the listing will be effective as from the commencement of trade on the JSE on Thursday, 29 November 2007. In order to ensure that the JSE spread requirements are satisfied the pre-listing shareholders will sell 16 000 000 shares to selected institutions prior to the listing date.

## 8. PROFIT FORECAST

Set out below is the profit forecast of the group for the 12 month period ending on 31 December 2008, which is the responsibility of the directors of the company. The forecast must be read in conjunction with the reporting accountants' report thereon reproduced in **Annexure 1** hereto.

<b>R'000</b>	<b>Forecast for the 12 months ending 31 December 2008</b>
<b>Revenue</b>	599 302
Cost of sales	(441 202)
<b>Gross profit</b>	158 100
Operating expenses	(56 041)
<b>Operating income</b>	102 059
Interest received	1 854
– bank working capital facilities and cash	6 594
– notional charge on deferred vendor payments	(4 740)
<b>Profit before tax</b>	103 913
Tax	(30 135)
<b>Profit after tax</b>	73 778
Number of shares in issue	480 000 000
Weighted average number of shares in issue ('000)	480 000 000
Earnings per share (cents)	15.4
Headline earnings per share (cents)	15.4

The forecast income statement of the group has been prepared in accordance with the companies' accounting policies and in compliance with International Financial Reporting Standards ("IFRS"). For IFRS purposes:

- interest on the deferred vendor payment has been assumed at 8% per annum (NACM);
- no adjustment has been made with regard to employee share options as these adjustments are not expected to be material; and
- no other changes in IFRS, which may affect the accounting treatment of the operating results, were taken into consideration.

There are no amounts included in the forecast that require an adjustment between earnings per share and headline earnings per share.

The forecast is based on the following:

- 8.1 The assumptions which have been made for the forecast include assumptions about factors that the directors can influence and outside factors over which they have no control.
- 8.2 The forecast is based on the actual historic performance of the company and of the business of Macadams, which has been acquired. The acquisition was assumed to become unconditional in November 2007 and therefore Macadams' results were included for the full 12-month period of the forecast.
- 8.3 The forecast financial information is based on the assumption that circumstances which affect the group's business, but which are outside the control of the directors will not materially affect the trading of the group. More specifically:
  - 8.3.1 Market and trading conditions are not expected to be materially different in the forecast period.
  - 8.3.2 No events will occur to interrupt existing business relationships and contracts.
  - 8.3.3 The management, operations and business model remain unchanged.
  - 8.3.4 The growth in revenue is forecast at an average 11%. Anticipated growth in revenue reflects increased sales in established product lines, growth in newly introduced products and an improved contribution from export sales.
  - 8.3.5 Gross profit margins are forecast to increase marginally (0.5%).
  - 8.3.6 Operating expenses are forecast to increase at a rate of 8%.
  - 8.3.7 Interest rates, foreign exchange rates and the basis and rate of taxation, both direct and indirect, will not change.
  - 8.3.8 The borrowings incurred to fund the initial R110 million payment for the Macadams acquisition (refer Annexure 17 – the Macadams medium term loan) will be settled with the proceeds from the offer in the month of November 2007.
  - 8.3.9 It was assumed that the company listed in November 2007 and that 46 666 667 shares will be issued to the Macadams vendors on the listing date (refer Annexure 3 for more details).
  - 8.3.10 Interest on the R70m payment due to the Macadams vendors on 31 December 2009 (refer Annexure 3 for more details) has been assumed at 8% per annum nominal annual compounded monthly ("NACM").
  - 8.3.11 Interest on borrowings has been calculated at 13% per annum (NACM).
  - 8.3.12 Interest earned on cash on hand and cash received from the offer, in excess of that required to settle the acquisition funding has been assumed at 10% per annum (nominal annual compounded monthly).
  - 8.3.13 Taxation will be payable at a rate of 29%.
- 8.4 The forecast is based on no further acquisitions being made within the forecast period.

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## DEFINITIONS

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In this prospectus and the annexures hereto, unless the context indicates otherwise, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and the words in the first column have the meanings stated opposite them in the second column, as follows:

“Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“acquisition agreement”	the agreement recording the terms and conditions of the acquisition, details of which are contained in <b>Annexure 3</b> ;
“acquisition”	the acquisition by Universal Industries, through its wholly-owned subsidiary Macadams, of the Macadams business with effect from 1 July 2007 in terms of the acquisition agreement;
“application form”	the blue application form in respect of the offer which is attached to, and forms part of, this prospectus;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“certificated shares”	shares in respect of which physical share certificates will be issued;
“certificated shareholder”	a holder of certificated shares;
“closing date”	the closing date of the offer, being 12h00 on Friday, 23 November 2007;
“common monetary area”	collectively, the Republic of South Africa, the Kingdoms of Swaziland and Lesotho, and the Republic of Namibia;
“the company” or “Universal Industries”	Universal Industries Corporation Limited (Registration number 1996/004343/06), a public company incorporated in accordance with the company laws of South Africa (previously Universal Food Systems (Proprietary) Limited);
“Colcab”	Colcab (Proprietary) Limited (Registration number 1996/004084/07), a private company incorporated in accordance with the company laws of South Africa and a wholly-owned subsidiary of Universal Industries;
“Colcab Manufacturing”	Colcab Manufacturing (Proprietary) Limited (Registration number 1996/004369/07), a dormant private company incorporated in accordance with the company laws of South Africa and a wholly-owned subsidiary of Universal Industries;
“CSDP”	a Central Securities Depository Participant appointed by certain shareholders for the purpose of and regarding dematerialisation in terms of the Securities Services Act, 2004 (Act 1936 of 2004);
“dematerialise” or “dematerialisation”	the process whereby physical share certificates are replaced with electronic records of ownership under Strate with the duly appointed CSDP or broker, as the case may be;
“dematerialised shares”	shares which have been dematerialised and incorporated into the Strate system;
“dematerialised shareholder”	a holder of dematerialised shares;
“directors” or “the board”	the directors of the company;
“emigrant”	an emigrant from the Republic whose address is outside the common monetary area;
“exchange control regulations”	the Exchange Control Regulations of South Africa issued under the Currency and Exchanges Act, 1933 (Act 9 of 1933);
“government”	the Government of the Republic of South Africa;
“group”	collectively, the company and the subsidiaries;
“IFRS”	International Financial Reporting Standards;

“ <b>implementation date</b> ”	the date on which the acquisition was implemented, being 13 November 2007, the third business day following the date on which the approval of the Competition Authorities was obtained;
“ <b>Income Tax Act</b> ”	Income Tax Act, 1962 (Act 58 of 1962), as amended;
“ <b>Insulated Structures</b> ”	Insulated Structures (1989) (Proprietary) Limited (Registration number 1971/005601/07), a private company incorporated in accordance with the company laws of South Africa and a wholly-owned subsidiary of Universal Industries;
“ <b>Jacob Levy Trust</b> ”	Jacob Levy Trust (Master’s reference No. IT2664/95), a trust in respect of which Avram Levy is a beneficiary;
“ <b>James Martin Family Trust</b> ”	James Martin Family Trust (Master’s reference No. IT1371/87);
“ <b>Java Capital</b> ”	Java Capital (Proprietary) Limited (Registration number 2002/031862/07), a private company incorporated in accordance with the company laws of South Africa;
“ <b>JSE</b> ”	JSE Limited (Registration number 2005/022939/06), a company duly registered and incorporated with limited liability under the company laws of South Africa, licensed as an exchange under the Securities Services Act 2004 (Act 36 of 2004);
“ <b>King II</b> ”	the Second King Report on Corporate Governance;
“ <b>last practicable date</b> ”	the last practicable date prior to the finalisation of the prospectus, being Tuesday, 6 November 2007;
“ <b>the listing</b> ”	the proposed listing of 480 000 000 shares in the General Industrials – Diversified Industrials sector of the JSE under the abbreviated name “Universal”, with effect from the commencement of trade on the JSE on the listing date;
“ <b>listing date</b> ”	the anticipated date of listing of the shares, being Thursday, 29 November 2007;
“ <b>Listings Requirements</b> ”	the JSE Listings Requirements, as amended from time to time;
“ <b>LNP Trust</b> ”	LNP Trust (Master’s reference No. IT2194/04), a trust in respect of which Daryl Paynter is a beneficiary;
“ <b>Macadams</b> ”	Able Wise Trading 12 (Proprietary) Limited (Registration number 2007/026017/07), (the name of which is in the process of being changed to Macadams International (Proprietary) Limited) a private company incorporated in accordance with the company laws of South Africa and a wholly-owned subsidiary of Universal Industries, which acquired the Macadams business in terms of the acquisition agreement;
“ <b>Macadams business</b> ”	the baking equipment supply businesses previously conducted by Macadams International and Macadams Baking Systems and acquired by Macadams in terms of the acquisition agreement;
“ <b>Macadams International</b> ”	Macadams International (Proprietary) Limited (Registration number 2000/015605/07), a private company incorporated in accordance with the company laws of South Africa;
“ <b>Macadams Baking Systems</b> ”	Macadams Baking Systems (Proprietary) Limited (Registration number 2000/015607/07), a private company incorporated in accordance with the company laws of South Africa;
“ <b>Macadams vendors</b> ”	collectively, Macadams International and Macadams Baking Systems;
“ <b>management</b> ”	the current management of the group, as detailed in <b>Annexure 5</b> ;
“ <b>Marsden bakeware</b> ”	a division of Macadams which supplies baking ware including baking tins and trays to plant bakeries;
“ <b>non-resident</b> ”	a person whose registered address is outside the common monetary area and who is not an emigrant;
“ <b>offer</b> ”	the offer by the company to places to subscribe for up to 80 000 000 shares at a subscription price of 150 cents per share;
“ <b>offer period</b> ”	the period commencing on the opening date and ending on the closing date;

“opening date”	the opening date of the offer, being 09:00 on Tuesday, 20 November 2007;
“placees”	those selected persons and/or entities that will be invited to participate in the private placement;
“the pre-listing shareholders”	the shareholders of the company prior to the implementation of the acquisition and the offer, being collectively Jacob Levy Trust, Wayne Brett Primary Trust, LNP Trust, James Martin Family Trust, Ivor Morgan, Axonlane Investments (Proprietary) Limited, Wyndmane Investments (Proprietary) Limited, Ian Harries, Keith Reeves, Johan Burger, Dave Roberts, Mike Constable, various charities and other non-material shareholders;
“private placement”	the offer to placees to subscribe for up to 80 000 000 shares pursuant to the offer during the offer period in terms of this prospectus;
“prospectus”	this prospectus and its annexures, dated 20 November 2007, which has been prepared in compliance with the Listings Requirements and the Act;
“reporting accountants”	PKF (Jhb) Inc. (Registration number 1994/001166/21), 42 Wierda Road West, Wierda Valley, Sandton, 2196, Johannesburg, a company incorporated in accordance with the company laws of South Africa;
“the Republic” or “South Africa”	the Republic of South Africa;
“the sale”	the intended sale by the pre-listing shareholders of up to 80 000 000 shares to certain black economic empowerment investors (as further detailed in paragraph 3 of the prospectus) and the sale by the pre-listing shareholders of 16 000 000 shares to selected institutions prior to the listing date in order to ensure the JSE’s spread requirements are satisfied (as set out in paragraph 9 of the prospectus);
“SENS”	the Securities Exchange News Service of the JSE;
“share”	an ordinary share in the share capital of the company with a par value of R0.00001;
“shareholder”	a holder of shares;
“Share Incentive Scheme”	The Universal Industries Group Executive Incentive Scheme created to incentivise employees of the group adopted by the company on 7 November 2007 as detailed in <b>Annexure 6</b> ;
“Strate”	Strate Limited (Registration number 1998/022242/06), a public company incorporated in accordance with the company laws of South Africa and the electronic clearing and settlement system used by the JSE to settle trades;
“subsidiaries”	collectively, the companies listed as the subsidiaries of the company in <b>Annexure 2</b> ;
“transfer secretaries”	Link Market Services South Africa (Proprietary) Limited (Registration number 2000/007239/07), a private company incorporated in accordance with the company laws of South Africa and the transfer secretaries to the company;
“underwriter”	36ONE Asset Management (Proprietary) Limited (Registration number 2004/035770/06), a private company incorporated in accordance with the company laws of South Africa;
“underwriting agreement”	the agreement recording the terms and conditions on which the underwriter has agreed to underwrite the offer, details of which agreement are contained in <b>Annexure 3</b> ;
“VAT”	value-added tax levied in terms of the VAT Act;
“VAT Act”	the Value-Added Tax Act, 89 of 1991, as amended; and
“Wayne Brett Primary Trust”	Wayne Brett Primary Trust (Master’s reference No. IT1187/98), a trust in respect of which Wayne Brett is a beneficiary.



**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)

JSE code: UNI ISIN ZAE000110664

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## PROSPECTUS

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### Directors:

A Levy<sup>^</sup>\*

D Paynter<sup>#</sup>

I Morgan<sup>\*\*</sup>

W Brett<sup>\*</sup>

<sup>^</sup> *Chairman*

<sup>\*</sup> *Non-executive*

<sup>\*\*</sup> *Financial Director*

<sup>#</sup> *Chief Executive Officer*

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## BACKGROUND

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### 1. INTRODUCTION

- 1.1 The group is the leading manufacturer and supplier of:
  - 1.1.1 ovens, baking systems and supplementary baking equipment to the South African retail baking market, including supermarkets, convenience stores, franchises and independent bakeries;
  - 1.1.2 refrigerated display cabinets in South Africa to supermarkets, convenience stores and wholesalers; and
  - 1.1.3 polyurethane insulated panels for cold rooms, freezer rooms and other industrial applications.
- 1.2 The group comprises well established profitable businesses with:
  - 1.2.1 *pro forma* historical annual turnover in excess of R531 million and attributable profit of approximately R58 million;
  - 1.2.2 leading manufacturing and product development capability and established intellectual property;
  - 1.2.3 proven products and service levels and a diverse, blue chip client base including, in respect of Macadams, an established worldwide network with products exported to more than 65 countries.
- 1.3 The purpose of this prospectus is to:
  - 1.3.1 provide information to investors in relation to the group and its businesses;
  - 1.3.2 set out the salient dates and times of the offer; and
  - 1.3.3 describe the procedure for subscribing for shares under the offer.

### 2. PURPOSE OF THE OFFER AND REASONS FOR LISTING

- 2.1 The listing will provide the group with the currency to expand its operations and take advantage of the growth opportunities available to it, by amongst other things:
  - 2.1.1 increasing investor and general public awareness of the group and its activities, both in South Africa and internationally;
  - 2.1.2 facilitating black economic empowerment;

- 2.1.3 providing the group with the benefits and flexibility of listed currency in the context of merger and acquisition activity within the sector, as and when these become available; and
- 2.1.4 giving the group the ability to attract and retain intellectual capital and ensure adequate succession planning through the incentive of meaningful, tradable equity participation.
- 2.2 The listing is being preceded by way of a private placement in order to afford specifically identified members of the public, selected financial institutions and business associates of the group the ability to participate in the equity of the company.
- 2.3 The purpose of the offer is to raise capital which will be used to:
  - 2.3.1 provide the group with capital, in whole or in part, to expand the business of the group organically and through appropriate acquisitions;
  - 2.3.2 repay, in whole or in part, the borrowings incurred by the group to acquire the Macadams business (which acquisition is described in **Annexure 3**) thus enabling the group to incur further gearing if and when required; and
  - 2.3.3 discharge the expenses of the listing.

### **3. BLACK ECONOMIC EMPOWERMENT**

The pre-listing shareholders intend (and have entered into negotiations) to sell up to 80 000 000 shares to certain black economic empowerment investors. Full details of this transaction will be announced once the transaction is concluded.

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## THE COMPANY

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### 4. INCORPORATION, HISTORY, NATURE OF BUSINESS AND FUTURE PROSPECTS

#### 4.1 Incorporation, name, address and subsidiaries

The company was incorporated in South Africa on 10 April 1996 as a private company with the name Harment Investments (Proprietary) Limited. The name of the company was changed to Corpgro Food and Allied Industries (Proprietary) Limited on 25 July 1996 and then to Universal Food Systems (Proprietary) Limited on 4 February 2002. On 8 November 2007 the company was converted to a public company and its name changed to Universal Industries Corporation Limited.

Information relating to the subsidiaries of the company is set out in **Annexure 2** hereto.

#### 4.2 History

The company was established in July 1996 in order to acquire the entire issued share capital of Insulated Structures and the business conducted by Colcab. The entire issued share capital of the company was acquired by the pre-listing shareholders in September 2004.

With effect from 1 July 2007, and in terms of the acquisition agreement, the group acquired the Macadams business thereby expanding its business from the manufacture and supply of refrigeration systems to include the manufacture and supply of baking systems.

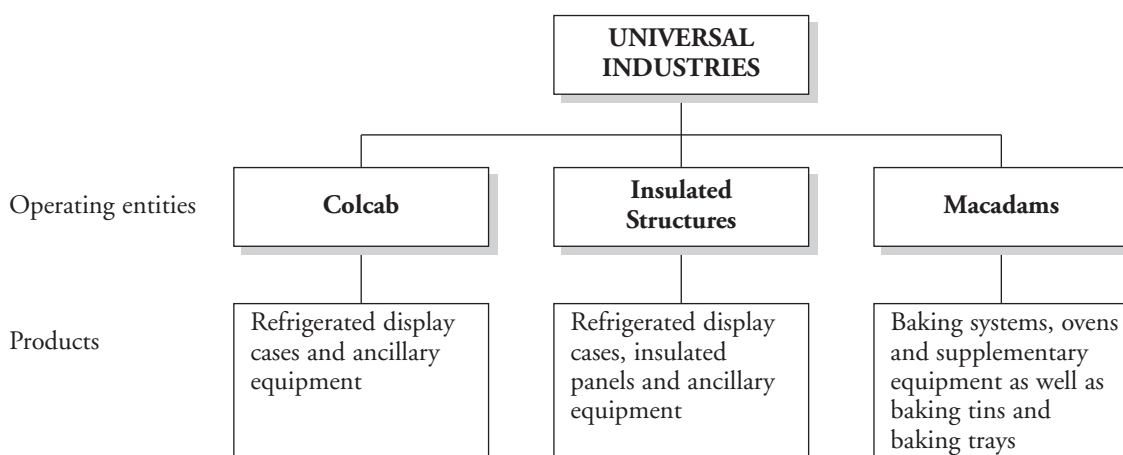
The underlying businesses in the group are all long established businesses with:

4.2.1 the Macadams business having been established in 1904; and

4.2.2 Insulated Structures and Colcab's businesses having been established in 1986 and 1958, respectively.

#### 4.3 Nature of the business

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



#### *Refrigeration business*

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

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

Colcab and Insulated Structures employ approximately 400 employees and have a highly experienced and committed executive team, the majority of whom are shareholders in the company. Additional capacity has recently been added to the group's manufacturing facilities which, if required, could considerably increase production levels.

The success of the refrigeration business is based on understanding and exceeding customers' needs and expectations. Significant time is spent remaining abreast of international developments with regard to refrigeration technology. As a result of its leading manufacturing facilities and Colcab's full test laboratory, the group is able to develop and launch new products and customise products for customers.

- Refrigerated display cabinets

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

95% 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 both supply the display case and line-up of the case, whilst the customer contracts with a refrigeration contractor for the installation of the plant room, refrigeration piping and electrical connection.

- Insulated panels

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

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

- Ancillary items

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

### *Baking systems business*

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

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

Macadams operates out of an EN ISO 9001 certified manufacturing facility in Blackheath Industrial Park in Cape Town. New product development and design is a continued focus. The business is managed on a centralised basis with regional sales offices in Johannesburg, Durban and Cape Town and has a team of experienced and highly competent executives, the key members of whom will acquire a significant interest in the company as a result of the acquisition.

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

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

Through a deliberate export drive over a number of years, Macadams has established itself in approximately 65 countries through the appointment of regional agents. Macadams' representatives interact with these agents and their significant customers on a regular basis and provide a technical support infrastructure based in Cape Town. Export sales contributed approximately 25% of turnover (in Rand value) for the 10 months ended 30 June 2007.

#### 4.4 Future prospects

In the opinion of the directors, based on their experience and market information available, the prospects of the company include the following:

##### *South African prospects*

Both the refrigeration business and the baking systems business supply customers in the perishable foods industry, in particular supermarkets and convenience stores.

Since 2004 the perishable foods industry has expanded significantly in line with general favourable economic conditions. This growing demand has been aided by the South African government's development drive (including the electrification of areas, increased fixed investment and empowerment initiatives) which has resulted in higher consumer spending in all areas including white goods and refrigerators which has in turn increased the demand for perishable foods and supermarkets.

The increased consumer spending has contributed to the improved financial performance of the food retailers allowing for the upgrading of existing stores and the opening of additional stores. The new retail developments and the upgrading of existing stores has resulted in increased demand for the group's products.

Indications are that food retailers will continue to invest in new locations as well as in the refurbishment and upgrading of existing stores in an effort to maintain or increase market share and to gain entry into historically under-serviced markets where there is more opportunity for growth.

Growth in the group's market will also continue to be driven by the changing consumer trends in the perishable foods industry, with a strong trend to convenience, ease of preparation, quality and freshness. To accommodate these trends retailers are seeking locations closer to the consumer and are upgrading existing facilities to deliver meal replacements and closer-to-fresh products to consumers. Retailers are also dedicating more floor space to "fresh product" areas (bakery, butchery, prepared meals and fresh food areas). The group's refrigeration and baking products are ideally suited to these changing consumer trends which are likely to accelerate as the population becomes more economically active.

With the ever increasing number of installed units, estimated to be approximately 70 000 in respect of the refrigeration units and 30 000 in respect of the baking units, there is also a growing replacement market with an estimated replacement cycle of between six and eight years. The increasing installed base also offers accessory and part sales opportunities to the group.

The directors anticipate that the various factors set out above will result in sustained demand for its products. Although the group has a significant presence in both refrigerated display cases and baking systems, opportunities still exist for the group to grow its market share through its superior product and service offering and in particular through the group's ability to innovate and develop new product ranges. Where appropriate the group will also look to grow its business organically and through acquisitions.

##### *Export prospects*

The export market is an established part of Macadam's business with a network of agents represented throughout the world and export sales accounting for approximately 25% of Macadams' turnover. Although the refrigeration businesses have exported refrigeration units to Europe, the United Kingdom, Australia, New Zealand, the Middle East and Africa, this has been predominantly through the supply to local customers embarking on international operations and represents a small percentage of the refrigeration business' turnover. Accordingly, significant opportunities exist to grow this aspect of the group's business with the potential to leverage off Macadams' relationships in the export market.

The group's products and services are of an international standard and exports represent a significant source of future growth for the group. This potential is particularly exciting in the context of the African market:

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

- where the increasing political stability, economic growth and acceptance of South African business represents a potentially huge new market for the group.

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

#### 4.5 **Financial year-end**

The financial year-end of the group is 31 December.

### 5. **GROUP STRUCTURE**

#### 5.1 **Group structure and subsidiaries**

The group structure following the implementation of the acquisition and immediately prior to listing is set out in **Annexure 2**, together with details in relation to the subsidiaries of the company.

#### 5.2 **Share capital**

Information regarding the authorised and issued share capital of the company, share premium, the shareholders of the company holding in excess of 5% of the shares immediately prior to and after the listing, alterations of capital, a summary of offers of shares by the company to the public during the three years preceding the date of this prospectus and ancillary shareholding information required in terms of the Listings Requirements and the Act is set out in **Annexure 4**.

### 6. **DIRECTORS AND EXECUTIVE MANAGEMENT OF THE GROUP**

**Annexure 5** contains the following information:

- 6.1 details of directors and executive management including their names, addresses, qualifications, occupations and experience;
- 6.2 information concerning the appointment, remuneration, terms of office, and borrowing powers of the directors and the directors of the subsidiaries;
- 6.3 directors' interests; and
- 6.4 directors' declarations.

### 7. **THE SHARE INCENTIVE SCHEME**

The company has established an employee share incentive scheme known as the Universal Industries Group Executive Incentive Scheme, in terms of which employees will be incentivised to promote the continued growth of the company by giving them the opportunity to acquire shares. In addition, the benefits encapsulated in the Share Incentive Scheme will enable the company to attract and retain suitably qualified and skilled personnel. The Share Incentive Scheme also allows for options to be granted to non-executive directors, which will help the board attract good quality directors.

The salient terms and conditions of the Share Incentive Scheme are set out in **Annexure 6**.

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## THE OFFER

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### 8. DETAILS OF THE OFFER

#### 8.1 Particulars of the offer

The offer is made by way of a private placement comprising an offer by the company to placees to subscribe for up to 80 000 000 shares at an issue price of 150 cents per share (being the par value plus a premium of R1.4999 per share), which offer may raise up to R120 000 000 before issue and listing expenses.

The shares offered in terms of the prospectus will rank *pari passu* in all respect with all other shares issued by the company prior to the listing.

The offer is open for acceptance by placees only. No offer will be made to the public.

#### 8.2 Timing of the offer

	2007
Opening date of the offer (09:00)	Tuesday, 20 November
Closing date of the offer* (12:00)	Friday, 23 November
Listing date (09:00)	Thursday, 29 November

\*Shareholders wishing to receive shares in dematerialised form must advise their CSDP or broker of their acceptance of the offer in the manner and cut-off time stipulated by their CSDP or broker as these cut-off times will be on a date earlier than the closing date.

These dates and times are subject to change. Any such change will be released on SENS and published in the press.

#### 8.3 Condition to the listing and minimum subscription

The listing is subject to compliance by the company with the Listings Requirements regarding the requisite spread of shareholders. The shareholders spread will be finalised on Tuesday, 27 November 2007 when notification of allotment takes place, whereafter the shareholder spread will be furnished to the JSE which will, prior to the proposed listing date, confirm that the shareholder spread is in accordance with the Listings Requirements.

The offer has been underwritten by the underwriter on the basis set out in paragraph 3 of Annexure 3 hereto. Accordingly, there is no minimum amount required to be raised pursuant to the offer.

#### 8.4 Minimum subscription

In the opinion of the directors, no minimum amount is required to be raised by the offer.

The capital raised will be utilised as set out in paragraph 2.3 above.

#### 8.5 Applications

Applicants should complete the attached application form (blue) in accordance with the instructions contained therein and the provisions of this prospectus.

##### 8.5.1 Application form

###### 8.5.1.1 Dematerialised shares

Applicants who accept the offer in dematerialised form and who have appointed a CSDP or broker must:

- 8.5.1.1.1 complete the blue application form attached to and forming part of this prospectus;
- 8.5.1.1.2 ensure that the applicant's CSDP or broker stamps the application form in the space provided;
- 8.5.1.1.3 return the application form to which a cheque should be attached (cheques must be crossed "Not transferable", the words "or bearer" deleted and should be made payable in favour of "**Universal Industries Corporation Limited: Listing**"), to Java Capital (Proprietary) Limited, 2nd Floor, 2 Arnold Road, Rosebank, 2196 (PO Box 2087, Parklands, 2121 to be received by no later than 12:00 on Friday, 23 November 2007.

Each envelope should contain one application form only and be clearly marked “**Universal Industries Corporation Limited: Listing**”.

All cheques will be deposited and held by the company in a designated account with a registered South African bank. The company reserves its right however to return any cheques without making any such deposit. Should any cheque be dishonoured or payment not be received, the directors of the company may, in their absolute discretion, regard the relevant application as revoked or take such steps in regard thereto as they deem fit.

The CSDP or broker concerned will receive and hold the dematerialised shares on the applicant’s behalf. The directors of the company recommend that any applicant who does not have a relationship with a CSDP or broker should establish such a relationship in order to have dematerialised shares held on the applicant’s behalf by the CSDP or broker.

#### 8.5.1.2 **Certificated shares**

Should an applicant not wish to open an account with a CSDP or broker or should an applicant require a physical share certificate, the applicant must:

8.5.1.2.1 complete the blue application form attached to and forming part of this prospectus;

8.5.1.2.2 return the application form to which a cheque should be attached (cheques must be crossed “Not transferable”, the words “or bearer” deleted and should be made payable in favour of “**Universal Industries Corporation Limited: Listing**”) to Java Capital (Proprietary) Limited, 2nd Floor, 2 Arnold Road, Rosebank, 2196 (PO Box 2087, Parklands, 2121), to be received by no later than 12:00 on Friday, 23 November 2007.

All cheques will be deposited and held by the company in a designated account with a registered South African Bank. The company reserves its right however to return any cheques without making any such deposit. Should any cheque be dishonoured or payment not be received, the directors of the company may, in their absolute discretion, regard the relevant application as revoked or take such steps in regard thereto as they deem fit.

Each successful applicant will be posted physical share certificates by registered post, at the applicant’s own risk, to the address provided by the applicant on the application form. There are risks associated with holding shares in certificated form, including the risk of loss or tainted scrip, which are not covered by the JSE Guarantee Fund. All applicants who elect to receive certificated shares will have to dematerialise their certificated shares should they wish to trade them under the terms of Strate (see paragraph 8.7 below).

#### 8.5.2 ***Minimum number and multiples***

All applications must be for a minimum of 1 000 shares and in multiples of 1 000 shares thereafter.

#### 8.5.3 ***Applications irrevocable***

Applications are irrevocable and may not be withdrawn once received by Java Capital.

#### 8.5.4 ***Copies***

Copies or reproductions of the application form will not be accepted.

#### 8.5.5 ***Receipts***

Receipts will not be issued for applications, application monies or supporting documents received.

#### 8.5.6 ***Evidence of capacity to apply***

Other than as detailed in the application form, no documentary evidence of capacity to apply need accompany the application form, but the company reserves the right to call upon any applicant to submit such evidence for noting, which evidence will be held on file with Java Capital or the transfer secretaries or returned to the applicant at the applicant’s risk.

#### 8.5.7 ***Reservation of rights***

The directors of the company reserve the right to accept or refuse any applications, either in whole or in part, or to abate any or all applications (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

### 8.5.8 *Application monies*

The amount due on application is payable in full in South African Rands.

In the event of an application being accepted for a lesser number of shares than that applied for, any application monies or surplus application monies paid (as the case may be), will be refunded by the company by cheque drawn on a bank in South African currency, inclusive of interest at the rate earned thereon by the company on current account (but exclusive of any handling cost and/or fees incurred by the company), and posted by ordinary post at the risk of the applicant concerned, on or about Thursday, 29 November 2007, in respect of those applicants wishing to receive physical share certificates. It should be noted that any application monies or surplus application monies will only be refunded once the relevant cheque has been deposited and the monies cleared into the company's account.

Dematerialised shareholders must refer to the agreement governing their relationship with their CSDP or broker as regards payment of refunds.

### 8.5.9 *Issue of shares*

All shares applied for and subscribed for in terms of the prospectus under the offer will be issued at the expense of the company.

All shares issued in terms of the prospectus will be allocated subject to the provisions of the articles of association of the company and will rank *pari passu* in all respects with all existing shares in issue.

The company will use the "certified transfer deeds and other temporary documents of title" procedure approved by the JSE and only "block" certificates will be issued for the shares allotted in terms of this prospectus.

In respect of those applicants who elect to receive physical share certificates, the share certificates will be posted by registered post on or about Thursday, 29 November 2007 to the address shown in the application form provided the relevant cheque has been deposited and the monies cleared into the company's account. No contrary instructions will be accepted. The company accepts no liability for share certificates that may be lost in the post. No request for the issue of replacement certificates will be considered before Thursday, 29 November 2007 and thereafter only in writing and accompanied by an acceptable indemnity.

In respect of those applicants who elect to receive uncertificated shares, their duly appointed CSDP's or broker's account will be updated on Thursday, 29 November 2007.

## 8.6 **Applicable law**

The private placement, applications, allocations and acceptances will be exclusively governed by the laws of South Africa and each applicant will be deemed, by applying for shares, to have consented and submitted to the jurisdiction of the Courts of South Africa in relation to all matters arising out of or in connection with the offer.

## 8.7 **Strate**

Shares may only be traded on the JSE in electronic form (dematerialised shares) and will be trading for electronic settlement in terms of Strate immediately following the listing.

Strate is a system of "paperless" transfer of securities. If any applicant has any doubt as to the mechanics of Strate, the applicant should consult with his CSDP or broker or other appropriate advisor and is also referred to the Strate website at [www.Strate.co.za](http://www.Strate.co.za) for more information. Some of the principal features of Strate are as follows:

- 8.7.1 electronic records of ownership replace share certificates and physical delivery of certificates;
- 8.7.2 trades executed on the JSE are settled within five business days;
- 8.7.3 all investors owning dematerialised shares or wishing to trade their securities on the JSE are required to appoint either a CSDP or a broker to act on their behalf and to handle their settlement requirements; and
- 8.7.4 the CSDP's or broker's nominee company, holding shares on their behalf, will be the shareholder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the CSDP or broker (or the CSDP's or broker's nominee company), generally in terms of the rules of Strate, the investor is entitled to instruct the CSDP or broker (or the CSDP's or broker's nominee company), as to how it wishes to exercise the rights attaching to the shares.

#### 8.8 **Over-subscription**

The maximum number of shares that can be subscribed for in terms of the offer is 80 000 000 shares. The company will not issue any additional shares in respect of any oversubscription.

#### 8.9 **South African Exchange Control Regulations**

The relevant exchange control provisions are set out in **Annexure 7**.

#### 8.10 **Simultaneous issues**

Save as disclosed in **Annexure 3** no securities of the same class are issued or to be issued simultaneously or almost simultaneously with the issue of securities for which application is being made.

#### 8.11 **Underwriting**

The offer has been underwritten by the underwriter. The directors of the underwriter are Cy Jacobs and Steven Liptz.

Details of the underwriting have been included in **Annexure 3**.

Neither the group nor any of the directors of the company have any interest in the underwriter.

#### 8.12 **Share premium**

The shares being issued pursuant to the offer are being issued at a premium of R1.49999 per share. Further information regarding the share premium is set out in **Annexure 4**.

### 9. **LISTING STATEMENT**

Subject to the implementation of the acquisition and the achievement of a spread of public shareholders acceptable to the JSE, the JSE has granted the company approval for the listing for up to 480 000 000 shares in the General Industrials – Diversified Industrials sector of the JSE under the short name “Universal”. It is anticipated that the listing will be effective as from the commencement of trade on the JSE on Thursday, 29 November 2007. In order to ensure that the JSE’s spread requirements are satisfied the pre-listing shareholders will sell 16 000 000 shares to selected institutions prior to the listing date.

None of the shares are listed on any other stock exchange, nor is it intended at this stage to apply for a listing of any of the shares on any other stock exchange.

## FINANCIAL INFORMATION AND PROFIT FORECAST

### 10. PROFIT FORECAST

Set out below is the profit forecast of the group for the 12 month period ending on 31 December 2008, which is the responsibility of the directors of the company. The forecast must be read in conjunction with the reporting accountants' report thereon reproduced in **Annexure 1** hereto.

R'000	Forecast for the 12 months ending 31 December 2008
<b>Revenue</b>	599 302
Cost of sales	(441 202)
<b>Gross profit</b>	158 100
Operating expenses	(56 041)
<b>Operating income</b>	102 059
Interest received	1 854
– bank working capital facilities and cash	6 594
– notional charge on deferred vendor payments	(4 740)
<b>Profit before tax</b>	103 913
Tax	(30 135)
<b>Profit after tax</b>	73 778
Number of shares in issue	480 000 000
Weighted average number of shares in issue ('000)	480 000 000
Earnings per share (cents)	15.4
Headline earnings per share (cents)	15.4

The forecast income statement of the group has been prepared in accordance with the companies' accounting policies and in compliance with International Financial Reporting Standards ("IFRS"). For IFRS purposes:

- interest on the deferred vendor payment has been assumed at 8% per annum (NACM);
- no adjustment has been made with regard to employee share options as these adjustments are not expected to be material; and
- no other changes in IFRS, which may affect the accounting treatment of the operating results, were taken into consideration.

There are no amounts included in the forecast that requires an adjustment between earnings per share and headline earnings per share.

The forecast is based on the following:

- 10.1 The assumptions which have been made for the forecast include assumptions about factors that the directors can influence and outside factors over which they have no control.
- 10.2 The forecast is based on the actual historic performance of the company and of the business of Macadams, which has been acquired. The acquisition was assumed to become unconditional in November 2007 and therefore Macadams' results were included for the full 12-month period of the forecast.
- 10.3 The forecast financial information is based on the assumption that circumstances which affect the group's business, but which are outside the control of the directors will not materially affect the trading of the group. More specifically:
  - 10.3.1 Market and trading conditions are not expected to be materially different in the forecast period.
  - 10.3.2 No events will occur to interrupt existing business relationships and contracts.
  - 10.3.3 The management, operations and business model remain unchanged.

- 10.3.4 The growth in revenue is forecast at an average 11%. Anticipated growth in revenue reflects increased sales in established product lines, growth in newly introduced products and an improved contribution from export sales.
  - 10.3.5 Gross profit margins are forecast to increase marginally (0.5%).
  - 10.3.6 Operating expenses are forecast to increase at a rate of 8%.
  - 10.3.7 Interest rates, foreign exchange rates and the basis and rate of taxation, both direct and indirect, will not change.
  - 10.3.8 The borrowings incurred to fund the initial R110 million payment for the Macadams acquisition (refer Annexure 17 – the Macadams medium term loan) will be settled with the proceeds from the offer in the month of November 2007.
  - 10.3.9 It was assumed that the company listed in November 2007 and that 46 666 667 shares will be issued to the Macadams vendors on the listing date (refer Annexure 3 for more details).
  - 10.3.10 Interest on the R70m payment due to the Macadams vendors on 31 December 2009 (refer Annexure 3 for more details) has been assumed at 8% per annum nominal annual compounded monthly (“NACM”).
  - 10.3.11 Interest on borrowings has been calculated at 13% per annum (NACM).
  - 10.3.12 Interest earned on cash on hand and cash received from the offer, in excess of that required to settle the acquisition funding has been assumed at 10% per annum (NACM).
  - 10.3.13 Taxation will be payable at a rate of 29%.
- 10.4 The forecast is based on no further acquisitions being made within the forecast period.

## 11. HISTORICAL FINANCIAL INFORMATION

### 11.1 Historical financial information

- 11.1.1 The historical financial information of Universal Industries for the years ended 31 August 2005 and 2004, the 16 months ended 31 December 2006 and the 6 months ended 30 June 2007 is set out in **Annexure 10**. The preparation of the historical information is the responsibility of the directors. The reporting accountants’ report on this historical financial information is contained in **Annexure 11**.
- 11.1.2 The historical financial information of the Macadams business for the three years ended 31 August 2006, 2005 and 2004 and for the 10 months ended 30 June 2007 is set out in **Annexure 12**. The preparation of the historical information is the responsibility of the directors. The reporting accountants’ report on this historical financial information is contained in **Annexure 13**.

### 11.2 Profit, loss and dividend history

Particulars of:

- 11.2.1 the profits (before and after tax) or losses;
- 11.2.2 the aggregate dividends paid;
- 11.2.3 the dividends declared and paid or declared but unpaid in cents per share; and
- 11.2.4 the dividend cover for each year,

for the company and each of the subsidiaries in the preceding five years are contained in **Annexure 14**.

## 12. UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

**Annexure 8** contains an unaudited *pro forma* balance sheet and income statement for the company illustrating the effects of the acquisition and the offer on the company.

The independent reporting accountants’ report thereon is set out in **Annexure 9**.

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## GENERAL INFORMATION

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### 13. EXPENSES OF THE OFFER AND LISTING

The estimated expenses relating to the offer and the listing are set out below.

	<b>Rand</b>
Corporate advisory, legal advisory and sponsor fees payable to Java Capital	1 400 000
Reporting accountants' fees payable to PKF (Jhb) Inc.	300 000
Legal fees payable to Fluxmans	45 000
JSE documentation fees	61 446
JSE listing fees	150 201
Printing	100 000
Secretarial fees	100 000
Transfer secretaries fees	50 000
Capital raising fees payable to Interactive Capital	1 000 000
	<hr/> 3 206 647

The company will pay the expenses of the offer and the listing out of its own cash resources.

Save for the expenses set out above, the company has not incurred any preliminary expenses in the three-year period preceding the date of the prospectus.

### 14. ADVISORS' INTERESTS

Other than in respect of 66 667 shares that will be issued to the company secretary, Probity Business Services (Proprietary) Limited, in lieu of payment of the secretarial fees referred to in the table in paragraph 13 above, none of the advisors of the company had an interest in any shares or options in respect of shares at the last practicable date nor have any of the advisors agreed to subscribe for any shares.

### 15. DIVIDEND POLICY AND UNCLAIMED DIVIDENDS

15.1 The company intends implementing a dividend policy of distributing 25% of all profits after tax earned by the company per annum to the shareholders of the company, provided that:

15.1.1 the dividend policy will be reviewed periodically taking into account prevailing circumstances and future cash requirements;

15.1.2 the company may in any year (and in particular the year ending 31 December 2008) utilise all or any of the earnings generated by the company to fund future acquisitive growth.

15.2 There are no fixed dates on which entitlement to dividends arises.

15.3 Subject to 15.4 below, there is no arrangement under which future distributions will be waived or agreed to be waived.

15.4 Article 37.5 of the company's articles of association, the full text of which may be found in **Annexure 20**, provides that all unclaimed dividends or other payments to members as contemplated in Article 37 may be invested or otherwise be made use of by the directors for the benefit of the company until claimed, provided that any dividend remaining unclaimed for a period of not less than 3 years from the date on which it became payable may by resolution of the directors be forfeited for the benefit of the company.

### 16. MATERIAL CHANGES

Save for the information disclosed in paragraph 4 above, and in particular the information in **Annexure 3** relating to the acquisition, the directors report that there have been no material changes in the business of the company or the trading objects of the group in the five years immediately preceding the date of this prospectus nor has there been any material change in the assets or liabilities of the company or any subsidiary or the financial or trading position of the group between the end of the most recent financial year for which audited annual financial statements or unaudited interim reports have been published and the date of this prospectus.

## 17. ADEQUACY OF CAPITAL

The directors are of the opinion that the working capital available to the company and its subsidiaries after taking into account the acquisition and the listing is sufficient for the group's present requirements, that is, for at least the next 12 months from the date of issue of the prospectus.

## 18. COMMISSIONS

No commissions, discounts or brokerages have been paid nor have any other special terms been granted during the three years preceding the date of this prospectus in connection with the issue or sale of any securities, shares or debentures in the capital of the company, except as otherwise disclosed in any audited annual financial statements of the company.

## 19. MATERIAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

Other than as set out in paragraph 1.2 of **Annexures 3** and **Annexures 15** and **17**, the group does not have any capital commitments, financial lease payments and contingent liabilities as at the last practicable date other than in the ordinary course of business.

## 20. MATERIAL COMMITMENTS IN RESPECT OF ACQUISITION AND ERECTION OF BUILDINGS, PLANT AND MACHINERY

Save for the R6.2 million capital expenditure commitment by Colcab in respect of plant and equipment (R5.1 million of which will be completed and commissioned by December 2007, the balance to be completed and commissioned by February 2008), which will be funded either from cash resources or the Nedbank medium term loan facility of R10 million referred to in **Annexure 17**, none of the companies in the group have any material commitments for the purchase and erection of buildings, plant or machinery.

## 21. PRINCIPAL IMMOVABLE PROPERTY LEASED OR OWNED

None of the companies comprising the group own any immovable property. Details of the principal immovable property leased by the company and/or any of its subsidiaries including situation and area and, in respect of leasehold property, tenure, rental and unexpired terms of the leases are set out in **Annexure 15**.

## 22. ACQUISITIONS

Save in the ordinary course of business and in respect of the acquisition (details of which are disclosed in **Annexure 3** hereto), no material immovable property and/or fixed assets or securities and/or business undertakings have been acquired by the group within the past three years or are in the process of being or are proposed to be acquired by the group (or which the group has an option to acquire).

The names and addresses of the vendors in respect of any such assets acquired by the company and/or its subsidiaries and the consideration received or to be received by each of them is detailed in **Annexure 16**.

## 23. DISPOSALS

No material immovable property, fixed assets, securities in subsidiaries or businesses of the group have been disposed of in the 3 years preceding the last practicable date nor are any of these to be disposed of in the first six months after commencement of the listing.

## 24. ADVANCES, LOANS AND BORROWINGS

Details of material loans advanced to the company and/or any of its subsidiaries are set out in **Annexure 17** to the prospectus.

Other than as disclosed in note 10.3 and note 16 of **Annexure 10** to the prospectus, no shareholders' loans were recorded on the company's or any of its subsidiaries' respective balance sheets at the last practicable date. Other than as disclosed in note 7 of **Annexure 10**, there are no loans receivable outstanding at the date of this prospectus.

At the last practicable date there were no material inter-company loans or other financial transactions between any members of the group other than as disclosed in note 16 of **Annexure 10**.

## **25. GOVERNMENT PROTECTION AND INVESTMENT ENCOURAGEMENT LAW**

Other than in respect of industry related import duties in respect of certain specified products from certain specified countries, there is no Government protection or any investment encouragement law pertaining to any of the businesses operated by the group.

## **26. ROYALTIES**

Other than in respect of the royalties payable by the company in terms of the Technology Licence Agreement entered into between the company and Carrier Commercial Refrigeration Inc, (a Delaware USA corporation), no royalties or items of a similar nature are payable by the group to any party outside of the group.

## **27. LITIGATION STATEMENT**

There are no legal or arbitration proceedings, including any proceedings that are pending or threatened or which the company is aware that may have or have had, in the 12 month period preceding the last practicable date, a material effect on the group's financial position.

## **28. DIRECTORS' RESPONSIBILITY STATEMENT**

The directors whose names are given in **Annexure 5**:

- 28.1 have considered all statements of fact and opinion in the prospectus;
- 28.2 collectively and individually, accept full responsibility for the accuracy of the information given;
- 28.3 certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading;
- 28.4 have made all reasonable enquiries in this regard;
- 28.5 certify that, to the best of their knowledge and belief, the prospectus contains all information required by law and the Listings Requirements.

## **29. CORPORATE GOVERNANCE**

The corporate governance statement of the company in support of King II is set out in **Annexure 18** to the prospectus.

## **30. MATERIAL CONTRACTS**

Save for the acquisition agreement, the underwriting agreement and the service contracts referred to below neither the company nor its subsidiaries has entered into any contracts other than in the ordinary course of business:

- 30.1 within the two years preceding the date of the prospectus; or
- 30.2 concluded at any time and which contain an obligation or settlement that is material to the company or its subsidiaries at the date of the prospectus.

A summary of existing contracts or proposed contracts (whether written or oral) relating to directors' and managerial remuneration, restraint payments, royalties and secretarial and technical fees payable by the company and its subsidiaries is contained in **Annexure 5**.

## **31. PROMOTERS' INTERESTS**

The company has not during the three years preceding the date of this prospectus transacted with or paid nor has it proposed to pay any promoter or any partnership, syndicate or other association of which a promoter would benefit as a member.

No promoter has had any material beneficial interest, direct or indirect, in the promotion of the company or in any property acquired or proposed to be acquired by the company out of the proceeds of the offer or otherwise in the three years preceding the date of issue of this prospectus and no amount has been paid during this period, or is proposed to be paid to any promoter.

## **32. CONSENTS**

Each of the advisors has consented in writing to act in the capacities stated and to their names being stated in the prospectus and has not withdrawn consent prior to its publication.

The reporting accountants have consented to the inclusion of their reports in the form and context in which they are included in the prospectus, which consent has not been withdrawn prior to the publication of the prospectus.

### 33. DOCUMENTATION AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the company's registered office during business hours from date of issue of the prospectus up to and including Friday, 23 November 2007:

- 33.1 the signed prospectus;
- 33.2 the memoranda and articles of association of the company and each of its subsidiaries;
- 33.3 the letters of consent referred to in paragraph 32 above;
- 33.4 the signed reports from the reporting accountants;
- 33.5 the Share Incentive Scheme;
- 33.6 the material contracts referred to in paragraph 30 above;
- 33.7 the executive directors' written service contracts with the relevant company in the group, further details of which are set out in **Annexure 5** hereto;
- 33.8 the review opinion from the reporting accountants in respect of the historical financial information used in preparing the *pro forma* financial information set out in **Annexure 8** hereto;
- 33.9 the historical financial information of Universal Industries for the years ended 31 August 2005 and 2004, the 16 months ended 31 December 2006 and the six months ended 30 June 2007; and
- 33.10 the historical financial information of Macadams for the three years ended 31 August 2006, 2005 and 2004 and for the 10 months ended 30 June 2007.

### 34. PARAGRAPHS OF SCHEDULE 3 TO THE ACT WHICH ARE NOT APPLICABLE TO THIS PROSPECTUS

The following paragraphs of Schedule 3 to the Act are not applicable:

1(b), 2(d), 6(a)(iii), 6(e)(ii), 6(g), 8(b), 8(d), 9(b), 10, 12(d), 12(e), 13, 14, 17(c), 18(b), 20(b), 21(a)(iv), 21(a)(v), 24, 25(2), 27, 28, 31 and Part III.

SIGNED AT JOHANNESBURG ON 15 NOVEMBER 2007 BY WAYNE BRETT ON BEHALF OF ALL OF THE DIRECTORS OF UNIVERSAL INDUSTRIES CORPORATION LIMITED

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***Avram Levy***

who warrants that he is duly authorised thereto  
in terms of powers of attorney granted to him on 22 October 2007  
by each of the directors of Universal Industries Corporation Limited

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***Daryl Paynter***

who warrants that he is duly authorised thereto  
in terms of powers of attorney granted to him on 1 November 2007  
by each of the directors of Universal Industries Corporation Limited

---

***Ivor Morgan***

who warrants that he is duly authorised thereto  
in terms of powers of attorney granted to him on 13 November 2007  
by each of the directors of Universal Industries Corporation Limited

---

***Wayne Brett***

who warrants that he is duly authorised thereto  
in terms of powers of attorney granted to him on 22 October 2007  
by each of the directors of Universal Industries Corporation Limited

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE PROFIT FORECAST OF THE GROUP

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"The Directors  
Universal Industries Limited  
16 Precision Street  
Kya Sands  
Randburg  
2163

7 November 2007

Dear Sirs

### INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE PROFIT FORECAST OF THE GROUP FOR THE 12 MONTHS ENDING 31 DECEMBER 2008

#### Introduction

We have examined the profit forecast of the group for the 12 months ending 31 December 2008 as set out in paragraph 10 of the prospectus issued by Universal Industries Corporation Limited ("the company") ("the forecast").

The definitions outlined in the prospectus to be dated on or about 19 November 2007 ("the prospectus"), have been used *mutatis mutandis* throughout this report unless otherwise indicated.

#### Responsibility

The directors are responsible for the forecast, including the assumptions set out in the notes to the forecast on which it is based, and for the financial information from which it has been prepared. This responsibility, arising from compliance with the Listings Requirements of the JSE Limited, includes: determining whether the assumptions, barring unforeseen circumstances, provide a reasonable basis for the preparation of the forecast; whether the forecast has been properly compiled on the basis stated; and whether the forecast is presented on a basis consistent with the accounting policies of the group in question.

#### Basis of opinion and scope of work performed

Our examination was carried out in accordance with the guidelines laid down by the South African Institute of Chartered Accountants. In carrying out our examination we have:

- analysed the accounting policies;
- checked the calculations used in the forecast; and
- confirmed that the underlying information and assumptions used in the forecast have been presented on a basis consistent with the accounting policies adopted by the company.

We consider that our procedures were appropriate in the circumstances to enable us to express our opinion presented below.

#### Report

We have examined the forecast in accordance with the guidelines laid down by the International Standard on Assurance Engagements applicable to the Examination of Prospective Financial Information. Management is responsible for the forecast including the assumptions set out in paragraph 10 on which it is based.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention that causes us to believe that the assumptions do not provide a reasonable basis for the forecast. Furthermore, in our opinion the forecast has been properly compiled on the basis of the assumptions and the forecast have been presented on a basis consistent with the accounting policies adopted by the company.

Since the forecast is based on assumptions concerning future events, the actual results may vary from the forecast which has been presented and the variations may be material. Accordingly, we express no opinion on whether or not the forecast will be achieved.

**Consent**

We consent to the inclusion of this report which will form part of the prospectus in the form and context in which it appears.

Yours faithfully

**PKF (Jhb) Inc**

Registration number 1994/001166/21

*Registered Auditors*

*Chartered Accountants (SA)*

42 Wierda Road West

Wierda Valley

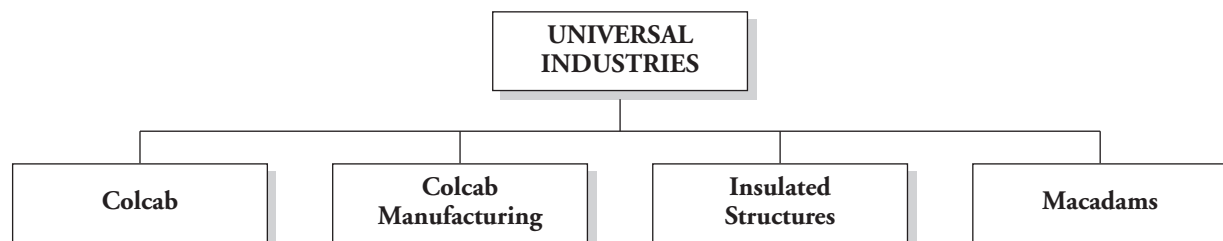
2196”

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**SUBSIDIARIES**


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The group structure immediately prior to listing, together with details in relation to each of the subsidiaries is set out below:



Subsidiary	Date and place of incorporation	Registration number	Issued share capital	Shares held by the company on the date of the listing	Date on which subsidiary became a subsidiary	Main business
Colcab	12 November 1996 in South Africa	1996/004084/07	R100 comprising 100 A type ordinary shares of R1.00 each	100 (100%)	12 December 1996	The manufacture and distribution of refrigerated and non-refrigerated display cabinets and related parts and services
Colcab Manufacturing	27 July 1990 in South Africa	1990/004369/07	R100 comprising 100 ordinary shares of R1.00 each	100 (100%)	12 December 1996	Dormant company
Insulated Structures	10 May 1971 in South Africa	1971/005601/07	R25 000 comprising 25 000 ordinary shares of R1.00 each	25 000 (100%)	1 July 1996	The manufacture, erection, supply and distribution of refrigerated display cabinets and insulated structures of all descriptions and their components
Macadams	11 September 2007 in South Africa	2007/026017/07	R100 comprising 100 ordinary shares of R1.00 each	100 (100%)	11 September 2007	The supply of ovens and supplementary baking equipment and the manufacture of pressed metal bakeware

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## MATERIAL CONTRACTS

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Other than as set out below, none of the companies comprising the group have entered into any contracts otherwise than in the ordinary course of business within the two years prior to the date of this prospectus or entered into at any time which contains an obligation or settlement that is material to the group at the date of this prospectus.

### 1. THE ACQUISITION OF THE MACADAMS BUSINESS

#### 1.1 Terms of the acquisition agreement

In terms of a written agreement concluded between, *inter alia*, Macadams International, Macadams Baking Systems (collectively “the Macadams vendors”), the shareholders of the Macadams vendors and the company on 3 July 2007 (as amended by the first addendum dated 12 November 2007), the company acquired the Macadams business as a going concern with effect from 1 July 2007 (“the Macadams transaction”). The acquisition was implemented on the implementation date.

#### 1.2 Purchase consideration

The purchase consideration in respect of the business (which purchase price shall not exceed R280 000 000) is be an amount to be calculated and discharged as follows:

- 1.2.1 R110 000 000 was discharged in cash on the implementation date;
- 1.2.2 by way of the issue to the seller of 46 666 667 Universal Industries shares at an issue price of R1.50 per share on the listing date;
- 1.2.3 an amount not greater than R15 000 000 per annum payable in 2008 and 2009, dependent on the financial performance of the Macadams business over those periods; and
- 1.2.4 R70 000 000, to be discharged in cash on 31 December 2009.

#### 1.3 Warranties

The seller provided warranties and indemnities usual for the type of transaction.

#### 1.4 Restraint

The Macadams vendors and the shareholders of the Macadams vendors, being the key executives of the Macadams business, undertook to Universal Industries that they will not for a period of five years after the implementation date:

- 1.4.1 be interested or engaged in a competitive activity (being the manufacture and/or marketing and/or sale and/or distribution of ovens, baking equipment, industrial ice solutions and related ancillary equipment and machinery in South Africa or any other country in which the seller has, at any time during the 24-month period prior to the implementation date, conducted business;
- 1.4.2 thereafter, disclose any trade secrets and/or confidential information of the Macadams business other than to persons connected with the Macadams business and who are required to know such secrets or to have such confidential information;
- 1.4.3 encourage or entice or persuade or induce any employee of Universal Industries, who is engaged in or participates in the operation of the Macadams business, to terminate his employment by Universal Industries;
- 1.4.4 solicit orders from any person who is or was a customer of the seller in respect of the business at any time within the 24-month period prior to the implementation date or who was a supplier to the business at any time during the 24-month period prior to the implementation date.

## 1.5 Share trading embargo

The Macadams vendors have undertaken in favour of Universal Industries not to sell, transfer or otherwise dispose (collectively, “**dispose**”) any shares in Universal Industries which are acquired or held by them from time to time (“**the embargoed shares**”) other than in accordance with the following:

- 1.5.1 no embargoed shares may be disposed of (other than to the shareholders of the Macadams vendors) during the 180 day period ending on 29 June 2008;
- 1.5.2 up to 50% of the embargoed shares may be disposed of during the period 30 June 2008 to 31 December 2008, provided that:
  - 1.5.2.1 no more than 5% of the embargoed shares may be disposed of during any calendar month;
  - 1.5.2.2 any disposal of the embargoed shares shall be subject to Universal Industries (or its designee’s) rights of pre-emption which entail the intended disposer of the embargoed shares (“the disposer”) first offering the shares in question to Universal Industries (or its designee’s) in writing stating only the required purchase price (“**the notice**”). Universal Industries (or its designee) shall be entitled, during the three-business day period following receipt of the notice, to accept the offer in respect of all or part of the shares in question. If the offer is not accepted within the three business day period, the disposer may within a further 30 days, but not thereafter without again offering the shares to Universal Industries (or its designee’s), dispose of the shares on the JSE at a price not lower than the price at which the relevant shares were offered to Universal Industries (or its designee’s);
- 1.5.3 the balance of the embargoed shares may be disposed of on or after 1 January 2009 subject to Universal Industries’ rights of pre-emption referred to above;
- 1.5.4 the Macadams vendors are entitled to distribute their shares to the shareholders of the Macadams vendors (details of which are set out in **Annexure 16**). In such event, the Macadams shareholders would remain subject to the share embargo provisions set out above.

## 2. UNDERWRITING AGREEMENT

In terms of an agreement entered into between the company and the underwriter on 26 October 2007, the underwriter has agreed:

- 2.1 to underwrite the offer and has undertaken to subscribe and pay, or to procure subscribers and secure payment in cash, for up to 80 000 000 shares which are not subscribed for or taken up either pursuant to the offer or the underwriters’ right to subscribe for shares referred to below (“**the underwritten shares**”);
- 2.2 to place the underwritten shares with a minimum of 300 public shareholders and ensure that none of the underwritten shares are placed with non-public shareholders.

The company shall notify the underwriter of the number of underwritten shares, if any, as soon as such number is determinable (and in any event within 48 hours after the closing date) and the underwriter shall effect payment in respect of the underwritten shares to the company within 24 hours thereafter. Within seven days of the discharge of the payment by the underwriter the company shall be obliged to discharge its obligations to allot and issue to the underwriter and/or its nominee/s of the underwritten shares in respect of which such payment has been made.

In recognition of its underwriting commitment, the underwriter shall be entitled to subscribe for or purchase from the pre-listing shareholders a maximum of 36 666 666 shares in the company at a price of R1.50 per share, notwithstanding that the offer may be fully subscribed by parties other than the underwriter.

## 3. DIRECTORS’ SERVICE CONTRACTS

A summary of the existing or proposed contracts (whether written or oral) relating to directors’ and managerial remuneration, restraint payments, royalties and secretarial and technical fees is set out in paragraph 10 of **Annexure 5**.

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## SHARE CAPITAL AND SHAREHOLDING

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### 1. MAJOR AND CONTROLLING SHAREHOLDERS

As at the last practicable date, insofar as is known to the company, the shareholders who will (directly or indirectly) beneficially hold 5% or more of the issued shares, after taking into account the issue of the 46 666 667 shares to the Macadams vendors in terms of the acquisition, are as follows:

Shareholder	Number of shares held	Percentage of shares in issue
LNP Trust	88 598 291	22.15
Jacob Levy Trust	72 652 991	18.16
Wayne Brett Primary Trust	72 652 991	18.16
Macadams vendors	46 666 667	11.67
James Martin Family Trust	34 239 316	8.56

Insofar as is known to the company, the major shareholders who will (directly or indirectly) beneficially hold 5% or more of the issued shares, immediately after the issue to the Macadams vendors and the offer (on the assumption that 80 000 000 shares are issued in terms of the offer) are as follows:

Shareholder	Number of shares held	Percentage of shares in issue
LNP Trust	88 598 291	18.46
Jacob Levy Trust	72 652 991	15.14
Wayne Brett Primary Trust	72 652 991	15.14
Macadams vendors	46 666 667	9.72
James Martin Family Trust	34 239 316	7.13

Insofar as is known to the company, the major shareholders who will (directly or indirectly) beneficially hold 5% or more of the issued shares, immediately after the issue to the Macadams vendors, the offer (on the assumption that 80 000 000 shares are issued in terms of the offer), and the sale (on the assumption that 16 000 000 shares are sold in terms of the sale and that these shares are sold by the pre-listing shareholders *pro rata* to their shareholding in the company), are as follows:

Shareholder	Number of shares held	Percentage of shares in issue
LNP Trust	83 950 616	17.49
Jacob Levy Trust	68 841 772	14.34
Wayne Brett Primary Trust	68 841 772	14.34
Macadams vendors	46 666 667	9.72
James Martin Family Trust	32 443 195	6.76

Insofar as the directors are aware, there will be no change in controlling shareholders as a result of the listing.

### 2. SHARES ISSUED OTHERWISE THAN FOR CASH

Other than in respect of the shares to be issued to the Macadams vendors in terms of the acquisition agreement and save for those shares to be issued for the benefit of certain employees in terms of the Share Incentive Scheme (as set out in **Annexure 6**) no shares have been issued or agreed to be issued by the company or any of its subsidiaries during the preceding two years otherwise than for cash.

### 3. AUTHORISED AND ISSUED SHARE CAPITAL IN THE COMPANY

#### *At the last practicable date*

	R
<i>Authorised</i>	
2 000 000 000 ordinary shares with a par value of R0.00001 each	20 000
<i>Issued</i>	
353 333 333 ordinary shares with a par value of R0.00001 each	3 533
Share premium	2 141 810.33
<b>Total</b>	<b>2 145 343.33</b>

#### *After the offer (on the assumption that 80 000 000 shares are issued in terms of the offer) and the issue of the 46 666 667 shares to the Macadams vendors in terms of the acquisition*

	R
<i>Authorised</i>	
2 000 000 000 ordinary shares with a par value of R0.00001 each	20 000
<i>Issued</i>	
480 000 000 ordinary shares with a par value of R0.00001 each	4 800
Share premium	192 140 543.83
<b>Total</b>	<b>192 145 343.83</b>

The authorised and unissued shares of the company are under the control of the directors of the company subject to the provisions of sections 221 and 222 of the Act and the Listings Requirements.

All the authorised and unissued shares, including those to be issued in terms of the prospectus, will be of the same class and will rank *pari passu* with all other shares of the same class.

### 4. VOTING RIGHTS

In accordance with the company's articles of association, at any general meeting of the company every person present in person or by proxy (or, if a body corporate duly represented by an authorised representative) shall, on a show of hands, have one vote and, on a poll, have that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by that member bears to the aggregate of the nominal value of all the shares issued by the company.

### 5. RIGHTS TO DIVIDENDS AND RIGHTS ON LIQUIDATION

Only such members that are registered in the company's register on the record date in respect of registration for a distribution or on such other day as may be determined by the board as the record date for registration for the distribution, will be entitled to receive the distribution so declared.

In accordance with the company's articles of association, if the company is wound-up, whether voluntarily or otherwise, the liquidator may, with the sanction of a special resolution, divide among the members *in specie* any part of the assets of the company, and may with the like sanction, vest any part of the assets of the company in trustees upon such trusts for the benefit of the members as a liquidator with the like sanction shall think fit, whereafter the liquidation shall be finalised and the company dissolved, and if thought expedient any such division so sanctioned may be otherwise and in accordance with the legal rights of the members of the company, and in particular any class may be given preferential or special rights or may be excluded all together or in part.

### 6. VARIATION OF RIGHTS

All or any of the rights, privileges or conditions for the time being attached to any class of shares for the time being forming part of the share capital of the company may (unless otherwise provided by the terms of issue of the shares of that class) whether or not the company is being wound up, be varied in any manner with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a resolution passed in the same manner as a special resolution of the company at a separate general meeting of the holders of the shares of that class. The provisions of the Articles of Association of the company relating to a general meeting shall *mutatis mutandis* apply to any such separate general meeting, except that:

- the necessary quorum shall be a member or members of the class present in person, or represented by proxy and holding at least 51% of the capital paid or credited as paid on the issued shares of that class;
- if at any adjourned meeting of such holders a quorum as above defined is not present, those holders who are present shall be a quorum;
- any holder of shares of the class present in person or represented by proxy may demand a poll and, on a poll, shall have 1 vote for each share of the class of which he is the holder.

## 7. ALTERATIONS TO SHARE CAPITAL OF THE COMPANY

There have been no alterations to the company's or its subsidiaries' share capital during the preceding three years other than as set out below.

On 8 November 2007:

- sub-divide each share of the 4 000 shares of R1.00 in its authorised share capital into 100 000 shares of R0.00001 each so that its authorised share capital comprised of 400 000 000 shares of R0.00001 each;
- increase its authorised share capital from 400 000 000 shares of R0.00001 each to 2 000 000 000 shares of R0.00001 each by the creation of 1 600 000 000 shares of R0.00001 each.

In order to ensure the required number of shares on listing, 333 833 333 shares were issued as a capitalisation issue at par on 8 November 2007 to the pre-listing shareholders in proportion to their shareholding in the company.

Other than as stated in paragraph 2 above and as set out herein there have been no issues or offers of securities of the company and/or its subsidiaries during the preceding three years.

Other than as set out above there have been no consolidations or subdivisions of shares in the company during the three years preceding the date of this prospectus.

No offers for shares in the company or its subsidiaries were made to the public during the three years preceding the date of this prospectus.

With effect from 1 October 2006 Universal Industries repurchased all of the shares in Universal Industries held by D E Kupka (representing 2.5% of the total issued share capital of Universal Industries) for a total value of R1 358 095. Universal Industries repurchased 900 shares held by Corpcapital Limited at par in January 2005 in order to adjust a company secretarial error.

Other than as set out above, no share repurchases were undertaken by the company or any of its subsidiaries during the three years preceding the date of this prospectus.

Save for the share premium created as a result of the listing and as referred to in note 9 to the financial statements set out in **Annexure 10**, there has been no amount payable by way of premium on any share issued by the company in the three years preceding the date of this prospectus.

No other classes of securities are listed on any stock exchange.

The resolutions, authorisations and approvals by virtue of which the shares to be listed have been created and/or will be issued are summarised in **Annexure 19**.

## 8. FOUNDERS AND MANAGEMENT SHARES

There are no deferred shares.

There are no special rights attaching to the management shares.

Shares held at the listing date by the directors of the company are set out in paragraph 3 of **Annexure 5**.

## 9. OPTIONS AND PREFERENTIAL RIGHTS

There are no preferential conversion, redemption and/or exchange rights in respect of any of the shares or other securities.

There are no contracts, arrangements or proposed contracts or arrangements whereby any option or preferential right of any kind was or is proposed to be given to any person to subscribe for or acquire any shares in the company or any of its subsidiaries.

## 10. FRACTIONS

There are no fractions of shares being offered pursuant to the offer.

## 11. RESTRICTIONS

The pre-listing shareholders have undertaken in favour of Universal Industries not to dispose any of the shares in the company held by them as at the listing date (“**the initial shares**”) for a period of two years following the listing date, provided that the pre-listing shareholders may dispose of up to 20% of their initial shares in each of the two years following the listing date (the remaining pre-listing shareholders having pre-emptive rights over such shares, *pro rata* to their shareholding in the company), After the expiry of the two year period following the listing date, the pre-emptive rights of the pre-listing shareholders in respect of the initial shares will continue to operate indefinitely, but the share embargo referred to in this paragraph will no longer apply.

## DIRECTORS, EXECUTIVE MANAGEMENT, APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS

### 1. FULL NAMES, NATIONALITIES, AGES, BUSINESS ADDRESSES, ROLES, QUALIFICATIONS, OCCUPATIONS AND EXPERIENCE OF EACH DIRECTOR

The full names (including former names, if applicable), nationalities, ages, business addresses, roles, term of office, qualifications, occupations and other directorships of each of the directors of the company and each of its material subsidiaries and the proposed directors of the company and executive management are set out below:

#### The company

Director, Age, Nationality and Qualification	Role	Business address	Occupation and experience	Directorships/Partnerships in preceding five years*
Avram Levy 38 South African B.Bus.SC.(Hons) CA(UK)	Non-Executive Director	2 Arnold Road, Rosebank	Avram completed a Business Science (Finance) degree at the University of Cape Town and proceeded to qualify as a Chartered Accountant in the United Kingdom ("UK"). Thereafter he spent a number of years doing mergers and acquisitions advisory work in the UK before returning to South Africa in 1996. He then became operationally involved in various businesses including a large micro finance business which was sold to African Bank Investments Limited. Thereafter, together with Wayne Brett, he founded Interactive Capital and has been involved in a number of successful transactions in various industries including media, manufacturing, micro finance, retail, mining, sand and aggregates and buildware.	The company Interactive Capital (Pty) Ltd Colcab Properties (Pty) Ltd Airport Media (Pty) Ltd Squires Holdings (Pty) Ltd Quinhove Investments (Pty) Ltd Interactive Capital Management (Pty) Ltd MFP Capital (Pty) Ltd MFP Holdings (Pty) Ltd Rosedane Investments (Pty) Ltd Benoni Sand and Buildware (Pty) Ltd Black Ginger 372 (Pty) Ltd Business Venture Investments No 953 (Pty) Ltd Cream Magenta 36 (Pty) Ltd Hollyberry Props 41 (Pty) Ltd Izwe Administration (Pty) Ltd Izwe Loans (Pty) Ltd Kunye Capital (Pty) Ltd New Heights 503 (Pty) Ltd Pedal Trading 18 (Pty) Ltd Pedal Trading 36 (Pty) Ltd Sando Holdings (Pty) Ltd The Original Fishmonger Franchise Holding Company (Pty) Ltd The Original Fishmonger Holdings (Pty) Ltd The Original Fishmonger Sun City (Pty) Ltd Wit Deep Sand and Stone (Pty) Ltd

<b>Director, Age, Nationality and Qualification</b>	<b>Role</b>	<b>Business address</b>	<b>Occupation and experience</b>	<b>Directorships/Partnerships in preceding five years*</b>
Wayne Brett 36 South African CA(SA)	Non-Executive Director	2 Arnold Road, Rosebank	Wayne qualified as a Chartered Accountant at the University of Cape Town. He then became operationally involved in a number of successful businesses including TCO, at IT business which was sold to Dimension Data. Wayne was a co-founder of Interactive Capital, which has successfully concluded a number of transactions in a number of industries including media, manufacturing, micro finance, retail, mining, sand and aggregates and buildware	The company Interactive Capital (Pty) Ltd Airport Media (Pty) Ltd Bakbury Investments (Pty) Ltd Barbicon Investments (Pty) Ltd Benoni Sand and Buildware (Pty) Ltd Black Ginger 372 (Pty) Ltd Clemlen Trading No 3 (Pty) Ltd Cream Magenta 36 (Pty) Ltd Hollyberry Props 41 (Pty) Ltd Interactive Capital Management (Pty) Ltd Kunye Capital (Pty) Ltd New Heights 503 (Pty) Ltd Palmbrooke Investments (Pty) Ltd Pedal Trading 18 (Pty) Ltd Pedal Trading 26 (Pty) Ltd Rosedane Investments (Pty) Ltd Squires Foods (Pty) Ltd The Original Fishmonger Holdings (Pty) Ltd The Original Fishmonger Sun City (Pty) Ltd Tylon (Pty) Ltd Tylon Holdings (Pty) Ltd Wit Deep Sand and Stone (Pty) Ltd
Daryl Paynter 40 South African CA(SA)	CEO	16 Precision Street, Kya Sands, Randburg	After completion of his studies at the University of Pretoria Daryl joined KPMG in 1990 to serve articles. Daryl subsequently worked in the investment banking and private equity industry for the IDC, Nedcor Investment Bank and Corpcapital. In 2004 he joined the refrigeration businesses following the acquisition of the businesses by the pre listing shareholders	The company Insulated Structures (1989) (Pty) Ltd Macadams (Pty) Ltd Colcab Properties (Pty) Ltd
Ivor Morgan 57 South African B.Soc Sc, B.A. Hons (UCT) CA(SA)	Financial Director	39 Industria Ring Road Parow Industria Cape Town	Ivor completed his studies at the University of Cape Town in 1975. In 1976 he began teaching at Marist Brothers College, where he was also Deputy Principal. From 1983 to 1985 he served his articles with BDO Spencer Steward. Later in 1985 he was seconded to Columbit Holdings (Pty) Ltd, and in 1986 was appointed Financial Manager for Matador Refrigeration and Colcab Manufacturing, both divisions of Columbit. In 1988 as part of a management buy-out, he was appointed as Financial Director of Matador Refrigeration. On the sale of Matador Refrigeration in 1996, Ivor was appointed Financial Director of Colcab (Pty) Ltd, and in 2003, was appointed Managing Director	The company Colcab (Pty) Ltd Geo Parks & Sons (Pty) Ltd Western Province Sports Club Inc. (section 21 company) Colcab Properties (Pty) Ltd

## Colcab

Director, Age, Nationality and Qualification	Role	Business address	Occupation and experience	Directorships/Partnerships in preceding five years*
Ivor Morgan 57 South African B.Soc Sc, B.A. Hons (UCT) CA(SA)	Managing Director	See above	See above	See above
Dave Roberts 57 South African C.M.A	Production Director	Industria Ring Road Parow Industria	David worked in a number of commercial organisations before entering the refrigeration contracting field with Redwood Refrigeration. He later transferred to Pinnacle Manufacturing, the refrigerated cabinet manufacturing arm of the business. In 1991 David joined Colcab Manufacturing to head up Production. In 1996 he was appointed Production Director of Colcab	Colcab (Pty) Ltd
Ian Harries 48 South African ND Accountancy	Marketing and Sales Director	39 Industria Ring Road Parow Industria Cape Town	Ian completed his National Service in 1978/9. He then obtained his ND Accounting from the Witwatersrand Technicon in 1986, while working for JCI Internal Audit. In 1987 he joined the OK Bazaars Group as Divisional Accountant, leaving them in 1997 as Group Maintenance Manager. Ian has been the Marketing and Sales Director at Colcab (Pty) Ltd since joining the company in 1998	Colcab (Pty) Ltd
Keith Reeves 57 South African B.A. (UCT), H.D.E (PG) Sec. B.Ed (UCT), B (B&A) Hons (Stell), M.B.A (Stell), Dip. Bus. Man. (SAIM)	HR Director	39 Industria Ring Road Parow Industria Cape Town	Keith completed his National Service with the Navy in 1968. From 1969 to 1974 he held various positions in the Commerce and Industry sectors. He then studied full-time at University from 1976 to 1979. In 1980 he started teaching at St. Joseph's College, and by the time that he left there in 1992, he was Vice Principal. Keith was originally employed as the Admin Manager at Colcab in 1992, but he has progressed to becoming Human Resources Director, whilst also fulfilling a Sales and Marketing function	Colcab (Pty) Ltd
Johan Burger 47 South African Registered Professional Technologist, Master Diploma (Mechanical Eng) Government Certificate of Competency for Factories	Production Director	39 Industria Ring Road Parow Industria Cape Town	Johan successfully ran his own business for a number of years prior to joining Colcab	Colcab (Pty) Ltd

## Insulated Structures

<b>Director, Age, Nationality and Qualification</b>	<b>Role</b>	<b>Business address</b>	<b>Occupation and experience</b>	<b>Directorships/Partnerships in preceding five years*</b>
Mike Constable 53 South African	Sales Director	16 Precision Street, Kya Sands, Randburg	In various operational roles within Insulated for 10 years	Insulated Structures (1989) (Pty) Ltd
James Martin 58 South African BsC Eng, MBA	Group Technical Director	16 Precision Street, Kya Sands, Randburg	In 1971 James completed a B.Sc. Mechanical Engineering degree at the University of the Witwatersrand. He held an Anglovaal scholarship and worked for Anglovaal Group Mines and Head Office until 1978. In 1979 he completed an MBA at the University of Cape Town. During the period 1980-1985 James was employed in senior management positions by Delta Metal Holdings, James Howden and a stockbroking firm. In 1985 he was part of a management buyout of a Delta company and thereafter the listing of Mining and Technical Holdings, which was successfully de-listed after selling the operating companies. In 1994 he was part of the buyout of Supreme Manufacturing Holdings, which included Insulated Structures. In 1996 Insulated Structures and Colcab were acquired by Universal Food Systems, part of Corpcapital. James was managing director of Universal Food Systems from inception until 2004, when he was part of the buyout of Universal Food Systems from Corpcapital. He holds the position of Group Technical Director	The company Insulated Structures (1989) (Pty) Ltd
Daryl Paynter 40 South African CA(SA)	CEO	See above	See above	See above

## Macadams

<b>Director, Age, Nationality and Qualification</b>	<b>Role</b>	<b>Business address</b>	<b>Occupation and experience</b>	<b>Directorships/Partnerships in preceding five years*</b>
Richard Wilkes 53 South African Dip Bus Man	CEO	Range Road Blackheath Cape Town	Richard qualified as a chef in 1974. From 1974 to 1976, he joined Holiday Inn – Swaziland and East London. He then joined Phillip Bros as general manager – fast food and event catering from 1976 to 1982. In 1982, he joined Norbake as branch manager in Cape Town. In 1985 he joined Backon from 1985 to 1991, Richard started and managed his own supermarket business and licensed bakery. From 1992, he rejoined Macadams after successfully selling his supermarket and bakery business	Macadams International (Pty) Ltd Macadams Banking Systems (Pty) Ltd
Graham Noonan 44 South African CA(SA), B.Com (Hons) (UCT)	Financial Director	Range Road Blackheath Cape Town	Graham obtained his BCom Honours from the University of Cape Town in 1985 before serving his National Service from 1986 to 1988. From 1988 to 1997, he joined Deloitte & Touche, where he completed his articles and remained on as a manager. From 1997 to 2000, he joined Baker Street, where he gained commercial experience as a financial director. He joined Macadams in 2000 as financial director	Macadams International (Pty) Ltd Macadams Banking Systems (Pty) Ltd
Mike Hodgson 47 South African IMM Marketing Diploma, IMM Sales Management Diploma	Export Director	Range Road Blackheath Cape Town	From 1992 to 1995, Mike worked for Backon Suppliers in the bakery industry. He joined Foschini Group in 1987 and then Macadams Banking Systems in 1998	Macadams Banking Systems (Pty) Ltd
Shane Mcmeeking 40 South African UNISA NDP (2002)	Regional Director – Gauteng	Range Road Blackheath Cape Town	From 1986 to 1987, Shane served in the South African Defence Force. From 1988 to 1989, he joined Clicks where he started as a trainee manager, became an assistant manager and then left to join Macadams in 1989 as a sales representative. He was promoted to branch manager in 1991, sales director in 1993 and regional director of Gauteng in 1999	Macadams Banking Systems (Pty) Ltd
Bruce Armstrong 49 South African Trade Diploma, Millwright 1980, NDC. Durban Tech	Regional Director – Durban	Range Road Blackheath Cape Town	From 1977 to 1979, Bruce served an apprenticeship with SAR, two years' military service. He joined Pandora Bakery as a manager for three years and then with Livanos Bros, as a sales representative and then regional director. He has been branch manager of Port Elizabeth (three years) and Durban regional manager (one year) and is currently the regional director for Durban	Macadams Banking Systems (Pty) Ltd
Daryl Paynter 40 South African CA(SA)	Non-executive	See above	See above	See above

## 2. REMUNERATION OF DIRECTORS OF UNIVERSAL INDUSTRIES

The remuneration and benefits paid by the company (or any subsidiary, associate, joint venture, management company or advisor) (directly or indirectly) to the directors in their capacity as directors (or in any other capacity) for the 16 months ended 31 December 2006 are set out below:

Director	Basic salary	Director's fees	Other fees†	Performance bonus	Expense allowance	Other material benefits	Pension scheme contributions	Commission shares or share options or similar rights	Share of profit	Total
Avram Levy*			324 000							324 000
Wayne Brett*			324 000							324 000
Daryl Paynter^1	062 727			224 375						1 287 102
Ivor Morgan#	647 981			198 000	64 000		68 038			831 634

\* Non-executive directors.

† Management, consulting, technical or other fees paid for services rendered, including payments to management companies, a portion of which is paid to the director.

^ Emoluments paid by Insulated Structures.

# Emoluments paid by Colcab.

No fees are paid or accrued as payable to a third party *in lieu* of directors' fees.

With effect from 1 January 2008 the aggregate remuneration payable to Daryl Paynter and Ivor Morgan will be R1 500 000 and R1 000 000, respectively. Non-executive directors will receive a fee of R120 000 together with such additional fees as determined by the board from time to time for non-executive directors who form part of the Remuneration Committee and the Audit Committee.

## 3. Directors' interests in securities

At the date of this prospectus and taking into account the 46 666 667 shares to be issued to the Macadams vendors in terms of the acquisition, the directors of the company will hold beneficially, directly and indirectly, an aggregate of 240 652 136 shares constituting approximately 60.16% of the total issued share capital of the company.

At the date of listing, taking into account the issue to the Macadams vendors and on the assumption that a total of 80 000 000 shares are issued in terms of the offer the directors of the company will hold beneficially, directly and indirectly, an aggregate of 240 652 136 shares comprising approximately 50.14% of the total shares then in issue.

Save as disclosed below, none of the directors hold any interest in the shares.

The direct and indirect beneficial interests of the directors in the issued shares of the company at the last practicable date, taking into account the issue to the Macadams vendors and the offer are as follows:

Director	Direct	Indirect	Total	Percentage at last practicable date taking into account issue to Macadams vendors	Percentage after issue to Macadams vendors and the offer
Daryl Paynter	–	88 598 291	88 598 291	22.15	18.46
Wayne Brett	–	72 652 991	72 652 991	18.16	15.14
Avram Levy	–	72 652 991	72 652 991	18.16	15.14
Ivor Morgan	6 747 863	–	6 747 863	1.69	1.41
	<b>6 747 863</b>	<b>233 904 273</b>	<b>240 652 136</b>	<b>60.16</b>	<b>50.15</b>

Between the end of the last financial year and the date of this prospectus, Ivor Morgan disposed of 500 000 shares and each of the entities in which Avram Levy, Wayne Brett and Daryl Paynter hold their indirect beneficial interests in the company disposed of 2 000 000 shares. Other than as disclosed in this prospectus and as set out herein, there have been no changes in the directors' interests between the end of the last financial year and the date of this prospectus.

On the assumption that the pre-listing shareholders sell 16 000 000 in proportion to their shareholding in terms of the sale, the percentage which the directors of the company will hold beneficially, directly and indirectly, will reduce from approximately 50.14% as stated above to approximately 47.51% of the total shares then in issue.

### **3. DIRECTORS' INTERESTS IN TRANSACTIONS**

Other than in respect of their interests in the properties from which the group leases premises (details of which are disclosed in **Annexure 15**), the directors of the company had no beneficial interest in transactions entered into by the company:

- during the current financial year; or
- during the two preceding financial years; or
- during an earlier financial year which remain in any respect outstanding or unperformed.

No amount has been paid to any director (or to any company in which he is interested (whether directly or indirectly) or of which he is a director or to any partnership, syndicate or other association of which he is a member) in the three years preceding the date of this prospectus (whether in cash or securities or otherwise) by any person either to induce him to become or to qualify him as a director or otherwise for services rendered by him (or by the associated entity) in connection with the promotion or formation of the company.

### **4. DIRECTORS' INTERESTS IN PROPERTY ACQUIRED OR TO BE ACQUIRED**

Other than in their capacity as shareholders of the company or their interests in the properties from which the group leases premises (details of which are disclosed in **Annexure 15**), no director has had any material beneficial interest, direct or indirect, in the promotion of the company or in any property acquired or proposed to be acquired by the company out of the proceeds of the offer or otherwise in the three years preceding the date of issue of this prospectus and no amount has been paid during this period, or is proposed to be paid to any director, other than as disclosed in this prospectus.

### **5. DIRECTORS' DECLARATIONS**

The following signed declarations have been made by each director as required in terms of Schedule 21 of the JSE Listings Requirements:

- there have been no bankruptcies, sequestrations or voluntary compromise arrangements to which any of the directors has been subject or receiverships of any asset(s) of any of the directors;
- the directors have not acted as a director of any company at the time or within the 12 months preceding any of the following events taking place: receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors;
- the directors have not been partners of any partnership at the time of or within 12 months of any of the following events taking place: compulsory liquidations, administrations, partnership voluntary arrangements or receiverships;
- the directors have not been the subject of public criticisms by statutory or regulatory authorities (including professional bodies) and have not been disqualified by a court from acting as directors of a company or from acting in the management or affairs of any company. There have been no offences involving dishonesty;
- no director has ever been barred from entry into any profession or occupation;
- no director has ever been found guilty in disciplinary proceedings by an employer or regulating body due to dishonest activities;
- no director or company of which such director was a director at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Act.

### **6. ARTICLES OF ASSOCIATION**

The relevant extracts of the articles of association of the company (and where relevant, its subsidiaries) providing for the appointment, qualification, retirement, remuneration and borrowing powers of the directors and the power enabling a director to vote on a proposal, arrangement or contract in which he is materially interested are set out in **Annexure 20** to this prospectus.

## **7. BORROWING POWERS**

As set out more fully in **Annexure 20**, the borrowing powers of the company and its subsidiaries exercisable by their respective directors are unlimited and, accordingly, have not been exceeded during the past three years.

## **8. NO THIRD PARTY MANAGER**

No business of the company nor any of its subsidiaries nor any part thereof is managed or proposed to be managed by a third party under a contract or arrangement.

## **9. SUMMARY OF EXISTING OR PROPOSED CONTRACTS (WHETHER WRITTEN OR ORAL) RELATING TO DIRECTORS' AND MANAGERIAL REMUNERATION, RESTRAINT PAYMENTS, ROYALTIES AND SECRETARIAL AND TECHNICAL FEES**

All of the directors' services contracts contain terms and conditions that are standard for these types of agreements and are terminable on one month's notice (other than Daryl Paynter and Ian Harries whose service contract are terminable on three months and two months' notice, respectively, and the directors of Macadams, whose service contracts are terminable on three months' notice and no notice may be given by these directors within three years from the commencement date of these contracts). Each of the directors are remunerated during their notice periods and the service 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 up to six months (other than in respect of the directors of Macadams who are restrained for a period of five years) after the termination of their employment with the group. The directors are not entitled to any remuneration in respect of the restraint of trade.

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## THE SHARE INCENTIVE SCHEME

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The salient features of the Share Incentive Scheme (the “**share scheme**” or the “**scheme**”) are set out below. The share scheme is intended as an incentive to senior executives, management and other employees to promote the continued growth of the company by giving employees an opportunity to acquire shares in the company.

The following does not purport to be exhaustive of the provisions of the share scheme. For a full appreciation of the provisions of the share scheme, shareholders should refer to the full text of the deed constituting the scheme.

### 1. PURPOSE

The purpose of the scheme is to provide a mechanism for the remuneration and incentivisation of the senior executives, management and other employees within the group; to increase employee and shareholder alignment through employee share ownership; and to attract and retain key talent.

### 2. AWARDS THAT CAN BE MADE UNDER THE SCHEME

- 2.1 The aggregate number of awards that can be made under the scheme is limited to an amount equivalent to 10% of the issued shares of the company from time to time which as at the implementation date shall comprise 48 000 000 ordinary shares.
- 2.2 The aggregate number of awards that may be made to any particular participant under the scheme is limited to an amount equivalent to 1% of the issued shares of the company from time to time which as at the implementation date shall comprise 4 800 000 ordinary shares.
- 2.3 The limitations in 2.2 and 2.3 shall apply to the number of awards not yet exercised at the time in question and not to awards that have been duly exercised.

### 3. SHARE OPTION SCHEME

- 3.1 The Share Option Scheme is designed to provide a mechanism to attract and retain key talent and to increase employee and shareholder alignment through employee share ownership.
  - 3.2 The directors may from time to time resolve to award share options to any employees.
  - 3.3 Options shall be awarded by delivery to the employee concerned of a letter in the form stipulated by the directors from time to time.
    - 3.3.1 the option price shall be the 20-day volume weighted average price prior to the option date;
    - 3.3.2 share options granted on a particular option date may be exercised in multiples of 100 (or in full) as follows:
      - 3.3.2.1 up to 25% of any share options granted on the option date in question at any time after the second anniversary of the option date;
      - 3.3.2.2 up to 50% of any share options granted on the option date in question at any time after the third anniversary of the option date;
      - 3.3.2.3 up to 75% of any share options granted on the option date in question at any time after the fourth anniversary of the option date; and
      - 3.3.2.4 up to 100% of any share options granted on the option date in question at any time after the fifth anniversary of the option date,
- provided that the directors shall be entitled to permit the exercise of any share options granted under the share option scheme prior to the dates stipulated above if, in their opinion, special circumstances exist which would justify the early exercise of any share options.

- 3.4 The ordinary shares in respect of which a share option is duly exercised shall rank *pari passu* with the existing ordinary shares and shall be allotted and issued by the directors within 14 days after the exercise of the share option. The directors shall procure that a listing is granted in respect of the shares on the stock exchanges, if any, on which the company's ordinary shares are listed and quoted (subject to the rules and requirements of the exchanges in question).

#### 4. THE PHANTOM SHARE OPTION SCHEME

- 4.1 The Phantom Share Option Scheme has the same aims as the Share Option Scheme, save that it allows for a cash payment as opposed to the issue of shares.
- 4.2 The purpose of the Phantom Share Option Scheme is to provide the directors with flexibility in the context of changing tax and accounting treatment of share schemes.
- 4.3 The directors may from time to time resolve to award phantom options to any employees.
- 4.4 Phantom options shall be awarded by the delivery to the employee concerned of a letter in a form stipulated by the directors from time to time.
- 4.5 The provisions relating to the Share Option Scheme shall apply *mutatis mutandis* to phantom options on the bases that:
- 4.5.1 on the exercise of a phantom option the option holder shall be entitled to receipt of a bonus equivalent to the amount by which the 20-day volume weighted average price on the exercise date exceeds the option price multiplied by the number of phantom option being exercised;
- 4.5.2 the bonus shall be paid by the company net of any PAYE or other taxes which the company is required to withhold or deduct in respect of such bonus and shall be payable, at the election of the company, either:
- 4.5.2.1 in cash within 10 business days of the exercise date; or
- 4.5.2.2 by the issue and allotment of ordinary shares at a price equivalent to the 20 day volume weighted average price on the exercise date on *mutatis mutandis* the basis envisaged in the Share Option Scheme.

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## EXCHANGE CONTROL REGULATIONS

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The following summary is intended as a guide only and is therefore not comprehensive.

If any applicant is in any doubt in regard thereto, the applicant should consult his professional advisor. In terms of the Exchange Control Regulations of South Africa:

- a former resident of the common monetary area who has emigrated, may use emigrant blocked funds to subscribe for shares in terms of the prospectus;
- all payments in respect of the subscriptions for shares by an emigrant, using emigrant blocked funds must be made through the authorised dealer in foreign exchange controlling the blocked assets;
- any shares issued pursuant to the use of emigrant blocked funds, will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios;
- shares subsequently re-materialised and issued in certificated form, will be endorsed “non-resident” and will be sent to the authorised dealer in foreign exchange through whom the payment was made; and
- if applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for shares in terms of the prospectus, emanating from emigrant blocked accounts, will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicant’s blocked accounts.

### **Applicants resident outside the common monetary area**

Applicants resident outside the common monetary area should note that, where shares are subsequently rematerialised and issued in certificated form, such share certificates will be endorsed “non-resident” in terms of the exchange control regulations.

A person who is not resident in the common monetary area should obtain advice as to whether any government and/or legal consent is required and/or whether any other formality must be observed to enable an application to be made in terms of the offer.

This prospectus is accordingly not a placement in any area or jurisdiction in which it is illegal to make such an offer. In such circumstances, this prospectus is provided for information purposes only. All share certificates issued to non-residents of South Africa will be endorsed “non-resident” in terms of the exchange control regulations. A statement issued to dematerialised shareholders will be restrictively endorsed “non-resident”.

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**PRO FORMA BALANCE SHEET AND INCOME STATEMENTS**


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The *pro forma* balance sheet and income statement, which are the responsibility of the directors of the company, are provided for illustrative purposes only to illustrate the effects of the acquisition and the offer on the group's results and financial position. Due to the nature of the *pro forma* financial information, it may not fairly present the group's financial position, changes in equity, results or cash flows after the acquisition and the offer. The reporting accountant's report on the *pro forma* balance sheet and income statements is included as **Annexure 9**. The *pro forma* effects are based on the financial results of Universal Industries (as set out in **Annexure 10**) and the financial results of the Macadams business (as set out in **Annexure 12**) on the basis set out in the notes to the *pro forma* financial information below:

**Pro forma income statement for the 12 months ended 30 June 2007**

	Universal Industries <sup>1</sup> R'000	Business of Macadams <sup>2</sup> R'000	Acquisition adjustments <sup>3</sup> R'000	Pro forma After acquisition <sup>3</sup> R'000	Listing adjustments <sup>4</sup> R'000	Pro forma After listing <sup>4</sup> R'000
<b>Revenue</b>	262 732	268 519	–	531 251	–	531 251
Cost of Sales	(203 715)	(189 659)	–	(393 374)	–	(393 374)
Gross Profit	59 017	78 860	–	137 877	–	137 877
Operating expenses	(19 547)	(34 335)	–	(53 882)	–	(53 882)
<b>Operating income</b>	39 470	44 525	–	83 995	–	83 995
Interest (paid)/received	1 719	–	(18 068)	(16 349)	14 348	(2 001)
– bank working capital facilities and cash	1 719	–	–	1 719	1 020	2 739
– bank term loan for the acquisition	–	–	(13 328)	(13 328)	13 328	–
– notional charge on deferred vendor payment	–	–	(4 740)	(4 740)	–	(4 740)
<b>Profit before tax</b>	41 189	44 525	(18 068)	67 646	14 348	81 994
Tax	(11 945)	(12 912)	5 240	(19 618)	(4 161)	(23 779)
<b>Profit after tax</b>	29 244	31 613	(12 828)	48 028	10 187	58 215
Number of shares in issue	480 000			480 000		480 000
Earnings per share (cents)	6.1			10		12.1
Headline earnings per share (cents)	6.1			10		12.1

**Notes and assumptions to the pro forma income statement for the 12 months ended 30 June 2007:**

- The *pro forma* 12 months to 30 June 2007 results are based on the consolidated reviewed financial results of the company for the six months ended 30 June 2007 and reviewed six months extracted from the audited financial results for the 16 months ended 31 December 2006.
- The *pro forma* 12 months to 30 June 2007 results are based on the audited financial results of the Macadams business for the 10 months ended 30 June 2007 and reviewed two months extracted from the audited financial results the 12 months ended 31 August 2006.
- Represents the *pro forma* income statement of the group after the acquisition of the Macadams business based on the following assumptions:
  - the acquisition was assumed effective from 1 July 2006 and therefore includes the Macadams' results for a full 12-month period;
  - the initial payment due in terms of the acquisition agreement (refer Annexure 3 for details) was funded by means of a R110 million bank term loan bearing interest at 13% per annum (NACM); and
  - interest on the deferred portion of the acquisition (refer Annexure 3 for details) ("deferred vendor payment") has been assumed at 8% per annum (NACM).
- Represents the *pro forma* income statement of the group after the acquisition of the Macadams business and the listing based on the following assumptions:
  - assumes the company listed on 1 July 2006;
  - the offer is fully subscribed at R120 million and utilised to repay the R110 million bank loan referred to in 3.2 above and the company earned interest on the remaining R10 million at 10% per annum (NACM); and
  - shares were issued to the Macadams vendors in settlement of the R70 million due on listing (refer Annexure 3 for more details).
- There are no material reconciling items between earnings per share and headline earnings per share.

**Pro forma income statement for the six months ended 30 June 2007**

	Universal Industries <sup>1</sup> R'000	Business of Macadams <sup>2</sup> R'000	Acquisition adjustments <sup>3</sup> R'000	Pro forma After acquisition <sup>3</sup> R'000	Listing adjustments <sup>4</sup> R'000	Pro forma After listing <sup>4</sup> R'000
<b>Revenue</b>	114 940	116 216	–	231 156	–	231 156
Cost of sales	(91 272)	(85 681)	–	(176 953)	–	(176 953)
Gross profit	23 668	30 535	–	54 203	–	54 203
Operating expenses	(9 234)	(15 618)	–	(24 853)	–	(24 853)
<b>Operating income</b>	14 434	14 917	–	29 350	–	29 350
Interest (paid)/received	842	–	(9 304)	(8 462)	7 444	(1 018)
– bank working capital facilities and cash	842	–	–	842	510	1 352
– bank term loan for the acquisition	–	–	(6 934)	(6 934)	6 934	–
– notional charge on deferred vendor payment	–	–	(2 370)	(2 370)	–	(2 370)
<b>Profit before tax</b>	15 276	14 917	(9 304)	20 888	7 444	28 332
Tax	(4 430)	(4 326)	2 698	(6 058)	(2 159)	(8 216)
<b>Profit after tax</b>	10 846	10 591	(6 606)	14 830	5 285	20 116
Number of shares in issue	480 000			480 000		480 000
Earnings per share (cents)	2.3			3.0		4.2
Headline earnings per share (cents)	2.3			3.1		4.2

**Notes and assumptions to the Pro forma income statement for the 6 months ended 30 June 2007:**

- The *pro forma* six months to 30 June 2007 results are based on the consolidated reviewed financial results of the company for the six months ended 30 June 2007.
- The *pro forma* six months to 30 June 2007 results are extracted from the audited financial results of the Macadams business for the 10 months ended 30 June 2007.
- Represents the *pro forma* income statement of the group after the acquisition of the Macadams business based on the following assumptions:
  - the acquisition was assumed effective from 1 January 2007 and therefore includes the Macadams' results for the full six-month period;
  - the initial payment due in terms of the acquisition agreement (refer Annexure 3 for details) was funded by means of a R110 million bank term loan bearing interest at 13% per annum (NACM); and
  - interest on the deferred portion of the acquisition (refer Annexure 3 for details) ("deferred vendor payment") has been assumed at 8% per annum (NACM).
- Represents the *pro forma* income statement of the group after the acquisition of the Macadams business and the listing based on the following assumptions:
  - assumes the company listed on 1 January 2007;
  - the offer is fully subscribed at R120 million and utilised to repay the R110 million bank loan referred to in 3.2 above and the company earned interest on the remaining R10 million at 10% per annum (NACM); and
  - shares were issued to the Macadams vendors in settlement of the R70 million due on listing (refer Annexure 3 for more details).
- There are no material reconciling items between earnings per share and headline earnings per share.

**Pro forma balance sheet at 30 June 2007**

	Universal Industries <sup>1</sup> R'000	Macadams <sup>2</sup> R'000	Acquisition adjustments <sup>3</sup> R'000	Pro forma After acquisition <sup>3</sup> R'000	Listing adjustments <sup>4</sup> R'000	Pro forma After listing <sup>4</sup> R'000
<b>Non-current assets</b>	17 293	12 586	165 102	194 981	–	194 981
Property, plant and equipment	8 228	4 151	–	12 379	–	12 379
Deferred taxation	236	3 435	–	3 671	–	3 671
Goodwill (Note 5)	7 037	5 000	165 102	177 139	–	177 139
Listed investments	1 792	–	–	1 792	–	1 792
<b>Current assets</b>	114 749	120 318	–	235 066	10 000	245 066
Inventories	32 862	56 005	–	88 867	–	88 867
Trade and other receivables	68 660	57 736	–	126 395	–	126 395
Cash and cash equivalents	13 227	6 577	–	19 804	10 000	29 804
<b>Total assets</b>	132 042	132 904	165 102	430 047	10 000	440 047
<b>Equity and liabilities</b>						
<b>Capital and reserves</b>	86 748	–	–	86 748	190 000	276 748
Issued share capital	–	–	–	–	1 267	1 267
Share premium	2 142	–	–	2 142	188 733	190 875
Accumulated profits	84 606	–	–	84 606	–	84 606
<b>Net asset value of business acquired</b>	–	74 147	(74 147)	–	–	–
<b>Non-current liabilities</b>	1 050	5 832	239 249	246 131	(180 000)	66 131
Interest bearing liabilities	1 050	–	110 000	111 050	(110 000)	1 050
Operating lease liability	–	5 832	–	5 832	–	5 832
Deferred vendor payments	–	–	129 249	129 249	(70 000)	59 249
<b>Current liabilities</b>	44 243	52 925	–	97 168	–	97 168
Trade and other payables	38 790	44 232	–	83 022	–	83 022
Current portion of interest bearing liabilities	2 149	–	–	2 149	–	2 149
Taxation	3 304	8 693	–	11 997	–	11 997
<b>Total equity and liabilities</b>	132 042	132 904	165 102	430 047	10 000	440 047
Number of shares in issue	480 000			480 000		480 000
Net asset value per share (cents)	18.1			18.1		57.7
Tangible net asset value per share (cents)	16.1			–		20.0

**Notes and assumptions to the pro forma balance sheet at 30 June 2007:**

1. Extracted from the reviewed balance sheet of the company at 30 June 2007.
2. Extracted from the audited balance sheet of the Macadams business at 30 June 2007.
3. Represents the *pro forma* balance sheet of the group after the acquisition of the Macadams business (refer Annexure 3 for details) based on the following assumptions:
  - 3.1 the acquisition was assumed effective 30 June 2007;
  - 3.2 the initial payment due in terms of the acquisition agreement was funded by means of a R110 million bank term loan; and
  - 3.3 the deferred portion of the acquisition consideration is R129 million being:
    - 3.3.1 interest on the deferred portion of the acquisition has been assumed at 8% per annum (NACM). Accordingly the R70 million payment due on 31 December 2009 was discounted to R59 million;
    - 3.3.2 the R70 million payment due upon listing, or failing listing 12 months from the acquisition implementation date, was not discounted as it was assumed to be settled on listing being 30 June 2007.

4. Represents the *pro forma* balance sheet of the group after the acquisition of the Macadams business and listing based on the following assumptions:
  - 4.1 assumes the company listed on 30 June 2007;
  - 4.2 the offer is fully subscribed at R120 million and utilised to repay the R110 million bank loan referred to in 3.2 above and the remaining R10 million is available as working capital; and
  - 4.3 the R70 million payment due upon listing, or failing listing 12 months from the acquisition implementation date, was assumed to be discharged on listing effective 30 June 2007.
5. Goodwill comprises the excess of the cost of the acquisition over the fair value of the net tangible assets. Identifiable intangible assets will be valued in terms of IFRS 3 in the first reporting period subsequent to the acquisition

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF THE GROUP**

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"The Directors  
16 Precision Street  
Kya Sands  
Randburg  
2163

5 November 2007

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF UNIVERSAL INDUSTRIES LIMITED ("Universal") AND ITS SUBSIDIARIES ("THE GROUP")****1. INTRODUCTION**

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in **Annexure 8** of the prospectus dated on or about 19 November 2007 ("the prospectus") issued in connection with the proposed listing of Universal shares in the company on the JSE Limited ("JSE").

The *pro forma* financial information has been prepared in accordance with the JSE Listings Requirements, for illustrative purposes only, to provide information about how the various corporate actions undertaken prior to the issue of this prospectus together with the issue of the shares might have affected the reported historical consolidated financial information based on the assumptions included therein. Because of its nature, the *pro forma* financial information may not give a fair reflection of the company' and the group's financial results and position.

**2. RESPONSIBILITIES**

The directors of the company are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the offer document and prospectus and for the financial information from which it has been prepared. Their responsibility includes determining that the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of the company; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the offer document and prospectus to the company shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on *Pro Forma* Financial Information issued by SAICA. The standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the date of their issue.

**3. SOURCES OF INFORMATION AND WORK PERFORMED**

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of the company, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the company in respect of the transaction.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of the company and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published and audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

#### 4. CONCLUSION

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the company;
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

#### 5. CONSENT

The report on the *pro forma* financial information is included solely for the information of the company shareholders. We consent to the inclusion of our report on the *pro forma* financial information and the reference thereto, in the form and context in which they appear.

Yours faithfully

**PKF (Jhb) Inc.**

Registration number 1994/001166/21

*Registered Auditors*

*Chartered Accountants (SA)*

42 Wierda Road West

Wierda Valley

2196"

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**CONSOLIDATED FINANCIAL STATEMENTS OF UNIVERSAL INDUSTRIES FOR THE YEARS ENDED 31 AUGUST 2005 AND 2004, THE 16 MONTHS ENDED 31 DECEMBER 2006 AND THE SIX MONTHS ENDED 30 JUNE 2007**

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Below are the consolidated group audited financial statements as reported on in **Annexure 11**. The financial statements of the subsidiaries were reported on by PKF (Jhb) Inc without qualification. These financial statements are the responsibility of each of the boards of the company and the subsidiaries.

**Commentary on financial performance of the company (“Universal”) for the period 31 August 2004 to 30 June 2007**

The principal operating activities of the Universal group remained unchanged during the period under review, namely the supply of supermarket display cases, insulated panels and associated accessories. No material acquisition or disposal of assets, operations or businesses took place during the period and no material fact or circumstance has occurred between 30 June 2007 and the date of the prospectus insofar as not already dealt with in the financial information included herein.

The improved economic conditions in the SA economy and the strong growth in consumer spending resulted in increased spending by retailers on new store developments as well as refurbishments of existing stores. This has benefited the group during the period under review resulting in satisfactory growth being achieved.

The group grew turnover in each of the periods under review with turnover increasing from R172 million for the 12 months to 31 August 2004 to R333 million for the 16-month period to 31 December 2007.

The group reported turnover of R115 million for the six months to 30 June 2007. In assessing the performance for the six months to 30 June 2007 the seasonality in the business should be considered. Historically the last six months of the calendar year contributed between 55% to 60% of the group's turnover.

With the increased sales volumes, the investment in additional plant and equipment, referred to below and the introduction of various efficiency programmes the group managed to improve profitability in each of the periods under review

The group during the period embarked on a capital investment program of approximately R10 million. The investment in plant and equipment was focussed around the replacement of older equipment in order to increase capacity and to improve the efficiency of operations and to improve the quality of products manufactured.

Included in trade and other receivables are advances to the pre-listing shareholders and a company controlled by some of the directors (as detailed in note 7 below). These advances will be repaid to the company following the dividend of R27 500 000 declared on 1 November 2007 to the pre-listing shareholders to set-off shareholders' debit loan accounts. The dividend will be payable on or before 10 November 2007.

With strong cash generation during each of the periods under review the group has moved from a net interest bearing debt position of R24 million at 31 August 2004 to having net cash position of R10 million at 30 June 2007.

**BALANCE SHEETS**

	Notes	At 30 June 2007 Reviewed R'000	At 31 December 2006 Audited R'000	At 31 August 2005 Audited R'000	At 31 August 2004 Audited R'000
<b>Non-current assets</b>					
		17 293	17 922	16 515	15 740
Property, plant and equipment	2	8 228	8 800	6 857	6 429
Deferred taxation	3	236	228	2 621	2 274
Goodwill	4	7 037	7 037	7 037	7 037
Listed investments	5	1 792	1 857	–	–
<b>Current assets</b>					
		114 749	104 013	80 913	76 995
Inventories	6	32 862	29 923	31 498	35 680
Trade and other receivables	7	68 660	43 222	37 514	36 342
Taxation prepaid		–	28	–	–
Cash and cash equivalents		13 227	30 840	11 901	4 973
<b>Total assets</b>					
		132 042	121 935	97 428	92 735
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
		86 748	75 902	40 256	32 896
Issued share capital	8	–	–	–	1
Share premium	9	2 142	2 142	3 500	3 500
Accumulated profits		84 606	73 760	36 756	29 395
<b>Non-current liabilities</b>					
		1 050	2 281	19 751	22 841
Interest bearing liabilities	10	1 050	2 280	19 750	22 841
<b>Current liabilities</b>					
		44 244	43 752	37 421	36 998
Trade and other payables		38 790	27 640	28 656	30 088
Bank overdraft	11	–	–	3 734	5 642
Current portion of interest bearing liabilities	10	2 149	7 610	1 505	149
Taxation		3 305	8 502	3 526	1 119
<b>Total equity and liabilities</b>					
		132 042	121 935	97 428	92 735
Number of shares in issue		195	195	200	1 100
Net asset value per share (cents)		44 486 154	38 924 103	20 128 000	2 802 182
Tangible net asset value per share (cents)		40 756 410	35 315 385	16 609 500	2 237 909

## INCOME STATEMENTS

		For the six months ended 30 June 2007 Reviewed R'000	For the sixteen months ended 31 December 2006 Audited R'000	For the twelve months ended 31 August 2005 Audited R'000	For the twelve months ended 31 August 2004 Audited R'000
<b>Revenue</b>		114 940	333 008	193 408	172 312
Cost of goods sold		(91 272)	(256 017)	(160 372)	(147 743)
Gross profit		23 668	76 991	33 036	24 569
Other income		–	3 090	2 427	1 809
Operating expenses		(9 234)	(28 018)	(22 644)	(17 357)
<b>Profit from operations</b>	12	14 434	52 063	12 819	9 021
Net financing (costs)/income	13	842	(38)	(2 186)	(4 217)
<b>Profit before taxation</b>		15 276	52 025	10 633	4 804
Taxation	14	(4 430)	(15 021)	(3 273)	(459)
<b>Profit for period</b>		10 846	37 004	7 360	4 345
Shares in issue		195	195	200	1 100
Earnings per share (cents)		5 561 538	18 589 072	1 471 999	227 326
Headline earnings per share (cents)		5 561 538	18 589 072	1 471 999	227 326

## STATEMENTS OF CHANGES IN EQUITY

GROUP	Share capital R	Share premium R'000	Accumulated profits R'000	Total R'000
<b>Balances at 31 August 2003</b>	1 000	–	25 050	25 050
Issue of share capital	100	3 500	–	3 500
Profit for year	–	–	4 345	4 345
<b>Balances at 31 August 2004</b>	1 100	3 500	29 395	32 896
Share cancellation	(900)	–	1	–
Profit for year	–	–	7 360	7 360
<b>Balances at 31 August 2005</b>	200	3 500	36 756	40 256
Share buy-back	(5)	(1 358)	–	(1 358)
Profit for the 16-month period	–	–	37 004	37 004
<b>Balances at 31 December 2006</b>	195	2 142	73 760	75 902
<b>Profit for the six-month period</b>	–	–	10 846	10 846
<b>Balances at 30 June 2007</b>	195	2 142	84 606	86 748

## CASH FLOW STATEMENTS

	Notes	For the period ended 30 June 2007 Reviewed R'000	For the period ended 31 December 2006 Audited R'000	For the period ended 31 August 2005 Audited R'000	For the period ended 31 August 2004 Audited R'000
<b>Cash flows from operating activities</b>		(10 569)	41 207	16 314	3 386
Cash generated by operations	15.1	(1 803)	48 926	20 221	9 104
Interest received		938	1 530	2 746	3 886
Interest paid		(96)	(1 569)	(4 933)	(8 103)
Taxation paid	15.2	(9 608)	(7 680)	(1 720)	(1 501)
<b>Cash flows from investing activities</b>		(353)	(5 811)	(1 895)	(1 193)
Additions to property, plant and equipment		(353)	(3 964)	(3 818)	(1 193)
Proceeds on disposal of property, plant and equipment		–	9	1 923	–
Listed investment acquired		–	(1 856)	–	–
<b>Cash flows from financing activities</b>		(6 691)	(12 723)	(5 583)	2 894
Shareholders loans raised/(repaid)		(5 686)	(6 059)	11 745	–
Net repayment of capital portion of interest bearing borrowings		(1 005)	(5 306)	(17 328)	(606)
Share buy-back		–	(1 358)	–	3 500
<b>(Decrease)/Increase in cash resources</b>		(17 613)	22 673	8 836	5 087
Cash resources at beginning of period		30 840	8 167	(669)	(5 756)
Cash resources at end of period	15.3	13 227	30 840	8 167	(669)

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The financial statements are prepared in conformity with International Financial Reporting Standards. The financial statements are prepared on the historical cost basis, except where otherwise stated, and incorporate the principal accounting policies set out below.

The following are the principal accounting policies used by the company and the group that are consistent with those of the previous year:

#### 1.1 Basis of consolidation

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

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 balance sheet at their estimated fair values to the group as at the date of acquisition.

The carrying value of subsidiaries is compared with their attributable net asset value or, where listed, with their market value. Declines in value are not recognised if it is anticipated that these are temporary in nature.

All material intragroup transactions and balances are eliminated on consolidation. Unearned profits that arise on an arm's length basis between independent corporate entities in the normal course of their business are not eliminated.

#### 1.2 Property, plant and equipment

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 their residual values over their estimated useful lives. The depreciation rates applicable to each category of plant and equipment are as follows:

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

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

Carrying amounts of property plant and equipment are reduced to their recoverable amount, where this is lower than the carrying amount. The expected future cash flows attributable to such assets are considered in determining the recoverable amount.

#### 1.3 Impairment of assets

The carrying amounts of property, plant and equipment are reviewed annually for an indication whether or not the relevant asset is impaired. If any such indication exists and where the carrying amounts exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. Impairment losses and reversals are recognised directly in the income statement under the line item "other operating expenses", unless such reversals relate to previously recognised revaluation reserves in equity.

#### 1.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a first in first out basis. Cost includes transport and handling cost. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provisions are made for obsolete, slow moving and defective inventories.

Raw materials and consumable stores are valued on a first in first out basis.

#### 1.5 Taxation

##### *Current tax*

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

##### *Deferred tax*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

##### *Secondary Tax on Companies*

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

#### 1.6 Translation of foreign currencies

##### *Transactions*

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand the foreign currency at the date of the transaction, or where a forward exchange contract is taken out, it is recorded at the forward exchange rate.

At each balance sheet date:

- 1.6.1 foreign currency monetary items are reported using the closing rate;
- 1.6.2 non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction; and
- 1.6.3 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, reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

#### 1.7 Revenue recognition

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

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

## 1.8 Employee benefits

### *Defined contribution plans*

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

## 1.9 Financial instruments

### *Initial recognition and measurement*

All financial instruments are recognised on the balance sheet. Financial instruments are initially recognised when the company becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument. Subsequent to initial recognition these instruments are measured as set out below.

### *Financial assets*

The company's principal financial assets are accounts receivable and bank and cash balances.

### *Accounts receivable*

Loans and receivables are recognised on the amortised cost basis using the effective rate of interest.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when objective evidence exists that the asset is impaired.

Such impairments in value are assessed annually and deducted from the cost of the relevant financial asset.

### *Bank and cash balances*

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

### *Financial liabilities*

The company's principal financial liabilities are long term borrowings, accounts payable and bank overdrafts and other short-term borrowings.

### *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### *Trade payables*

Trade payables are measured initially at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### *Bank overdrafts and other short-term borrowings*

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

### *Derecognition*

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

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

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

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

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

#### ***Cash and cash equivalents***

Cash and cash equivalents are measured at their fair value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the company unless otherwise stated.

#### ***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.

### **1.10 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.

### **1.11 Goodwill**

#### ***Positive goodwill***

Any payment made by the acquirer in excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities, in anticipation of future economic benefits from the assets that are not capable of being individually identified and separately recognised, is recognised at cost price as an asset.

Goodwill is tested on an annual basis for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

#### ***Negative goodwill***

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

### **1.12 Investments in subsidiaries**

Investments in subsidiaries are stated at cost.

### **1.13 Leased assets**

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

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

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

## 2. PROPERTY, PLANT AND EQUIPMENT

	30 June 2007 Reviewed R'000	31 December 2006 Audited R'000	31 August 2005 Audited R'000	31 August 2004 Audited R'000
<b><i>Cost</i></b>				
Plant and equipment	19 336	19 210	16 414	13 365
Furniture and fittings	669	669	669	643
Land and buildings	–	–	–	1 814
Motor vehicles	1 034	1 034	526	692
Leasehold improvements	222	222	222	223
Office equipment	251	251	164	132
Computer software	269	153	119	–
Computer equipment	2 228	2 118	1 992	1 954
	24 009	23 657	20 106	18 823
<b><i>Accumulated depreciation</i></b>				
Plant and equipment	12 091	11 427	10 201	9 446
Furniture and fittings	636	614	572	527
Land and buildings	–	–	–	–
Motor vehicles	548	468	318	536
Leasehold improvements	202	195	176	154
Office equipment	158	147	132	124
Computer software	185	122	33	–
Computer equipment	1 961	1 884	1 817	1 607
	15 781	14 857	13 249	12 394
<b><i>Carrying amount at end of period</i></b>				
Plant and equipment	7 245	7 783	6 213	3 919
Furniture and fittings	33	55	98	116
Land and buildings	–	–	–	1 814
Motor vehicles	486	566	208	156
Leasehold improvements	20	27	45	69
Office equipment	93	104	32	8
Computer software	84	31	86	–
Computer equipment	267	234	175	347
	8 228	8 800	6 857	6 429
<b><i>Movements for the year</i></b>				
Carrying amount at beginning of period	8 800	6 857	6 429	5 865
Additions	353	3 964	3 819	1 193
Plant and equipment	98	3 096	3 293	1 001
Furniture and fittings	–	–	26	2
Motor vehicles	29	508	235	8
Leasehold improvements	–	–	–	65
Office equipment	–	87	32	19
Computer software	116	239	119	–
Computer equipment	110	34	114	98

	30 June 2007 Reviewed R'000	31 December 2006 Audited R'000	31 August 2005 Audited R'000	31 August 2004 Audited R'000
Book value of disposals	–	(9)	(1 943)	–
Plant and equipment	–	–	(33)	–
Land and buildings	–	–	(1 814)	–
Motor vehicles	–	–	(96)	–
Computer equipment	–	(9)	–	–
Depreciation for period	925	2 012	1 448	629
Plant and equipment	669	1 526	966	272
Furniture and fittings	19	43	44	65
Motor vehicles	80	149	87	5
Leasehold improvements	6	20	22	84
Office equipment	11	15	9	13
Computer software	34	89	33	–
Computer equipment	106	170	287	190
Carrying amount at end of period	8 228	8 800	6 857	6 429

Property, plant and equipment belonging to Insulated Structures (1989) (Pty) Ltd and Colcab (Pty) Ltd have been encumbered by a negative pledge and general covering bond as detailed in note 11.

### 3. DEFERRED TAXATION

	30 June 2007 Reviewed R'000	31 December 2006 Audited R'000	31 August 2005 Audited R'000	31 August 2004 Audited R'000
Balance at beginning of period	228	2 621	2 274	1 133
Movement during year attributable to:				
– Tax rate change	–	(72)	–	
– Temporary differences	8	(2 321)	347	1 141
Balance at end of period	236	228	2 621	2 274
The balance comprises:				
– Provisions	236	228	645	614
– Computed tax losses	–	–	1 976	1 660
	236	228	2 621	2 274

### 4. GOODWILL

	30 June 2007 Reviewed R'000	31 December 2006 Audited R'000	31 August 2005 Audited R'000	31 August 2004 Audited R'000
Arising on acquisition of subsidiaries	7 037	7 037	7 037	7 037
<i>Reconciliation</i>				
Balance at beginning of period	7 037	7 037	6 207	7 037
Balance at end of period	7 037	7 037	7 037	7 037

**5. LISTED INVESTMENTS**

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
2000 ABSA Bank Ltd preference shares at market value	1 792	1 857	–	–

**6. INVENTORIES**

The amounts attributable to the difference categories are as follows:

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
Raw materials	20 939	17 833	15 716	18 115
Work in progress and finished goods	11 923	12 090	15 782	17 565
	<b>32 862</b>	<b>29 923</b>	<b>31 498</b>	<b>35 680</b>

**7. TRADE AND OTHER RECEIVABLES**

Trade receivables have been ceded to the bank as security for facilities granted. (Refer note 11.)

Includes amounts advanced to the shareholders and to Colcab Properties (Pty) Ltd, a company controlled by the directors and shareholders. Refer note 16 for more details.

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
Advances to related parties	18 635	6 063	–	–

**8. SHARE CAPITAL**

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
<i>Authorised</i>				
4 000 shares of R1.00 each	4 000	4 000	4000	4 000
<i>Issued</i>				
Shares of R1.00 each				
Balance at beginning of period	195	200	1 100	1 100
Share cancellation			(900)	
Share buy-back		(5)		
Balance at end of period	195	195	200	1 100

## 9. SHARE PREMIUM

	30 June 2007 Reviewed R'000	31 December 2006 Audited R'000	31 August 2005 Audited R'000	31 August 2004 Audited R'000
Arising on issue of shares				
Beginning of period	2 142	3 500	3 500	3 500
Share buy-back		(1 358)		
Balance at end of period	2 142	2 142	3 500	3 500

## 10 INTEREST BEARING LIABILITIES

	30 June 2007 Reviewed R'000	31 December 2006 Audited R'000	31 August 2005 Audited R'000	31 August 2004 Audited R'000
Amounts owing to:				
<b>10.1 Nedbank – term loan</b>	127	997	5 968	–
Fixed rate	1 661	2 409	4 139	–
Variable rate	–	–	2 422	–
Less: Current portion	(1 534)	(1 412)	(593)	–
<b>10.2 Instalment sale agreement</b>	923	1 283	2 038	108
Capital outstanding	1 538	1 796	2 950	257
Less: Current portion	(615)	(513)	(912)	(149)
<b>10.3 Shareholders' loans</b>	–	–	11 744	
Wayne Brett Primary Trust	–	1 502	3 024	–
Jacob Levy Trust	–	1 502	3 024	–
LNP Trust	–	1 458	2 936	–
JMF Trust	–	583	1 175	–
I Morgan	–	117	235	–
I Harris	–	175	352	–
K Reeves	–	58	117	–
J Burger	–	58	117	–
M Constable	–	117	235	–
D Roberts	–	117	235	–
D Kupka	–	–	294	–
Less: Current portion	–	(5 686)	–	–
<b>10.4 Corpcapital Limited</b>	–	–	–	22 733
	1 050	2 280	19 750	22 841
<b>Current portion</b>				
Instalment sale agreement	615	513	912	–
Nedbank term loan	1 534	1 412	593	–
Shareholders' loan	–	5 686	–	–
	2 149	7 611	1 505	–

10.5 Fixed rate loan at 10,85%, repayable in 20 (2005: 36) equal monthly instalments of R137 205 inclusive of finance charges. Secured as per notes 8 and 11. Arose from the acquisition of interest bearing loans due by the company's operating subsidiaries. Will be repaid from operating cash flow.

10.6 Secured by instalment sale agreement over assets (plant and equipment and vehicles) having a book value of R4 917 415 (2005: R2 575 083) repayable in monthly instalments of R42 757 (2005: R45 233) inclusive of finance charges. To be repaid from operating cash flow.

10.7 Unsecured, bearing interest at rates agreed from time to time and ceded to Nedbank Ltd for facilities granted. To be repaid from operating cash flow.

## 11. BANK OVERDRAFT

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

- General notarial bond over all moveable assets
  - Insulated Structures (1989) (Pty) Ltd      R10 million
  - Colcab (Pty) Ltd                                      R15 million
- Cession of debtors
- Suretyship provided by Universal Food Systems (Pty) Ltd and Colcab (Pty) Ltd.
- The company has ceded its shares and loan accounts in Insulated Structures (1989) (Pty) Ltd and Colcab (Pty) Ltd as security for banking facilities provided to the company.

## 12. PROFIT FROM OPERATIONS

Profit from operations is stated after taking into account the following items:

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
<b>Income</b>				
Profit on Foreign Exchange	–	66	22	–
Dividends received	–	49	–	–
Rental income from investment property	–	–	–	249
<b>Expenditure</b>				
Auditors' remuneration	151	420	501	280
Audit fee				
• Current period	146	236	160	280
• Underprovision prior period	–	170	273	–
• Other services	5	14	68	–
Depreciation	925	2 012	1 954	1 871
Loss on disposal of property, plant and equipment	–	–	19	–
Operating lease charges	2 408	5 874	3 457	3 311
Property	2 367	5 753	3 221	2 605
Plant and equipment	41	121	236	706
Staff costs	22 052	62 575	40 523	36 124
Consulting fees	129	171	116	58
Management fees paid	252	648	210	–

### 13. NET FINANCING (COSTS)/INCOME

	30 June 2007 Reviewed R'000	31 December 2006 Audited R'000	31 August 2005 Audited R'000	31 August 2004 Audited R'000
Interest received	938	1 530	2 746	3 887
Interest paid	(96)	(1 568)	(4 932)	(8 104)
	842	(38)	(2 186)	(4 217)

### 14. TAXATION

	30 June 2007 Reviewed R'000	31 December 2006 Audited R'000	31 August 2005 Audited R'000	31 August 2004 Audited R'000
Normal tax				
– Current tax	4 422	12 628	4 127	1 599
Deferred tax				
– Current period	8	2 393	(854)	(1 140)
	4 430	15 021	3 273	459
<i>Reconciliation of rate of taxation:</i>	%	%	%	%
South African normal tax rate	29,0	29,0	29,0	30,0
<i>Adjusted for:</i>				
– Exempt income and disallowable expenditure	–	(0,1)	1,1	(16,5)
	29,0	28,9	30,1	16,8

### 15. NOTES TO THE CASH FLOW STATEMENT

#### 15.1 Cash generated by operations

	30 June 2007 Reviewed R'000	31 December 2006 Audited R'000	31 August 2005 Audited R'000	31 August 2004 Audited R'000
<i>Cash generated by operations</i>				
Profit before taxation	15 276	52 025	11 307	3 167
<i>Adjusted for:</i>				
Depreciation	925	2 012	1 281	1 871
Loss on disposal of property, plant and equipment	–	–	18	–
Loss on revaluation of listed investment	64			
Interest paid	96	1 569	4 933	8 103
Interest received	(938)	(1 530)	(2 746)	(3 886)
	15 423	54 076	14 793	9 255
Working capital changes	(17 226)	(5 150)	5 428	(151)
(Increase)/Decrease in trade and other receivables	(25 438)	(5 709)	(1 171)	4 295
(Increase)/Decrease in inventories	(2 939)	1 575	4 182	(486)
Increase/(Decrease) in trade and other payables	11 151	(1 016)	2 417	(3 960)
	(1 803)	48 926	20 221	9 104

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
<b>15.2 Taxation paid</b>				
Charged per income statement	(4 430)	(15 021)	(3 468)	(459)
Adjustment for deferred tax	(8)	2 393	(659)	(1 141)
Movement in taxation balance	(5 170)	4 948	2 407	99
Payments made	(9 608)	(7 680)	(1 720)	(1 501)

### 15.3 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
Bank and call deposits	13 227	30 840	11 901	4 973
Bank overdraft	–	–	(3 734)	(5 642)
	13 227	30 840	8 167	(669)

## 16. RELATED PARTY TRANSACTIONS

### **Insulated Structures (1989) (Proprietary) Limited** (wholly-owned subsidiary)

During the year, the company entered into the following transactions:

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
Management fees received from related party	–	–	210	–
Interest received from related party	552	1 472	1 104	905
Balance owed by related party at period-end	10 608	12 738	15 723	13 619

### **Colcab (Proprietary) Limited** (wholly-owned subsidiary)

During the year, the company entered into the following transactions

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
Management fees received from related party	180	480	360	924
Interest received from related party	570	1 520	1 153	1 899
Balance owed by related party at period-end	7 516	14 898	14 916	14 916

**Colcab Property (Proprietary) Limited** (company controlled by the directors)

During the year, the company entered into the following transactions

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
Balance owed by related party at period-end	18 635	6 063	–	–

The advance is unsecured, interest free and has no fixed terms of payment. It is included in trade and other receivables in the balance sheet.

**Jacob Levy Trust**

The trust, which has a shareholding in Universal Food Systems (Proprietary) Limited, the holding company for Insulated Structures (1989) (Proprietary) Limited.

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
Management fees paid to the Trust by Universal Food Systems (Pty) Ltd	126	–	105	–
Management fees paid to the Trust by Insulated Structures (1989) (Pty) Ltd	–	324	–	–

**Wayne Brett Primary Trust**

The trust, which has a shareholding in Universal Food Systems (Proprietary) Limited, the holding company for Insulated Structures (1989) (Proprietary) Limited

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
Management fees paid to the Trust by Universal Food Systems (Pty) Ltd	126	–	105	–
Management fees paid to the Trust by Insulated Structures (1989) (Pty) Ltd	–	324	–	–

**17. GUARANTEES AND SURETIES**

The company binds itself as surety jointly and severally for and co-principal debtor in solidum with Colcab (Pty) Ltd and Insulated Structures (Pty) Ltd for the due and punctual performance by Colcab (Pty) Ltd and Insulated Structures (Pty) Ltd of all their obligations to Nedbank Limited, limited in terms of the Suretyship.

The company binds itself as surety jointly and severally for and co-principal debtor in solidum with Insulated Structures (Pty) Ltd (the company) for the due and punctual payment of the company's liability to Mittal Steel Limited and its subsidiaries to a maximum of R2 million.

## 18. COMMITMENTS

### Operating lease commitments

Future operating lease charges for premises

	<b>30 June 2007 Reviewed R'000</b>	<b>31 December 2006 Audited R'000</b>	<b>31 August 2005 Audited R'000</b>	<b>31 August 2004 Audited R'000</b>
Due within one year	5 943	3 963	3 496	923
Due thereafter	25 980	1 850	7 044	3 334
	<b>31 923</b>	<b>5 813</b>	<b>10 540</b>	<b>4 257</b>

## 19. FINANCIAL RISK MANAGEMENT

### Foreign currency risk

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

### Interest rate risk

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

### Credit risk

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

The company limits its counterparty exposure arising from money market instruments by dealing only with well-established financial institutions of high credit standing. Loans are only made to entities known to the directors where their recoverability is assured beyond any reasonable doubt.

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

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

### Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources and un-listed borrowing facilities are maintained.

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF UNIVERSAL INDUSTRIES FOR THE YEARS ENDED 31 AUGUST 2005 AND 2004, THE 16 MONTHS ENDED 31 DECEMBER 2006 AND THE SIX MONTHS ENDED 30 JUNE 2007**

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“The Directors  
16 Precision Street  
Kya Sands  
Randburg  
2163

5 November 2007

Dear Sirs

**REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF UNIVERSAL INDUSTRIES FOR THE YEARS ENDED 31 AUGUST 2005 AND 2004, THE 16 MONTHS ENDED 31 DECEMBER 2006 AND THE SIX MONTHS ENDED 30 JUNE 2007**

**Introduction**

At your request and for the purpose of the prospectus to be dated on or about 19 November 2007 (“the prospectus”), we present our report on the financial information included in the report of historical financial information relating to the consolidated financial statements of company for the years ended 31 August 2005 and 2004, the 16 months ended 31 December 2006 and the six months ended 30 June 2007, presented in **Annexure 10** to the prospectus, in compliance with the JSE Limited Listings Requirements.

**Responsibility**

The compilation, contents and presentation of this prospectus and the report of historical financial information are the responsibility of the directors. Our responsibility is to express an opinion on the historical financial information the group. We have audited the consolidated financial statements of the company for the years ended 31 August 2005 and 2004, the 16 months ended 31 December 2006 and performed a review on the historical financial information for the six months ended 30 June 2007 as set out in **Annexure 10** to the prospectus. The historical financial information was prepared in accordance with the International Financial Reporting Standards on the historical cost basis, unless stated otherwise.

**Scope of the audit**

We conducted our audit in respect of the the years ended 31 August 2005 and 2004, the 16 months ended 31 December 2006 in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our audit opinion.

**Scope of the review**

We conducted our review in respect of the six months ended 30 June 2007 in accordance with statements of International Standards on Review Engagements 2400. This standard requires that we plan and perform our work to obtain moderate assurance that the historical financial information is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit in respect of the six months ended 30 June 2007 and, accordingly, we do not express an audit opinion in respect of this period.

**Audit opinion**

In our opinion, the historical financial information of each of the subsidiaries and the group for the years ended 31 August 2005 and 2004 and the 16 months ended 31 December 2006 fairly presents, in all material respects, for the purposes of the prospectus, the financial position of the group at those dates and the results of its operations and cash flows for the periods then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa and the JSE Listings Requirements.

**Review conclusion**

Based on our review nothing has come to our attention that causes us to believe that the historical financial information for the six months ended 30 June 2007 is not fairly presented, in all material respects, for the purposes of the pre-listing statement, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa and the JSE Limited Listings Requirements.

**Consent**

We consent to the inclusion of this letter and the reference to our opinion in the prospectus in the form and context in which it appears.

Yours faithfully

**PKF (Jhb) Inc**

Registration number 1994/001166/21

*Registered Auditors*

*Chartered Accountants (SA)*

42 Wierda Road West

Wierda Valley

2196"

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**HISTORICAL FINANCIAL INFORMATION OF THE MACADAMS BUSINESS FOR THE THREE YEARS ENDED 31 AUGUST 2006, 2005 AND 2004 AND FOR THE 10 MONTHS ENDED 30 JUNE 2007**

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The financial statements set out below were reported on by PKF (Jhb) Inc without qualification. These financial statements are the responsibility of the board of directors of the company.

**Commentary on financial performance of the business (“Macadams”) for the period 31 August 2004 to 30 June 2007**

Macadams has operated in the retail bakery arena for a number of years, supplying the retail stores for their in store bakery equipment offering as well as mini-factories that supply product to the retail chains. Macadams manufactures a significant portion of the equipment sold, with the remainder being either imported from industry leaders or outsourced to local suppliers. Export customers (around 25% of sales) ensure the product remains up to date and relevant to the international markets.

Macadams acquired Marsden (Pty) Ltd with effect from 1 July 2005. Marsden supplies bakeware products to plant and retail bakeries. Marsden contributes around 7% of total sales.

The improved economic conditions in the SA economy and the strong growth in consumer spending benefited Macadams during the period under review. Macadams entered the Foodservice arena late 2005 focusing on existing retail customers. This area of business presents major growth opportunity, provided the focus is maintained.

The Macadams business has generated consistent cash flows and sustainable profitability over the review period.

The balance sheet remains strong with current assets exceeding current liabilities by more than 2 times over the period.

**STATEMENT OF ASSETS AND LIABILITIES ACQUIRED**

	Notes	30 June 2007 R'000	31 August 2006 R'000	31 August 2005 R'000	31 August 2004 R'000
<b>Non-current assets</b>		<b>12 587</b>	<b>11 785</b>	<b>11 794</b>	<b>6 706</b>
Property, plant and equipment	2	4 151	3 889	4 757	4 256
Goodwill	3	5 000	4 400	3 800	–
Deferred tax	4	3 436	3 496	3 237	2 450
<b>Current assets</b>		<b>120 317</b>	<b>119 505</b>	<b>83 382</b>	<b>76 925</b>
Inventories	5	56 005	41 370	39 310	27 924
Trade and other receivables		57 736	53 361	42 336	40 797
Cash and cash equivalents		6 576	24 774	1 736	8 204
<b>TOTAL ASSETS</b>		<b>132 904</b>	<b>131 290</b>	<b>95 176</b>	<b>83 631</b>
<b>Equity and liabilities</b>					
<b>Liabilities</b>		<b>58 757</b>	<b>59 883</b>	<b>40 993</b>	<b>32 596</b>
Current tax payable		8 693	6 119	1 475	1 066
Deposits received for orders		7 859	7 108	6 233	6 176
Operating lease liability		5 832	6 231	6 040	5 541
Trade and other payables		36 373	40 425	27 245	19 813
<b>Reserves</b>					
Net asset value of business acquired		74 147	71 407	54 183	51 035
		<b>132 904</b>	<b>131 290</b>	<b>95 176</b>	<b>83 631</b>

## INCOME STATEMENT OF THE BUSINESS ACQUIRED

		10 months ended 30 June 2007 R'000	12 months ended 31 August 2006 R'000	12 months ended 31 August 2005 R'000	12 months ended 31 August 2004 R'000
	Notes				
Revenue		221 532	234 933	164 484	176 365
Cost of goods sold		(151 471)	(154 893)	(114 339)	(129 206)
<b>Gross profit</b>		<b>70 061</b>	<b>80 040</b>	<b>50 145</b>	<b>47 159</b>
Other income		1 185	408	578	295
Operating expenses		(33 459)	(37 432)	(28 620)	(29 970)
<b>Profit before taxation</b>	6	<b>37 787</b>	<b>43 016</b>	<b>22 103</b>	<b>17 484</b>
Taxation	7	(11 047)	(12 543)	(6 649)	(5 352)
<b>Profit for period</b>		<b>26 740</b>	<b>30 473</b>	<b>15 454</b>	<b>12 132</b>

## ABRIDGED STATEMENT OF CASH FLOWS RELATING TO THE ASSETS AND LIABILITIES ACQUIRED

		10 months ended 30 June 2007 R'000	12 months ended 31 August 2006 R'000	12 months ended 31 August 2005 R'000	12 months ended 31 August 2004 R'000
	Notes				
Cash flows from operating activities		8 516	40 388	14 998	30 351
Cash flows from investing activities		(2 079)	(1 242)	(6 092)	(1 276)
Movement in net asset value		(24 633)	(16 109)	(15 374)	(36 345)
Movement in cash for the period		(18 196)	23 037	(6 468)	(7 270)
Cash at beginning of period		24 773	1 736	8 204	15 474
Cash at end of period		6 577	24 773	1 736	8 204

## ABRIDGED STATEMENT OF CHANGES IN NET ASSET VALUE

	Share capital R'000	Share premium R'000	Total share capital R'000	Retained income R'000	Total equity R'000
Net asset value acquired	–	–	–	51 035	51 035
Net profit for year ended 31 August 2005				15 454	15 454
Movement in net asset value not acquired				(12 306)	(12 306)
Balance at 1 September 2005	–	–	–	54 183	54 183
Net profit for year ended 31 August 2006				30 473	30 473
Movement in net asset value not acquired				(13 249)	(13 249)
Balance at 1 September 2006	–	–	–	71 407	71 407
Net profit for the 10 months ended 30 June 2007				26 740	26 740
Movement in net asset value not acquired				(24 000)	(24 000)
Balance at 30 June 2007	–	–	–	74 147	74 147

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The financial statements are prepared in conformity with International Financial Reporting Standards. The financial statements are prepared on the historical cost basis, except where otherwise stated, and incorporate the principal accounting policies set out below.

The following are the principal accounting policies used by the company and the group that are consistent with those of the previous year:

#### 1.1 Property, plant and equipment

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 their residual values over their estimated useful lives. The depreciation rates applicable to each category of plant and equipment are as follows:

Partitioning	20%
Plant, equipment and tools	20%
Motor vehicles	20%
Office equipment	33.33%
Furniture and fixtures	15%
IT equipment	33.33%
Computer software	50%
Drawings, dies and templates	33.33%

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

Carrying amounts of property plant and equipment are reduced to their recoverable amount, where this is lower than the carrying amount. The expected future cash flows attributable to such assets are considered in determining the recoverable amount.

#### 1.2 Goodwill

##### *Positive goodwill*

Any payment made by the acquirer in excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities, in anticipation of future economic benefits from the assets that are not capable of being individually identified and separately recognised, is recognised at cost price as an asset.

Goodwill is tested on an annual basis for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

##### *Negative goodwill*

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

#### 1.3 Financial instruments

##### *Initial recognition and measurement*

All financial instruments are recognised on the balance sheet. Financial instruments are initially recognised when the company becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument. Subsequent to initial recognition these instruments are measured as set out below.

### ***Financial assets***

The company's principal financial assets are accounts receivable and bank and cash balances.

#### ***Accounts receivable***

Loans and receivables are recognised on the amortised cost basis using the effective rate of interest.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when objective evidence exists that the asset is impaired.

Such impairments in value are assessed annually and deducted from the cost of the relevant financial asset.

#### ***Bank and cash balances***

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

### ***Financial liabilities***

The company's principal financial liabilities are long term borrowings, accounts payable and bank overdrafts and other short-term borrowings.

#### ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### ***Trade payables***

Trade payables are measured initially at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### ***Bank overdrafts and other short-term borrowings***

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

### ***Derecognition***

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

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

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

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

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

#### ***Cash and cash equivalents***

Cash and cash equivalents are measured at their fair value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the company unless otherwise stated.

## **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.

### **1.4 Tax**

#### ***Current tax***

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

#### ***Deferred tax***

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

### **1.5 Leased assets**

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

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

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

### **1.6 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a first in first out basis. Cost includes transport and handling cost. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provisions are made for obsolete, slow moving and defective inventories.

Raw materials and consumable stores are valued on a first in first out basis.

### **1.7 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.

### **1.8 Revenue**

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

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

## 1.9 Translation of foreign currencies

### *Transactions*

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand the foreign currency at the date of the transaction, or where a forward exchange contract is taken out, it is recorded at the forward exchange rate.

At each balance sheet date:

- 1.9.1 foreign currency monetary items are reported using the closing rate;
- 1.9.2 non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction, and
- 1.9.3 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, reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

## 2. PROPERTY, PLANT AND EQUIPMENT

	30 June 2007			31 August 2006		
	Cost/ Valuation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost/ Valuation R'000	Accumulated depreciation R'000	Carrying value R'000
Partitioning	815	(500)	315	807	(436)	371
Plant and machinery	3 702	(1 930)	1 772	3 451	(1 532)	1 919
Furniture and fixtures	769	(768)	1	755	(743)	12
Motor vehicles	123	(71)	52	123	(52)	71
Office equipment	1 165	(830)	335	1 352	(1 256)	96
IT equipment	3 297	(2 263)	1 034	2 363	(2 084)	279
Drawings, dies and templates	5 395	(4 753)	642	5 396	(4 255)	1 141
	<b>15 266</b>	<b>(11 115)</b>	<b>4 151</b>	<b>14 247</b>	<b>(10 358)</b>	<b>3 889</b>

### Property, plant and equipment

	31 August 2005			31 August 2004		
	Cost/ Valuation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost/ Valuation R'000	Accumulated depreciation R'000	Carrying value R'000
Partitioning	806	(359)	447	806	(278)	528
Plant and machinery	3 074	(1 137)	1 937	1 539	(896)	643
Furniture and fixtures	752	(687)	65	639	(625)	14
Motor vehicles	102	(66)	36	102	(48)	54
Office equipment	1 322	(1 148)	174	1 268	(1 008)	260
IT equipment	2 121	(1 822)	299	1 873	(1 415)	458
Drawings, dies and templates	5 396	(3 597)	1 799	5 051	(2 752)	2 299
	<b>13 573</b>	<b>(8 816)</b>	<b>4 757</b>	<b>11 278</b>	<b>(7 022)</b>	<b>4 256</b>

**Reconciliation of property, plant and equipment – 2007**

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Partitioning	371	–	(56)	315
Plant and machinery	1 919	277	(424)	1 772
Furniture and fixtures	12	13	(24)	1
Motor vehicles	71	–	(19)	52
Office equipment	96	305	(66)	335
IT equipment	279	929	(174)	1 034
Drawings, dies and templates	1 141	–	(499)	642
	<b>3 889</b>	<b>1 524</b>	<b>(1 262)</b>	<b>4 151</b>

**Reconciliation of property, plant and equipment – 2006**

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Partitioning	447	1	–	(77)	371
Plant and machinery	1 937	377	–	(395)	1 919
Furniture and fixtures	65	4	–	(57)	12
Motor vehicles	36	84	(63)	14	71
Office equipment	174	33	(3)	(108)	96
IT equipment	299	241	–	(261)	279
Drawings, dies and templates	1 799	–	–	(658)	1 141
	<b>4 757</b>	<b>740</b>	<b>(66)</b>	<b>(1 542)</b>	<b>3 889</b>

**Reconciliation of property, plant and equipment – 2005**

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Partitioning	528	9	(8)	(82)	447
Plant and machinery	643	1 538	–	(244)	1 937
Furniture and fixtures	14	108	–	(57)	65
Motor vehicles	54	–	–	(18)	36
Office equipment	260	54	–	(140)	174
IT equipment	458	250	–	(409)	299
Drawings, dies and templates	2 299	343	–	(843)	1 799
	<b>4 256</b>	<b>2 302</b>	<b>(8)</b>	<b>(1 793)</b>	<b>4 757</b>

**Reconciliation of property, plant and equipment – 2004**

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Partitioning	518	98	–	(88)	528
Plant and machinery	849	29	–	(235)	643
Furniture and fixtures	206	1	(97)	(96)	14
Motor vehicles	60	12	–	(18)	54
Office equipment	391	19	–	(150)	260
IT equipment	901	182	(17)	(608)	458
Drawings, dies and templates	2 596	1 062	(395)	(964)	2 299
	<b>5 521</b>	<b>1 403</b>	<b>(509)</b>	<b>(2 159)</b>	<b>4 256</b>

### 3. GOODWILL

	Cost/ Valuation R'000	30 June 2007 Accumulated depreciation R'000	Carrying value R'000	Cost/ Valuation R'000	31 August 2006 Accumulated depreciation R'000	Carrying value R'000
Goodwill	5 000	–	5 000	4 400	–	4 400
				<b>Opening balance</b>	<b>Additions</b>	<b>Total</b>
Reconciliation of goodwill – 2007				4 400	600	5 000
Reconciliation of goodwill – 2006				3 800	600	4 400

#### Goodwill

	Cost/ Valuation R'000	31 August 2005 Accumulated depreciation R'000	Carrying value R'000	Cost/ Valuation R'000	31 August 2004 Accumulated depreciation R'000	Carrying value R'000
Goodwill	3 800	–	3 800	–	–	–
				<b>Opening balance R'000</b>	<b>Additions R'000</b>	<b>Total R'000</b>
Reconciliation of goodwill – 2005				–	3 800	3 800
Reconciliation of goodwill – 2004				–	–	–

#### Other information

Goodwill relates to the excess paid on the acquisition of a business division. Subsequent increase in goodwill relates to the acquired division exceeding its profit after taxation stipulation as indicated in the original purchase agreement.

### 4. DEFERRED TAX

#### Deferred tax asset

	30 June 2007 R'000	31 August 2006 R'000	31 August 2005 R'000	31 August 2004 R'000
The balance comprises:				
– Operating lease liability	1 691	1 807	1 752	1 662
– Provision for doubtful debts	1 016	1 015	1 015	788
– Deposits	729	674	470	–
	<b>3 436</b>	<b>3 496</b>	<b>3 237</b>	<b>2 450</b>
Balance at beginning of period	3 496	3 237	2 450	788
Movements during period attributable to:				
– Change in accounting policy	–	–	–	1 385
– Change in rate of tax	–	–	(82)	–
– Temporary differences	(60)	259	869	277
	<b>3 436</b>	<b>3 496</b>	<b>3 237</b>	<b>2 450</b>

## 5. INVENTORIES

The amounts attributable to the different categories are as follows:

	<b>30 June 2007 R'000</b>	<b>31 August 2006 R'000</b>	<b>31 August 2005 R'000</b>	<b>31 August 2004 R'000</b>
Finished goods	36 694	29 566	28 055	20 245
Raw materials	9 888	3 521	3 662	2 355
Work in progress	9 422	8 282	7 593	5 324
	<b>56 005</b>	<b>41 370</b>	<b>39 310</b>	<b>27 924</b>

## 6. OPERATING PROFIT

	<b>10 months ended 30 June 2007 R'000</b>	<b>12 months ended 31 August 2006 R'000</b>	<b>12 months ended 31 August 2005 R'000</b>	<b>12 months ended 31 August 2004 R'000</b>
Profit on sale of property, plant and equipment	45	31	1	4
Auditors' remuneration – previous period	(420)	(256)	(27)	(273)
Total remuneration	(8 841)	(11 225)	(7 620)	(6 715)
Profit/(Loss) on exchange differences	869	106	135	(432)
Depreciation on property, plant and equipment	(1 262)	(1 542)	(1 793)	(2 159)
Employee costs	(21 232)	(20 172)	(15 101)	(13 285)

## 7. TAXATION

	<b>2007 R'000</b>	<b>2006 R'000</b>	<b>2005 R'000</b>	<b>2004 R'000</b>
Major components of the tax expense/(income)				
<b>Current</b>				
Local income tax – current period	10 987	12 756	7 436	5 628
<b>Deferred</b>				
Deferred tax	60	(213)	(787)	(276)
	<b>11 047</b>	<b>12 543</b>	<b>6 649</b>	<b>5 352</b>

## 8. COMMITMENTS

	<b>30 June 2007 R'000</b>	<b>31 August 2006 R'000</b>	<b>31 August 2005 R'000</b>	<b>31 August 2004 R'000</b>
<b>Operating leases – as lessee (expense)</b>				
Minimum lease payments due				
– within one year	6 973	6 256	5 644	4 542
– in second to fifth year inclusive	16 287	22 234	26 662	28 797
– later than five years	2 091	3 116	4 944	–
	<b>25 351</b>	<b>31 606</b>	<b>37 250</b>	<b>33 339</b>

## 9. CONTINGENT LIABILITIES

The company is guarantor in respect of certain sales financed by financial institutions amounting to R570 871. (2006 R570 871. 2005: 1 026 931. 2004: 2 769 083 ). The company has signed an unlimited guarantee in favour of Nedbank for overdraft facilities, if and when it is required. Furthermore, the company has entered into a notarial general covering bond over inventories and plant and equipment for loan facilities.

## 10. RETIREMENT BENEFIT INFORMATION

With the exception of employees required by legislation to be members of industry retirement benefit funds, full-time employees of the company are members of the Macadams Pension Fund Scheme. This is a defined contribution fund which is designed to provide a lump sum on retirement and not a guaranteed pension.

## 11. RELATED PARTIES

Rent paid included amounts paid to an entity in which certain of the company's directors have a 50% indirect share. All transactions have been concluded at arm's length and all transactions are at market rates.

	<b>30 June 2007 R'000</b>	<b>31 August 2006 R'000</b>	<b>31 August 2005 R'000</b>	<b>31 August 2004 R'000</b>
<b>Related party rental paid</b>				
Rent paid	646	464	–	–

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORTS ON THE HISTORICAL FINANCIAL INFORMATION OF THE MACADAMS BUSINESS FOR THE THREE YEARS ENDED 31 AUGUST 2006, 2005 AND 2004 AND FOR THE 10 MONTHS ENDED 30 JUNE 2007**

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"The Directors  
Universal Industries Limited  
16 Precision Street  
Kya Sands  
Randburg  
2163

5 November 2007

Dear Sirs

**AUDITORS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE ASSETS AND LIABILITIES ACQUIRED AND THE INCOME STATEMENT OF THE MACADAMS BUSINESS FOR THE 3 YEARS ENDED 31 AUGUST 2006, 2005 AND 2004 AND FOR THE 10 MONTHS ENDED 30 JUNE 2007**

**Introduction**

At your request and for the purpose of the prospectus to be dated on or about 19 November 2007 ("the prospectus"), we present our report on the financial information included in the report of historical financial information relating to the Macadams business for the years ended 31 August 2006, 2005 and 2004 and for the ten months ended 30 June 2007, presented in **Annexure 12** to the prospectus, in compliance with the JSE Limited Listings Requirements.

**Responsibility**

The compilation, contents and presentation of this prospectus and the report of historical financial information are the responsibility of the directors. Our responsibility is to express an opinion on the historical financial information the group.

We have audited the consolidated financial statements of company for the 10 months ended 30 June 2007 and performed a review on the historical financial information for the years ended 31 August 2006, 2005 and 2004 as set out in **Annexure 12** to the prospectus. The historical financial information was prepared in accordance with the International Financial Reporting Standards on the historical cost basis, unless stated otherwise.

**Scope of the audit**

We conducted our audit in respect of the 10 months ended 30 June 2007 in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our audit opinion.

**Scope of the review**

We conducted our review in respect of the years ended 31 August 2006, 2005 and 2004 in accordance with statements of International Standards on Review Engagements 2400. This standard requires that we plan and perform our work to obtain moderate assurance that the historical financial information is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit in respect of the years ended 31 August 2006, 2005 and 2004 and, accordingly, we do not express an audit opinion in respect of these periods.

**Audit opinion**

In our opinion, the historical financial information for the 10 months ended 30 June 2007 fairly presents, in all material respects, for the purposes of the prospectus, the financial position of the group at those dates and the results of its operations and cash flows for the periods then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa and the JSE Listings Requirements.

**Review conclusion**

Based on our review nothing has come to our attention that causes us to believe that the historical financial information for the years ended 31 August 2006, 2005 and 2004 is not fairly presented, in all material respects, for the purposes of the pre-listing statement, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa and the JSE Listings Requirements.

**Consent**

We consent to the inclusion of this letter and the reference to our opinion in the prospectus in the form and context in which it appears.

Yours faithfully

**PKF (Jhb) Inc.**

Registration number 1994/001166/21

*Registered Auditors*

*Chartered Accountants (SA)*

42 Wierda Road West

Wierda Valley

2196"

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**HISTORICAL PROFITS AND LOSSES AND DIVIDENDS**


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“The Directors  
 Universal Industries Corporation Limited  
 16 Precision Street  
 Kya Sands  
 Randburg  
 2163

5 November 2007

Dear Sirs

**AUDITORS’ REPORT ON THE PROFITS OF UNIVERSAL INDUSTRIES CORPORATION LIMITED (“THE COMPANY”) AND ITS SUBSIDIARIES FOR THE PRECEDING FIVE YEARS**

The profits before and after taxation, the aggregate dividends paid, the dividends paid in cents per share and the dividend cover of the company and its subsidiaries for the five years ended 31 December 2006 are set out below:

**Universal Industries**

Year	Profits/ (Losses) before tax	Profits/ (Losses) after tax	Aggregate dividends paid	Dividends paid in cents per share	Dividend cover
31/12/2006 (16 months)	14 227 350	13 834 645	–	–	–
31/8/2005	9 323 674	9 323 674	–	–	–
31/8/2004	1 790 006	1 790 006	–	–	–
31/8/2003	475 831	475 831	–	–	–
31/8/2002	(394 844)	(394 844)	–	–	–

**Colcab**

Year	Profit before tax	Profit after tax	Aggregate dividends paid	Dividends paid in cents per share	Dividend cover
31/12/2006 (16 months)	38 183 082	27 077 210	12 500 000	12 500 000	2.2
31/8/2005	14 073 680	9 965 634	9 000 000	9 000 000	1.1
31/8/2004	5 071 858	3 509 088	1 500 000	1 500 000	2.3
31/8/2003	3 187 400	2 229 119	–	–	–
31/8/2002	1 778 574	1 245 001	–	–	–

**Insulated Structures**

Year	Profits/ (Losses) before tax	Profits/ (Losses) after tax	Aggregate dividends paid	Dividends paid in cents per share	Dividend cover
31/12/2006 (16 months)	12 114 775	8 592 016	–	–	–
31/8/2005	(3 764 790)	(2 929 311)	–	–	–
31/8/2004	(2 194 249)	(1 090 532)	–	–	–
31/8/2003	2 107 815	3 152 573	–	–	–
31/8/2002	1 136 666	1 136 666	–	–	–

On 1 November 2007 Universal Industries declared a dividend of R27 500 000 to the pre-listing shareholders in settlement of the pre-listing shareholders' debit loan accounts.

Yours faithfully,

**PKF (Jhb) Inc**

Registration number 1994/001166/21

*Registered Auditors*

*Chartered Accountants (SA)*

42 Wierda Road West

Wierda Valley

2196"

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## PRINCIPAL IMMOVABLE PROPERTY

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The group does not own any immovable property. At the last practicable date, the lease agreements entered into by the group are as follows:

1. Colcab entered into a lease agreement with Colcab Property (Proprietary) Limited (a company in which certain of the Universal Industries' directors are directors and shareholders) on 22 June 2007 in respect of the premises situated at the remainder of portion 92 of the Farm Wimbleton No. 454, along Buttskop Road, Blackheath, Industria, measuring approximately 17 000m<sup>2</sup>. The lease commences on 1 January 2008 and expires on 30 November 2012 with an option to renew for a further five years. The monthly rental payable by Colcab is R400 000 plus VAT escalating on 1 January each year by the published statistics SA CPI January year-on-year percentage increase.
2. Colcab entered into a lease agreement with Parow Industrial Park Development CC on 21 July 2005 in respect of the premises situated at stand 39a Industria Ring Road, Parow, Industria measuring approximately 12 500 m<sup>2</sup>. The lease commenced on 1 May 2005 and expires on 30 April 2008. The current monthly rental payable is R239 466 (excluding VAT).
3. Insulated Structures entered into the following lease agreements:
  - 3.1 a lease agreement with Public Investment Commissioners on 30 December 2003 in respect of the premises situated at stands 16 and 18, Kya Sands, measuring approximately 5 604 m<sup>2</sup>. The lease commenced on 1 October 2003 and expires on 30 September 2008. The monthly rental payable by Insulated Structures is R97 502 (excluding VAT). The lease will be renewed subject to Insulated Structures and the landlord agreeing to the term, rate and escalation of the lease; and
  - 3.2 a month-to-month lease agreement with Lanseria Warehousing (Proprietary) Limited in respect of the premises situated at portion of portion 14 (portion of portion 3) of the Farm Botesdal 529, measuring approximately 3 593 m<sup>2</sup>. The lease is terminable on one month's notice by either party. The current monthly rental payable is R76 320 (excluding VAT).
4. Colcab entered into a lease agreement with Plascon Property Holdings (Proprietary) Limited on 29 April 2005 in respect of the premises situated at stand 14 Union Road, Alberton North, measuring approximately 196 m<sup>2</sup>. The lease commenced on 1 June 2005 and expires on 31 May 2008. The monthly rental payable by Colcab is R4 649 (excluding VAT) until 31 December 2007 and R5 021 (excluding VAT) from 1 January 2008 to 31 May 2008.
5. Macadams has, in terms of the acquisition agreement, taken over the following lease agreements:
  - 5.1 the lease agreement entered into with Macadams Properties (Proprietary) Limited on 7 August 1990 in respect of the remainder of portion 10 of Farm Wimbleton No. 454, situated in the local area of Blackheath, Stellenbosch, measuring approximately 12 099 m<sup>2</sup>. The lease commenced on 1 June 1990 and expires on 31 May 2010. The current monthly rental payable by Macadams is R472 155 per month (excluding VAT) escalating to R528 814 per month (excluding VAT) on 1 June 2008 and to R592 271 per month (excluding VAT) on 1 June 2009 until 31 May 2010;
  - 5.2 the lease agreement entered into with HMNW (Proprietary) Limited (a company in which certain of the directors of Macadams are directors and shareholders) ("HMNW") on 20 August 2007 in respect of the Erf 117 Lea Glen, Roodepoort, measuring approximately 2 680 m<sup>2</sup>. The lease commenced on 1 September 2007 and expires on 31 August 2017. The monthly rental payable by Macadams is R100 000 (excluding VAT) per annum escalating at a rate of 9% per annum;

- 5.3 the lease agreement entered into with HMNW on 17 October 2007 in respect of the Section 2, Big 5 Business Park, Riverhorse Valley, Durban, measuring approximately 1 006 m<sup>2</sup>. The lease commenced on 1 September 2007 and expires on 31 August 2017. The monthly rental payable by Macadams is R60 000 (excluding VAT) per annum escalating at a rate of 9% per annum]; and
- 5.4 the lease agreement entered into with Autumn Storm Investments (Proprietary) Limited (a company in which certain of the directors of Macadams are directors and shareholders) on 15 July 2005 in respect of the Units A and B, 6 Milan Street, Airport Industria, Cape Town, measuring approximately 2 733 m<sup>2</sup>. The lease commenced on 1 July 2005 and expires on 30 June 2015. The current monthly rental payable by Macadams is R57 380 (excluding VAT) per month escalating at a rate of 8% per annum with effect from 31 July of each year until expiry.

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**VENDORS**


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The names and addresses of the Macadams vendors, being the only vendors of the immovable property, fixed assets and/or securities purchased or proposed to be acquired by the company and/or its subsidiaries and the consideration paid during the three year period preceding the listing (or proposed to be paid) are as follows:

Name	Beneficial shareholders of vendor (direct and indirect)	Address	Asset purchased	Consideration		Amount paid for goodwill
				Cash	Securities	
Macadams International and Macadams Baking Systems	The Wilkes Trust (a trust in respect of which Richard Wilkes is a beneficiary) (49.27%) The MJM Trust (a trust in respect of which Mike Hodgson is a beneficiary) (19.36%) The MK Trust (14.02%) (a trust in respect of which Shane Mcmeeking is a beneficiary) Graham Noonan (14.02%) Bruce Armstrong (3.34%)	Range Road Blackheath Cape Town	The Macadams business	Maximum R210 million		46 666 667 shares at R1.50 each

**Notes:**

- None of the assets have been purchased by any of the Macadams vendors within the preceding three years of the publication of the prospectus.
- The Macadams vendors did not guarantee the book debts or other assets and the vendor provided warranties and indemnities normal for the type of transaction.
- Other than as disclosed in **Annexure 3**, no restraints of trade have been given by any of the vendors.
- No promoter or director or proposed director (or any partnership, syndicate or other association in which a promoter or director or proposed director had an interest) had any beneficial interest, direct or indirect in any transaction relating to any of the assets detailed in this annexure.
- The company has assumed the business' liabilities for normal tax arising from profits earned by the business in the ordinary course for the period commencing on 1 September 2006 (to the extent that such liability is only payable by the business in the ordinary course on or after the effective date) and the business' liability for VAT and PAYE in respect of the month preceding the effective date. These liabilities will be settled out of the current assets of the business acquired.
- No cash or securities have been paid or any benefit given within the three preceding years of this prospectus or is proposed to be paid or given to any promoter (not being a director).
- The Macadams business has been transferred to Universal Industries on the implementation date and, save as set out in **Annexure 17**, none of the assets comprising the Macadams business have been ceded or pledged to any third party.
- As the acquisition constitutes the acquisition of a business, no securities were purchased in a company that will become a subsidiary of the company.

## LOANS

### 1. MATERIAL LOANS TO THE GROUP

Save for those detailed below, no material loans (including by the issue of debentures) have been advanced to the company or any of its subsidiaries.

The table below sets out information regarding the material loans advanced to the group:

Borrower	Lender	Amount	Details of security (if any)	Terms and conditions of repayment or renewal	Interest rate	Conversion or redemption rights	Financing of repayments
Universal Industries	Nedbank Limited	Fixed term loan of R2 063 000	General notarial bond over all moveable assets, cession of debtors, suretyships provided by Universal Industries, cession of shares and loan accounts in subsidiaries	Repayable in monthly instalments of R137 205	10.85%	None	Payable out of the working capital of the company
Colcab	Nedbank Limited	Instalment sale agreement of R1 538 000	Security of assets having a book value of R4 917 415	Repayable in monthly instalments of R42 757	Prime rate	None	Payable out of the working capital of the company
Universal Industries	Nedbank Limited	Fixed rate loan facility of R1 438 000	Unlimited suretyships in favour of Nedbank by Insulated Structures and Colcab, cession of all present and future debtors and cession of a short-term insurance policy	Repayable in monthly instalments of R137 204	10.85%	None	Payable out of the working capital of the company
Insulated Structures, Colcab and Universal Industries	Nedbank Limited	Shared asset-based facility – revolving credit line – of R6 000 000	Unlimited suretyships in favour of Nedbank by Universal Industries and Colcab, cession of all present and future debtors, cession of a short-term insurance policy and a general notarial bond of R10 000 000 over moveable assets	Undrawn – terms to be agreed if and when the company draws from this revolving credit line	Prime less 1.5%	None	Payable out of the working capital of the company
Insulated Structures, Colcab and Universal Industries	Nedbank Limited	Shared multi-optional facility of R14 000 000	Unlimited suretyships in favour of Nedbank by Universal Industries and Colcab, cession of all present and future debtors, cession of a short-term insurance policy and a general notarial bond of R10 000 000 over moveable assets	Demand facility, granted on a fluctuating basis, without a specific expiry date	Prime rate	None	Payable out of the working capital of the company

<b>Borrower</b>	<b>Lender</b>	<b>Amount</b>	<b>Details of security (if any)</b>	<b>Terms and conditions of repayment or renewal</b>	<b>Interest rate</b>	<b>Conversion or redemption rights</b>	<b>Financing of repayments</b>
Colcab	Nedbank Limited	Medium-term loan facility of R10 000 000	Unlimited suretyships in favour of Nedbank by Universal Industries and Colcab, cession of all present and future debtors, cession of a short-term insurance policy and a general notarial bond of R15 000 000 over moveable assets	Undrawn – terms to be agreed if and when the company draws from this revolving credit line. The maximum repayment period will be 60 months from draw down	Prime less 1%	None	Payable out of the working capital of the company
Macadams	Nedbank Limited	Multi-optional facility of R5 000 000	Unlimited suretyships in favour of Nedbank by Universal Industries, Insulated Structures and Colcab, cession of all present and future debtors, cession of relevant fire policy covering all moveable assets, cession of all ordinary shares in Macadams by Universal Industries, subordination of vendor loans of R140 000 000 and a special and general notarial bond of R70 000 000 over moveable assets	Demand facility, granted on a fluctuating basis, without a specific expiry date	Prime rate	None	Payable out of the working capital of the company
Macadams	Nedbank Limited	Medium-term loan of R110 000 000	Unlimited suretyships in favour of Nedbank by Universal Industries, Insulated Structures and Colcab, cession of all present and future debtors, cession of relevant fire policy covering all moveable assets, cession of all ordinary shares in Macadams by Universal Industries, subordination of vendor loans of R140 000 000 and a special and general notarial bond of R70 000 000 over moveable assets	Undrawn – terms to be agreed if and when the company draws from this revolving credit line. The maximum repayment period will be 72 months from draw down	Prime less 0.5%	None	Payable out of the working capital of the company

## 2. MATERIAL LOANS BY THE GROUP

Other than as disclosed in notes 7 and 16 of **Annexure 10**, no material loans have been advanced by any company in the group to any other company in the group. No material loans have been advanced by the company or its subsidiaries to any third party outside of the group.

## 3. LOAN CAPITAL

At the last practicable date, there is no loan capital outstanding in the group.

**4. DEBENTURES**

No debentures have been created in terms of any trust deed or otherwise by the company or any subsidiary or issued by way of conversion or replacement of debentures previously issued.

**5. DIRECTORS' LOANS**

No loans have been made or security furnished by the company or any of its subsidiaries to or for the benefit of any director or manager or associate of any director or manager of the company.

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## CORPORATE GOVERNANCE STATEMENT

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Universal Industries is fully committed to compliance with the principles of the Code of Corporate Practices and Conduct set out in King II.

In so doing, the directors recognise the need to conduct the enterprise with integrity and in accordance with generally acceptable corporate practices. This includes timely, relevant and meaningful reporting to its shareholders and other stakeholders providing a proper and objective perspective of the company and its activities.

The directors have, accordingly, established mechanisms and policies appropriate to the company's business in keeping with its commitment to best practices in Corporate Governance in order to ensure compliance with King II. The board will review these from time to time.

The formal steps taken by the directors are summarised below.

### 1. BOARD OF DIRECTORS

The board of directors consists of two executive directors and two non-executive directors of whom none is considered independent. The board will ensure that there is an appropriate balance of power and authority on the board, such that no one individual or block of individuals can dominate the board's decision taking. The non-executive directors are individuals of calibre, credibility and have the necessary skills and experience to bring judgment to bear independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance.

The information needs of the board will be reviewed annually and directors will have unrestricted access to all company information, records, documents and property to enable them to discharge their responsibilities sufficiently. Efficient and timely methods of informing and briefing board members prior to board meetings will be developed and in this regard steps have been taken to identify and monitor key risk areas, key performance areas and non-financial aspects relevant to Universal Industries. In this context, the directors will be afforded information in respect of key performance indicators, variance reports and industry trends.

The board will establish a formal orientation programme to familiarise incoming directors with the company's operations, senior management and its business environment, and to induct them in their fiduciary duties and responsibilities. Directors will receive further briefings from time to time on relevant new laws and regulations as well as on changing economic risks. New directors with no or limited board experience will receive development and education to inform them of their duties, responsibilities, powers and potential liabilities.

The chairperson is a non-executive director and shall not hold the position of Chief Executive Officer.

The board will appraise the chairperson's performance on an annual or such other basis as the board may determine. The sub-committee appointed by the board, will appraise the performance of the executive directors, at least annually.

All directors will be subject to retirement by rotation and re-election by Universal Industries' ordinary shareholders at least once every three years in accordance with the articles.

The board will develop a charter setting out its responsibilities for the adoption of strategic plans, monitoring of operational performance and management, determination of policy and processes to ensure the integrity of the company's risk management and internal controls, communication policy and director selection, orientation and evaluation.

Board meetings will be held at least quarterly, with additional meetings convened when circumstances necessitate. The board will set the strategic objectives of the company and determine investment and performance criteria as well as being responsible for the proper management, control, compliance and ethical behaviour of the businesses under its direction. The board will establish a number of committees to give detailed attention to certain of its responsibilities and which will operate within defined, written terms of reference.

The board will conduct a self-evaluation of itself from time to time.

## 2. APPOINTMENT OF DIRECTORS

Board appointments shall be conducted in a formal and transparent manner by the board as a whole, free from any dominance of any one particular shareholder.

The meetings at which appointment of directors is discussed and/or confirmed will be properly minuted.

This policy also bears reference to the need for the annual appraisal of the performance of the board and individual directors.

New directors shall hold office until the next annual general meeting, at which they shall retire and become available for re-election. A brief *CV* of any new director standing for election at the annual general meeting shall accompany the notice of annual general meeting contained in the annual report.

## 3. AUDIT COMMITTEE

The board will establish an Audit Committee which will comprise a majority of non-executive directors. The majority of the members will be financially literate. The committee's primary objective will be to provide the board with additional assurance regarding the efficacy and reliability of the financial information used by the directors, to assist them in the discharge of their duties. The committee will be required to provide satisfaction to the board that adequate and appropriate financial and operating controls are in place; that significant business, financial and other risks have been identified and are being suitably managed; and that satisfactory standards of governance, reporting and compliance are in operation.

Within this context, the board is responsible for the Universal Industries group's systems of internal financial and operational control. The executive directors will be charged with the responsibility of determining the adequacy, extent and operation of these systems.

The Audit Committee will meet at least twice a year and will develop a charter setting out its terms of reference and responsibilities. Executives and managers responsible for finance and the external auditors will be in attendance.

The Audit Committee will authorise engagements for non-audit services with the appointed external auditors or any other practising firm of auditors, after consideration of the following:

- the essence of the work to be performed may not be of a nature that any reasonable and informed observer would construe as being detrimental to good corporate governance or in conflict with that normally undertaken by the accountancy profession;
- the nature of the work being performed will not affect the independence of the appointed external auditors in undertaking the normal audit assignments;
- the work being done may not conflict with any requirement of IFRS or principles of good corporate governance;
- to the operational structure, internal standards and processes that were adopted by the audit firm in order to ensure that audit independence is maintained in the event that such audit firm is engaged to perform accounting or other non-audit services to its client base. Specifically:
  - the company may not appoint a firm of auditors to improve systems or processes where such firm of auditors will later be required to express a view as to the functionality or effectiveness of such systems or processes;
  - the company may not appoint a firm of auditors to provide services where such firm of auditors will later be required to express a view on the fair representation of information and/or the result of these services to the company;
  - the total fee earned by an audit firm for non-audit services in any financial year of the company, expressed as a percentage of the total fee for audit services, may not exceed 35% without the approval of the board;
  - a firm of auditors will not be engaged to perform any management functions (e.g. acting as curator) without the express prior approval of the board. A firm of auditors may be engaged to perform operational functions, including that of bookkeeping, when such firm of auditors are not the appointed external auditors of the company and work is being performed under management supervision.

Information relating to the use of non-audit services from the appointed external auditors of the company shall be disclosed in the notes to the annual financial statements. Separate disclosure of the amounts paid to the appointed external auditors for non-audit services as opposed to audit services, shall be made in the annual financial statements.

#### **4. REMUNERATION COMMITTEE**

The Remuneration Committee is mandated by the board to set the remuneration and incentivisation of all senior executives, including executive directors. In addition, the Remuneration Committee recommends directors' fees payable to non-executive directors and members of board sub-committees. These fees are approved by shareholders at the annual general meeting.

The committee will be made up of at least two non-executive directors and an executive director. The committee will be chaired by a non-executive director. The Remuneration Committee will meet when necessary but at least once a year.

#### **5. DIRECTORS' DEALINGS AND PROFESSIONAL ADVICE**

The company will operate a policy of prohibiting dealings by directors and certain other managers in periods immediately preceding the announcement of its interim and year-end financial results, any period while the company is trading under cautionary announcement and at any other time deemed necessary by the board.

The board will establish a procedure for directors, in furtherance of their duties, to take independent professional advice, if necessary, at the company's expense. All directors will have access to the advice and services of the company secretary.

#### **6. THE COMPANY SECRETARY**

The company secretary will provide the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the company. The company secretary will provide a central source of guidance and advice to the board, and within the company, on matters of ethics and good corporate governance. The company secretary will be subjected to an annual evaluation by the board.

#### **7. RISK MANAGEMENT AND INTERNAL CONTROLS**

The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed. This is a board responsibility.

The most significant risks faced by Universal Industries include various macro-economic conditions, competitors within the industry, the introduction of new technology by competitors or technology failure, a shortage of specialised skills in the market as well as the risk of cancellation of key contracts. Furthermore, the level of borrowings and the exposure to interest rate movement need to be constantly monitored.

These and all other relevant risks will be assessed and monitored regularly and where appropriate insurance cover may be purchased for certain risks above pre-determined limits.

To enable the directors to meet these responsibilities, the board will set standards and management will implement systems of internal control, comprising policies, procedures, systems and information to assist in:

- safeguarding assets and reducing the risk of loss, error, fraud and other irregularities;
- ensuring the accuracy and completeness of accounting records and reporting;
- the timely preparation of reliable financial statements and information in compliance with relevant legislation and generally accepted accounting policies and practices.

#### **8. COMMUNICATION**

It will be the policy of Universal Industries to meet regularly with institutional shareholders and investment analysts, as well as to provide presentations on the company and its performance.

#### **9. EMPLOYMENT EQUITY**

Universal Industries will place particular emphasis on the development and training of its people, and will endeavour to ensure that employees are offered equal opportunity and appropriate participation.

#### **10. ETHICS**

Universal Industries is committed to promoting the highest standards of ethical behaviour amongst all its employees and, to this extent, a Code of Ethics for the company and its employees is to be adopted.

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## STATEMENT OF SHAREHOLDERS' RESOLUTIONS

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Statement of the shareholders' resolutions passed on 1 November 2007 and registered by the Registrar of Companies on 8 November 2007.

### SPECIAL RESOLUTIONS PASSED BY THE COMPANY

#### 1. Special Resolution No. 1

**“RESOLVED THAT** the authorised share capital of the company comprising of 4 000 ordinary shares of R1.00 each be and is hereby sub-divided into 400 000 000 ordinary shares of R0.00001 each.”

The reason for Special Resolution No. 1 is to sub-divide the authorised and issued share capital of the company to shares of a smaller value. The effect of Special Resolution No. 1 is that the number of shares comprising the authorised share capital of the company is altered from 4 000 shares having a par value of R1.00 each to 400 000 000 shares having a par value of R0.00001 each.

#### 2. Special Resolution No. 2

**“RESOLVED THAT** the authorised share capital of the company comprising of R4 000.00 divided into 400 000 000 ordinary shares of R0.00001 each, be and is hereby increased to R20 000.00, by the creation of 1 600 000 000 ordinary shares of R0.00001 each, such shares to rank *pari passu* in all respects with the existing ordinary shares of the company.”

The reason for and effect of Special Resolution No. 2 is to increase the authorised share capital of the company from R4 000 divided into 400 000 000 ordinary shares of R0.00001 cents each to R20 000.00, by the creation of 1 600 000 000 ordinary shares of R0.00001 each, such shares to rank *pari passu* in all respects with the existing ordinary shares of the company.

#### 3. Special Resolution No. 3

**“RESOLVED THAT** the company be converted from a private company having a share capital to a public company having a share capital.”

The reason for Special Resolution No. 3 is for the company to convert itself from a private company having a share capital to a public company having a share capital. The effect of Special Resolution No. 3 is that the company will be converted into a public company having a share capital.

#### 4. Special Resolution No. 4

**“RESOLVED THAT** the company change its name from Universal Food Systems Limited to “Universal Industries Corporation Limited.”

The reason for and effect of Special Resolution No. 4 is to change the company's name from Universal Food Systems Limited to Universal Industries Corporation Limited.

#### 5. Special Resolution No. 5

**“RESOLVED THAT** the company adopts the new memorandum and articles of association attached hereto.”

The reason for Special Resolution No. 5 is to substitute the memorandum of association and articles of association of the company so as to bring the memorandum of association and articles of association in line with the Companies Act, 61 of 1973 and the Listings Requirements of the JSE Limited and to regulate the relationship between the shareholders and the company as a public company. The effect of Special Resolution No. 5 is that, once Special Resolution No. 5 has been passed, the current memorandum of association and articles of association will be rendered obsolete and shall no longer govern the affairs of the shareholders of the company. The new memorandum of association and articles of association will govern such affairs.

## 5. Special Resolution No. 6

“**RESOLVED THAT** the company hereby approves, as a general approval contemplated in section 85 of the Companies Act, 61 of 1973, as amended (“the Act”) the acquisition by the company or any of its subsidiaries from time to time, of issued shares of the company upon such terms and conditions and in such amounts as the directors of the company may decide, subject to the provisions of the articles of association of the company, the JSE Listings Requirements and the Act, which general approval shall endure until the following annual general meeting of the company or, if varied or revoked by special resolution by any meeting of the company at any time prior to such annual general meeting.”

The reason for Special Resolution No. 6 is to grant the company a general approval in terms of the Act for the acquisition by the company or any of its subsidiaries of shares issued by the company. The effect of Special Resolution No. 6 is that the board of directors of the company will be afforded the general authority to acquire shares in the company or to permit a subsidiary of the company to acquire shares in the company, which general approval shall be valid until the earlier of the next annual general meeting of the company or its variation or revocation by special resolution by any subsequent general meeting of the company.

## 7. Ordinary Resolution No. 1

“**RESOLVED THAT**, after the listing of the shares as more fully described in the prospectus to be issued on or about 19 November 2007, the directors of the company be and they are authorised by way of a general authority, to issue the authorised but unissued shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to the Companies Act (No. 61 of 1973), as amended, the company’s articles of association, the Listings Requirements of the JSE Limited, when applicable, and the following limitations, namely that:

- this authority is valid until the company’s next annual general meeting, provided that it shall not extend beyond 15 months from the date that this authority is given;
- the number of shares issued for cash shall:
  - not in the aggregate in any one financial year exceed 15% of the total number of the company shares in issue (for which purposes account must be taken of the dilution effect, in the year of issue of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities); and
  - be based on the number of shares in issue at the date of such application less any shares issued (or to be issued in future arising from options/convertible securities issued) during the financial year in question plus any shares to be issued pursuant to a rights issue (which has been announced, is irrevocable and is fully underwritten) or acquisition (which has had final terms announced);
- in determining the price at which an issue of shares may be made in terms of this authority after the listing of the company, the maximum discount at which shares may be issued is 10% of the weighted average traded price on the JSE Limited of those shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company. Issues at a discount greater than 10% may only be undertaken subject to specific shareholders’ consent;
- after the listing of the company, any such allotment and issue of shares will only be made to “public shareholders”, as defined in the Listings Requirements of the JSE Limited.”

Ordinary resolution No. 1 is subject to the approval of 75% of the shareholders present (in person or represented by proxy) and voting at a general meeting convened to approve such resolution.

## 8. Ordinary Resolution No. 2

“**RESOLVED THAT** all authorised but unissued shares in the share capital of the company be and are hereby placed under the control and authority of the directors of the company as an unconditional general authority in terms of section 221(2) of the Companies Act, 61 of 1973, and that the directors of the company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares at their discretion, on such terms and conditions and at such times as the directors of the company may from time to time in their discretion deem fit, subject to the Companies Act, 61 of 1973, the company’s articles of association, and upon the listing of the company, the Listings Requirements of the JSE Limited.”

**9. Ordinary Resolution No. 3**

“**RESOLVED THAT** the Universal Industries Executive Share Incentive Scheme, a copy of which shall be tabled at the general meeting and initialled by the chairman for purposes of identification, be and is hereby approved and adopted by the company.”

**10. Ordinary Resolution No. 4**

“**RESOLVED THAT** the company applies to the JSE Limited for listing of the company’s ordinary shares on the General Industrials – Diversified Industrials sector of the Main Board of the JSE Limited.”

**11. Ordinary Resolution No. 5**

“**RESOLVED THAT** any director of the company or the company secretary be and is hereby authorised to do all things and sign all documents required to give effect to and implement the special and ordinary resolutions set out above.”

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## EXTRACTS FROM THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

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### APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

*Extracts from the memorandum and articles of association of the company providing for the appointment, qualification, remuneration and borrowing powers, interests of directors and dividends are set out below:*

#### “13. DIRECTORS

- 13.1 Until otherwise determined by a meeting of members, the number of directors shall not be less than 4 (four).
- 13.2 The directors shall have power at any time and from time to time to appoint any person as a director, either to fill a casual vacancy or as an addition to the board, but so that the total number of the directors shall not at any time exceed the maximum number fixed. Subject to the provisions of Article 16.2, any person appointed to fill a casual vacancy or as an addition to the board shall retain office only until the next following annual general meeting of the company and shall then retire and be eligible for re-election.
- 13.3 The appointment of a director shall take effect upon compliance with the requirements of the Statutes.
- 13.4 The shareholding qualification for directors and alternate directors may be fixed, and from time to time varied, by the company at any meeting of members and unless and until so fixed no qualification shall be required.
- 13.5 The remuneration of the directors shall from time to time be determined by the company in general meeting.
- 13.6 The directors shall be paid all their travelling and other expenses properly and necessarily incurred by them in and about the business of the company, and in attending meetings of the directors or of committees thereof, and if any director shall be required to perform extra services or to go or to reside abroad or otherwise shall be specially occupied about the company's business, he shall be entitled to receive a remuneration to be fixed by a disinterested quorum of the directors which may be either in addition to or in substitution for the remuneration provided for in Article 13.5.
- 13.7 The continuing directors may act, notwithstanding any casual vacancy in their body, so long as there remain in office not less than the prescribed minimum number of directors duly qualified to act; but if the number falls below the prescribed minimum, the remaining directors shall not act except for the purpose of filling such vacancy or calling general meetings of shareholders.
- 13.8 A director shall cease to hold office as such:
- 13.8.1 if he becomes insolvent, or assigns his estate for the benefit of his creditors, or suspends payment or files a petition for the liquidation of his affairs, or compounds generally with his creditors; or
- 13.8.2 if he becomes of unsound mind; or
- 13.8.3 if (unless he is not required to hold a share qualification) he has not duly qualified himself within 2 (two) months of his appointment or if he ceases to hold the required number of shares to qualify him for office; or
- 13.8.4 if he is absent from meetings of the directors for 6 (six) consecutive months without leave of the directors and is not represented at any such meetings during such 6 (six) consecutive months by an alternate director and the directors resolve that the office be vacated, provided that the directors shall have power to grant any director leave of absence for any or an indefinite period; or
- 13.8.5 if he is removed under Article 13.16; or
- 13.8.6 1 (one) month or, with the permission of the directors earlier, after he has given notice in writing of his intention to resign; or
- 13.8.7 if he shall pursuant to the provisions of the Statutes be disqualified or cease to hold office or be prohibited from acting as director.
- 13.9 The company and the directors shall comply with the provisions of the Statutes with regard to the disclosure of the interests of directors in contracts or proposed contracts; subject thereto, no director or intending director shall be disqualified by his office from contracting with the company, either with regard to such office or as

vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the company, in which any director shall be in any way interested, be or be liable to be avoided, nor shall any directors so contracting or being so interested be liable to account to the company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship thereby established.

- 13.10 No director shall, as a director, vote in respect of any contract or arrangement in which he is so interested as aforesaid, and if he does so vote, his vote shall not be counted, nor shall he be counted for the purpose of any resolution regarding the same in the quorum present at the meeting, but these prohibitions shall not apply to:
- 13.10.1 any contract or dealing with a company or partnership or corporation of which the directors of the company or any of them may be directors, members, managers, officials or employees or otherwise interested;
  - 13.10.2 any contract by or on behalf of the company to give to the directors or any of them any security by way of indemnity or in respect of advances made by them or any of them;
  - 13.10.3 any contract to subscribe for or to underwrite or sub-underwrite any shares in or debentures or obligations of the company or any company in which the company may in any way be interested;
  - 13.10.4 any resolution to allot shares in or debentures or obligations of the company to any director of the company or to any matter arising out of or consequent upon any such resolution;
  - 13.10.5 any contract for the payment of commission in respect of the subscription for such shares, debentures or obligations.

The above prohibitions may at any time or times be suspended or relaxed to any extent by the company in general meeting.

- 13.11 A director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat any other director is appointed to hold any office or place of profit under the company or whereat the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement notwithstanding that at such meeting his own appointment or an arrangement in connection therewith is a matter before the board of directors.
- 13.12 Any general notice given to the directors of the company by a director to the effect that he is a member of a specified company or firm shall comply with the provisions of the Statutes.
- 13.13 For the purpose of this Article an alternate director shall not be deemed to be interested in any contract or arrangement merely because the director for whom he is an alternate is so interested.
- 13.14 Nothing contained in this Article shall be construed so as to prevent any director as a member from taking part in and voting upon all questions submitted to a general meeting whether or not such director shall be personally interested or concerned in such questions.
- 13.15 A director may be employed by or hold any office of profit under the company or under any subsidiary company in conjunction with the office of director, other than that of auditor of the company or of any subsidiary company, and upon such terms as to appointment, remuneration and otherwise as the directors may determine, and any remuneration so paid may be in addition to the remuneration payable in terms of Article 13.5 or 13.6; Provided that the appointment of a director in any other capacity in the company and his remuneration must be determined by a disinterested quorum of directors.
- 13.16 Subject to the provisions of the Statutes, a majority of directors may remove a director at a directors meeting before the expiration of his period of office and by an ordinary resolution elect another person in his stead. The person so elected shall hold office until the next following annual meeting of the company and shall then retire and be eligible for re-election.”

## **“19. ALTERNATE DIRECTORS**

- 19.1 Any director shall have the power to nominate another person approved by the board to act as alternate director in his place during his absence or inability to act as such director, and on such appointment being made, the alternate director shall, in all respects, be subject to the terms and conditions existing with reference to the other directors of the company. A person may be appointed as alternate to more than one director. Where a person is alternate to more than one director or where an alternate director is a director, he shall have a separate vote, on behalf of each director he is representing in addition to his own vote, if any.

- 19.2 The alternate directors, whilst acting in the place of the directors who appointed them, shall exercise and discharge all the duties and functions of the directors they represent. The appointment of an alternate director shall cease on the happening of any event which, if he were a director, would cause him to cease to hold office in terms of these Articles or if the director who appointed him ceases to be a director, or gives notice to the secretary of the company that the alternate director representing him shall have ceased to do so. An alternate director shall look to the director who appointed him for his remuneration.”

## “12. BORROWING POWERS

- 12.1 The directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured) and other securities (with such special privileges, if any, as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise as may be sanctioned by a general meeting) whether outright or as security for any debt, liability or obligation of the company or of any third party.
- 12.2 For the purpose of the provisions of Article 12.1 the borrowing powers of the company shall be unlimited.”

## “16. MANAGING DIRECTORS

- 16.1 The directors may from time to time appoint one or more of their number to be managing director or joint managing directors of the company or to be the holder of any other executive office in the company, including for the purposes of these Articles the office of chairman (subject to the JSE Listings Requirements) and may, subject to any contract between him or them and the company, from time to time terminate his or their appointment and appoint another or others in his or their place or places.
- 16.2 A managing director may be appointed by contract for a maximum period of three years at any one time and he shall be subject to retirement by rotation and be taken into account in determining the rotation of retirement of directors, except during the period of any such contract. The managing director shall be eligible for reappointment at the expiry of any period of appointment subject to the terms of his contract, he shall be subject to the same provisions as to removal as the other directors and if he ceases to hold the office of director from any cause he shall *ipso facto* cease to be a managing director.
- 16.3 A director appointed in terms of the provisions of Article 16.1 to the office of managing director of the company, or to any other executive office in the company, may be paid in addition to the remuneration payable in terms of Article 13.5 or 13.6, such remuneration – not exceeding a reasonable maximum in each year – in respect of such office as may be determined by a disinterested quorum of the directors.
- 16.4 The directors may from time to time entrust and confer upon a managing director or other executive officer for the time being such of the powers and authorities vested in them as they think fit, and may confer such powers and authorities for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient and they may confer such powers and authorities either collaterally with, or to the exclusion of, and in substitution for, all or any of the powers and authorities of the directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers and authorities. A managing director appointed pursuant to the provisions hereof shall not be regarded as an agent or delegate of the directors and, after powers have been conferred upon him by the directors in terms hereof, he shall be deemed to derive such powers directly from this Article.”

## “20. POWERS OF DIRECTORS

- 20.1 The management of the company shall be vested in the directors who, in addition to the powers and authorities by these Articles expressly conferred upon them, may exercise all such powers, and do all such acts and things, as may be exercised or done by the company and are not hereby or by the Statutes expressly directed or required to be exercised or done by the company in general meeting (including without derogating from the generality of the foregoing or from the rights of the members, the power to resolve that the company be wound up), but subject nevertheless to such management and control not being inconsistent with these Articles or with any resolution passed at any general meeting of the members in accordance therewith; but no resolution passed by the company in general meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been passed. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the directors by any other Article.

- 20.2 It is hereby declared pursuant to the provisions of the Statutes that although the directors shall have power to enter into a provisional contract for the sale or alienation of the undertaking of the company, or the whole or the greater part of the assets of the company, such provisional contract shall become binding on the company only in the event of the specific transaction proposed by the directors being approved by a resolution passed by the company in general meeting.
- 20.3 The directors shall have power to delegate to any person or persons any of their powers and discretions and to give to any such person or persons power of sub-delegation.
- 20.4 Without in any way limiting or restricting the general powers of the directors to grant pensions, allowances, gratuities and bonuses to officers or ex-officers, employees or ex-employees of the company or the dependants of such persons, it is hereby expressly declared that the directors may from time to time without any further sanction or consent of the company in general meeting, but subject to the Statutes, grant pensions, gratuities or other allowances to any person or to the widow or dependants of any deceased person in respect of services rendered by him to the company as managing director, executive director, general manager or manager, or in any other office or employment under the company, notwithstanding that he may continue to be or be elected a director or may have been a director of the company, of such amounts, for such period, whether for life or for a definite period or for a period terminable on the happening of any contingency or event, and generally upon such terms and conditions as the directors in their discretion may from time to time think fit. For the purpose of this Article, the expression "executive director" shall mean a director appointed to an executive office in the company and receiving in addition to his fees as a director salary or remuneration for additional services whether under a service agreement or otherwise. The directors may authorise the payment of such donations by the company to such religious, charitable, public or other bodies, clubs, funds or associations or persons as may seem to them advisable or desirable in the interests of the company."

#### **"37. DIVIDENDS AND OTHER PAYMENTS TO MEMBERS**

- 37.1 Subject to the provisions of the Statutes, the company may make payments to its members from time to time.
- 37.2 The company in general meeting (subject to obtaining the declaration of the directors referred to in Article 37.3) or the directors, may from time to time determine a dividend (provided that the company in general meeting may not declare a larger dividend than that declared by the directors) or other payment to be made to the members, registered as such at a date which shall be after the date of publication of the announcement of the declaration of the dividend, in such manner as the company in general meeting or the directors, as the case may be, may determine and direct at the time of declaration, including, without limiting the foregoing, that a payment shall be made by distribution of specific assets or in a specific currency (and if the latter the date of conversion of the currency in which the dividend or other payment is approved, into such other currencies). If any difficulty arises in regard to any payment, the directors may settle same as they consider appropriate.
- 37.3 The declaration of the directors as to whether:
- 37.3.1 the company is, or would be after the payment able to pay its debts as they become due in the ordinary course of business;
- 37.3.1 the consolidated assets of the company, fairly valued would, after the dividend or other payment, not be less than the consolidated liabilities of the company,
- shall be conclusive as regards the company in general meeting declaring a dividend or making any other payment to members.
- 37.4 No notice of change of address or instructions as to payment given after the last day to trade for a dividend or other payment by the company in general meeting or the directors, shall become effective until after the dividend or other payment has been made, unless the company in general meeting or the directors so determine at the time the dividend or other payment is approved.
- 37.5 All unclaimed dividends or other payments to members as contemplated in this Article may be invested or otherwise be made use of by the directors for the benefit of the company until claimed, provided that any dividend remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable may be forfeited by resolution of the directors for the benefit of the company.
- 37.6 The company shall be entitled at any time to delegate its obligations to any member in respect of unclaimed dividends or other unclaimed payments to any one of the company's bankers from time to time.

- 37.7 Unless the Statutes or these Articles require a resolution to be passed by the company in general meeting to authorise the reduction by the company of its share capital, stated capital and any capital redemption reserve fund or any share premium account, the directors shall have the power, to the extent necessary, to resolve that the company reduce its share capital, stated capital and any capital redemption reserve fund or any share premium account, whether accompanied by a payment to members as contemplated in this Article 37, or without any payment to members.”

#### “CONDITIONS

Any special conditions which apply to the company and the requirements, if any, additional to those prescribed in the act for their alteration are:

There are no special conditions which apply to the company.”

*Extracts from the memorandum and articles of association of the subsidiaries:*

#### “11. BORROWING POWERS

- 11.1 Subject to 11.2, the directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured) and other securities (with such special privileges, if any, as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise as may be sanctioned by a general meeting) whether outright or as security for any debt, liability or obligation of the company or of any third party.
- 11.2 The total amount owing by the company in respect of monies raised, borrowed or secured, pursuant to 11.1 shall not exceed the amount authorised by its listed holding company.”

#### “12. DIRECTORS

- 12.1 The shareholding qualification for directors and alternate directors may be fixed, and from time to time varied, by the company at any meeting of members and unless and until so fixed no qualification shall be required.
- 12.2 The remuneration of the directors shall from time to time be determined by the company in general meeting.”





# UNIVERSAL INDUSTRIES CORPORATION LIMITED

(formerly **Universal Food Systems (Proprietary) Limited**)

(Incorporated in the Republic of South Africa)

(Registration number 1996/004343/06)

JSE code: UNI ISIN: ZAE000110664

(“**Universal Industries**” or “**the company**”)

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## APPLICATION FORM – OFFER

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**Private placement of 80 000 000 shares by way of an offer for subscription of up to 80 000 000 shares at a price of 150 cents per share.**

Please refer to the instructions overleaf before completing this application form.

### Dematerialised shares

Applicants who commit to accept the offer in uncertificated form and who do have a CSDP or broker must complete the original of this application form (applicants must get their CSDP or broker to stamp the application form in the space provided) attached to and forming part of this prospectus and return same together with payment by cheque to Java Capital (Proprietary) Limited, 2nd Floor, 2 Arnold Road, Rosebank, Johannesburg, 2196 (PO Box 2087, Parklands, 2121) to be received by no later than 12:00 on Friday, 23 November 2007.

The cheque must be attached to and submitted with the application form. Cheques must be crossed “Not transferable” and the words “or bearer” deleted and made payable in favour of “**Universal Industries Corporation Limited – Listing**”.

Each envelope should contain one application form and be clearly marked “**Universal Industries Corporation Limited – Listing**”.

All cheques will be deposited upon receipt and will be held by the company in a designated account with Nedbank Limited. The company reserves its right however to return any cheques without making any such deposit. Should any cheque be dishonoured or payment not be received, the directors of Universal Industries may, in their absolute discretion, regard the relevant application as revoked or take such steps in regard thereto as they deem fit.

The CSDP or broker concerned will receive and hold the dematerialised shares on the applicant’s behalf. The directors of Universal Industries recommend that any applicant who does not have a relationship with a CSDP or broker establish a relationship in order to have dematerialised shares held on the applicant’s behalf by the CSDP or broker.

### Certificated shares

Should an applicant not wish to open an account with a CSDP or broker or should an applicant require a physical share certificate the applicant must complete the original of the application form attached to and forming part of this prospectus and return same together with payment by cheque to Java Capital (Proprietary) Limited, 2nd Floor, 2 Arnold Road, Rosebank, Johannesburg, 2196 (PO Box 2087, Parklands, 2121). Cheques must be crossed “Not transferable” and the words “or bearer” deleted and made payable in favour of “**Universal Industries Corporation Limited – Listing**” to be received by no later than 12:00 on Friday, 23 November 2007.

The cheque must be attached to and submitted with the application form.

All cheques will be deposited upon receipt and held by the company in a designated account with Nedbank Limited. The company reserves its right however to return any cheques without making any such deposit. Should any cheque be dishonoured or payment not be received, the directors of Universal Industries may, in their absolute discretion, regard the relevant application as revoked or take such steps in regard thereto as they deem fit.

Successful applicants will be posted physical share certificates by registered post, at the applicant’s own risk, to the address provided by the applicants on the application form provided the cheque has been deposited and the monies cleared. There are risks associated with holding shares in certificated form, including the risk of loss or tainted script, which are no longer covered by the JSE Guarantee Fund. All applicants who elect to receive certificated shares will have to dematerialise their certificated shares should they wish to trade them under the terms of Strate (see paragraph 8.7 of the prospectus).

Each application submitted must be in one name only and show only one address. The directors of Universal Industries reserve the right to accept or reject any application, whether it is for certificated or uncertificated shares, in whole or in part, particularly if the instructions overleaf and as set out in the prospectus are not properly complied with.

To the directors

Universal Industries Corporation Limited

1. I/We, the undersigned, confirm that I/we have full legal capacity to contract and, having read the prospectus, hereby irrevocably apply for and request you to accept my/our application for the under-mentioned number of shares in Universal Industries at 150 cents per share or any lesser number that may, in your absolute discretion, be allotted to me/us, subject to the articles of association of Universal Industries.
2. Those applicants who wish to receive their allocated shares in uncertificated form and who do have a CSDP or broker must hand this application form to their appointed CSDP or broker. Payment in respect of these applications will be, in terms of the custody agreement entered into between the applicant and their respective CSDP or broker.
3. Those applicants who wish to receive their allocated shares in certificated form commit to accept the physical share certificate and hereby enclose a crossed cheque in favour of “**Universal Industries Corporation Limited – Listing**” for the appropriate amount due in terms of this application.
4. I/We understand that the subscription for shares in terms of the prospectus is conditional on the granting of a listing of the shares of Universal Industries, by Thursday, 29 November 2007 or such later date as the directors may determine, on the JSE lists.

Dated

2007 Telephone number ( )

Signature

Assisted by (where applicable)

<b>Surname of individual</b>	Mr Mrs Miss Other title
<b>First names (in full)</b>	
<b>To be completed by all applicants</b> <b>Postal address</b> (Preferably PO Box address) Refund cheque and share certificate, if applicable, will be sent to this address, provided the relevant application monies have been deposited and cleared	
<b>Telephone number</b> <b>Telefax number</b> <b>Cellphone number</b>	
<b>Name of broker/CSDP</b>	
<b>Broker/CSDP's SCA Number</b>	
<b>Reference Number/Account Number</b>	
<b>Total number of shares applied for</b>	
<b>Note:</b> Minimum number of 1 000 shares and thereafter in multiples of 1 000 shares at 150 cents per share	(Enter figures only – not words)
<b>Total amount of cheque</b> to cover shares applied for herein at 150 cents per share	R (Enter figures only – not words)
Broker or CSDP stamp and signature	

This application will constitute a legal contract between Universal Industries and applicant. Application forms for certificated or uncertificated shares where this portion has not been completed will not be accepted.

#### **Instructions:**

- Applications may be made on this application form only. Copies or reproductions of the application form will not be accepted.**
- Applications are irrevocable and may be not withdrawn once submitted to the company, CSDP's or brokers.
- All CSDP's and brokers will be required to retain the application form for presentation to the directors if required.
- Please refer to the terms and conditions of the offer set out in paragraph 8 of the prospectus. Applicants should consult their brokers, bankers, or other professional advisers in case of doubt as to the correct completion of the application form.
- Applications must be for a minimum of 1 000 shares and in multiples of 1 000 shares thereafter.
- Applicants who wish to receive their shares in uncertificated form and who do have a CSDP or broker, must do so in terms of the custody agreement entered into between them and their CSDP or broker.
- Applicants who wish to receive their shares in certificated form must submit only one application form and one cheque in respect of each application. To the extent that more than one application is submitted, the first application form received will be the one in respect of which shares will be allocated in terms of the prospectus and further application form(s) will be ignored. The application monies applicable thereto will be held by the company and returned with interest at the rate earned thereon by the company (but exclusive of any handling costs and/or fees incurred by the company) to the applicants concerned with all other returned cheques in terms of the prospectus at the applicant's risk provided the cheque has been deposited and the application monies cleared into the account of Universal Industries. Postal orders, cash, direct deposits or telegraphic transfers **will not** be accepted, unless specific arrangements are made with the company.
- No receipts will be issued for application forms, application monies or any supporting documentation unless specifically requested and applications will only be regarded as complete when the relevant cheque has been cleared. All monies will be deposited for payment. The company reserves its right however to return any cheques without making any such deposit. If a receipt is required, shareholders or lodging agents are required to prepare special transaction receipts for application forms lodged.
- If any cheques is dishonoured, Universal Industries may, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
- All alterations on the application form must be authenticated by full signature.
- Universal Industries will use the "certified transfer deeds and other temporary documents of title" procedure approved by the JSE and therefore will issue only a "block" certificate for the shares allotted in terms of this application.
- Blocked Rand may be used by emigrants and non-residents of the common monetary area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) for payment and reference should be made to Annexure 7 to the prospectus that deals with exchange control regulations.
- Should the application not be successful, all monies will be appropriately refunded within approximately seven days of the closing of the offer provided the cheque has been deposited and the application monies cleared into the account of Universal Industries.



