

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 6 of this circular apply mutatis mutandis throughout this document, including on this cover page.

If you are in any doubt as to what action to take, please consult your broker, Central Securities Depository Participant ("CSDP"), banker, accountant, legal advisor or other professional advisor.

### Action required

If you have disposed of all your Universal shares, this circular should be handed to the purchaser of such shares or to the broker, CSDP, banker or other agent through whom the acquisition was effected.

Beneficial shareholders who have already dematerialised their shares through a CSDP or broker who wish to attend the general meeting must request their CSDP or broker to provide them with the necessary Letter of Representation to attend the general meeting or must instruct their CSDP or broker to vote on their behalf in terms of their respective agreements with their CSDP or broker.

Universal shareholders are referred to page 4 of this circular, which sets out the detailed action required of them in respect of the transactions set out in this circular.

**Universal does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of any holder of dematerialised shares to notify such shareholder of the transactions set out in this circular.**

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## Universal Industries Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number 1996/004343/06)

JSE code: UNI ISIN: ZAE000110664

("Universal" or "the company")

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## CIRCULAR TO UNIVERSAL SHAREHOLDERS

relating to:

- the proposed acquisition by Universal of all of the shares in and claims against BCE Foodservice Equipment (Proprietary) Limited;
- the proposed amendments to Universal's current share option scheme; and
- the proposed adoption of the Universal assisted share purchase scheme;

and enclosing:

- a notice of general meeting of Universal shareholders; and
  - a form of proxy for Universal shareholders to vote at the general meeting of Universal shareholders (for use by certificated Universal shareholders and dematerialised Universal shareholders who have elected "own-name" registration only).
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Corporate advisor, legal advisor and sponsor to Universal

The logo for JAVACAPITAL features the word 'JAVACAPITAL' in a bold, uppercase sans-serif font, with a stylized, grey, three-dimensional 'J' symbol above the 'A'.

Date of issue: Thursday, 29 July 2010

*This circular is only available in English. Copies of this circular may be obtained from the registered offices of Universal being 16 Precision Street, Kya Sand, Randburg, Johannesburg, 2163 or from the offices of PKF (Jhb) Inc., 42 Wierda Road West, Wierda Valley, Sandton, 2196.*

**This circular will be available for inspection from Thursday, 29 July 2010 until Friday, 20 August 2010.**

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## CORPORATE INFORMATION

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### Registered office of Universal

16 Precision Street  
Kya Sand  
Randburg  
Johannesburg, 2163  
(PO Box 3667, Randburg, 2125)

### Company secretary of Universal

Probity Business Services (Proprietary) Limited  
(Registration number 2000/002046/07)  
3rd Floor  
The Mall Offices  
11 Cradock Avenue  
Rosebank  
Joannesburg, 2196  
(PO Box 85392, Emmarentia, 2029)

### Corporate advisor, legal advisor and sponsor to Universal

Java Capital (Proprietary) Limited  
(Registration number 2002/031862/07)  
2 Arnold Road  
Rosebank  
Johannesburg, 2196  
(PO Box 2087, Parklands, 2121)

### Transfer secretaries of Universal

Link Market Services South Africa (Proprietary) Limited  
(Registration number 2000/007239/07)  
16th Floor  
11 Diagonal Street  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

### Reporting accountants and auditors

PKF (Jhb) Inc.  
(Registration number 1994/001166/21)  
42 Wierda Road West  
Wierda Valley  
Sandton, 2196  
(Private Bag X10046, Sandton, 2146)

### Date and place of incorporation of BCE

Incorporated in the Republic of South Africa  
on 23 August 2000  
(Registration number 2000/021159/07)  
11 Third Street  
Southdale Ext. 2  
Johannesburg, 2091

### Date and place of incorporation of Universal

Incorporated in the Republic of South Africa  
on 10 April 1996  
(Registration number 1996/004343/06)

### Independent experts

Grant Thornton Advisory Services (Proprietary) Limited  
(Registration number 2002/022635/07)  
137 Daisy Street  
Sandown, 2165  
(Private Bag X 28, Benmore, 2010)

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## SALIENT FEATURES

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### 1. INTRODUCTION

#### **The acquisition**

It was announced on SENS on 9 June 2010 and in the press on 10 and 11 June 2010 that Universal had concluded an agreement with Investec, Cida, the Boner Trust and the Nestadt Trust to acquire all of the shares and claims on loan account against BCE for a maximum purchase consideration of R224 550 000. Given that the acquisition is classified as a Category 1 transaction by the JSE, the approval of Universal shareholders is required for the acquisition.

Subsequent to due diligence investigations, the purchase consideration has been adjusted downwards by R312 795. Accordingly, the initial payment will be in an amount of R214 237 205. This is as a result of the net asset value (“NAV”) and net tangible asset value (“NTAV”) as at the effective date, being below the required R140 000 000 and R117 500 000, respectively.

#### ***The proposed amendments to the current share option scheme and adoption of the new assisted share purchase scheme***

In terms of the most recent amendments to the Listings Requirements, the share incentive scheme of a company whose shares are listed on the JSE is no longer permitted to make reference to the words “from time to time” or a specified percentage of the company’s share capital, either as regards the maximum number of shares permitted for the scheme or per participant. Accordingly, it is proposed that the Universal Industries Group Executive Incentive Scheme adopted by Universal on 7 November 2007, be amended in order to comply with the revised Listings Requirements.

In addition, the board proposes the adoption of a new assisted share purchase scheme, intended as a holistic approach to the incentivisation of key executives within the group.

The approval of shareholders is required for both the amendment of the current share option scheme and the proposed new share purchase scheme.

### 2. THE ACQUISITION

#### **BCE**

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

#### ***Rationale for the acquisition***

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

#### ***Prospects***

Universal has an established export network into Africa, which, post acquisition, will offer BCE significant growth opportunities into this market. Furthermore, Universal’s manufacturing base could be utilised to manufacture certain items for distribution by BCE. The group will also benefit from a marketing perspective as well as opportunities for cross-selling to customers.

### 3. THE AMENDMENTS TO THE CURRENT SHARE OPTION SCHEME

The Universal Industries Group Executive Incentive Scheme adopted by Universal on 7 November 2007 is proposed to be amended in order to comply with the revised Listings Requirements, by an addendum thereto in accordance with the draft to be tabled at the general meeting, salient features of which are detailed in Annexure 6. The amendment is required given that the latest amendments to the Listings Requirements do not permit reference to the words “from time to time” or a specified percentage of a company’s share capital, either as regards the maximum number of shares permitted for the scheme or per participant.

#### 4. THE PROPOSED ADOPTION OF THE NEW ASSISTED SHARE PURCHASE SCHEME

The board proposes adopting a new executive incentive scheme to take the form of an assisted share purchase scheme, the intended participants to be the executives (including executive directors) of Universal and its subsidiaries. Terms of the proposed new assisted share purchase scheme are set out in **Annexure 7**.

#### 5. OPINION AND RECOMMENDATION

The directors of Universal intend voting the Universal shares held or controlled by them in favour of all of the resolutions necessary to implement the acquisition, amend the current share option scheme and adopt the new assisted share purchase scheme.

#### 6. FINANCIAL INFORMATION

##### *Pro forma financial information*

The unaudited *pro forma* consolidated statement of comprehensive income (“income statement”) and *pro forma* consolidated statement of financial position (“balance sheet”) are the responsibility of the directors of Universal and they have been prepared for illustrative purposes only, in order to provide information about the financial position and results of Universal, assuming the acquisition had been implemented on 1 January 2009, in respect of the income statement and on 31 December 2009, in respect of the balance sheet.

Due to its nature, the *pro forma* financial information may not give a fair reflection of Universal’s financial position and results of operations subsequent to the acquisition.

The reporting accountants’ report on the *pro forma* financial information of the acquisition is set out in **Annexure 1** to this circular.

	Before (cents)	After (cents)	Change (%)
Earnings and headline earnings per share	11,4	15,6	36,8
Net asset value per share	78,8	77,9	(1,1)
Tangible net asset value per share	36,0	18,0	(50,0)

##### **Notes and assumptions:**

- The figures set out in the “Before” column above have been extracted from the audited financial results of Universal for the year ended 1 December 2009.
- The figures set out in the “After” column above have been calculated after including the results attributable to BCE extracted from its audited financial results for the year ended 30 June 2009, and the adjustments referred to below.
- The acquisition of BCE is assumed to have been implemented on 1 January 2009 for earnings and headline earnings per share purposes and on 31 December 2009 for net asset and tangible net asset value per share purposes.
- BCE had an attributable net profit of R31,2 million for the year ended 30 June 2009 and a net asset value of R107,3 million at that date.
- It is assumed that:
  - the purchase consideration payable of R224,2 million is paid, settled as to R89,2 million from existing cash resources within the group, R120 million from bank funding and R15 million is vendor funded;
  - the reduction in finance income resulting from the cash portion of the consideration payable, restraint payments of R11,0 million to certain key executives of BCE and transaction costs that are settled out of existing cash resources has been calculated at 6,5%, being the average rate at which the Universal group earned finance income during the financial period ended 31 December 2009;
  - transaction costs of R4,1 million have been expensed;
  - R1,9 million of the restraint payments have been expensed during the period;
  - the interest expense on the bank funding has been calculated at the prime rate, i.e. 10%;
  - the notional interest expense on the interest-bearing portion of the vendor funding (R5 million) has been calculated at the prime rate, i.e. 10%;
  - taxation has been provided for at 28%; and
  - there are 448 418 999 Universal shares in issue before and after the acquisition.

##### **Historical financial information of BCE**

BCE’s audited financial information for the years ended 30 June 2009, 2008 and 2007 and for the 10-month period ended 30 April 2010 is attached as **Annexure 3** to this circular.

The independent reporting accountants’ report on the historical financial information of BCE is attached as **Annexure 4**.

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## ACTION REQUIRED BY UNIVERSAL SHAREHOLDERS

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The definitions commencing on page 6 of this circular apply *mutatis mutandis* to this section.

### THE GENERAL MEETING

The implementation of the transactions is subject to, *inter alia*, Universal shareholders passing the requisite resolutions at the general meeting of Universal shareholders to be held at 12h00 on Friday, 20 August 2010 at the offices of PKF (Jhb) Inc. (42 Wierda Road West, Wierda Valley, Sandton).

Notice convening the general meeting is attached to and forms part of this circular.

#### *Certificated and dematerialised “own-name” shareholders*

Certificated shareholders and dematerialised shareholders who have elected “own-name” registration in the sub register of Universal maintained by a CSDP, who are unable to attend the general meeting but who wish to be represented thereat, are requested to complete and return the attached form of proxy in accordance with the instructions contained therein. The duly completed forms of proxy must be received by the transfer secretaries by no later than 12h00 on Tuesday, 17 August 2010.

#### *Other dematerialised shareholders*

Dematerialised shareholders who have not elected “own-name” registration in the sub-register of Universal maintained by a CSDP and who wish to attend the general meeting, must instruct their CSDP or broker timeously in order that such CSDP or broker may issue them with the necessary Letter of Representation or equivalent authority to attend.

Dematerialised shareholders who have not elected “own-name” registration in the sub register of Universal maintained by a CSDP and who do not wish to attend the general meeting, must provide their CSDP or broker with their instruction for attendance or voting at the general meeting in the manner stipulated in the agreement between the shareholder concerned and the CSDP or broker governing the relationship between such shareholder and his CSDP or broker. These instructions must be provided to the CSDP or broker by the cut off time and date advised by the CSDP or broker for instructions of this nature.

**Universal does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of a dematerialised shareholder to notify such shareholder of the general meeting or any business to be conducted thereat.**

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## SALIENT DATES AND TIMES

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**2010**

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Circular posted on	Thursday, 29 July
Receipt of forms of proxy by 12h00 on	Tuesday, 17 August
General meeting of Universal shareholders at 12h00 on	Friday, 20 August
Results of the general meeting released on SENS on	Friday, 20 August
Results of the general meeting published in the press on	Monday, 23 August

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**Notes:**

All dates and times in this circular are local times in South Africa. The above dates and times are subject to change. Any changes will be released on SENS and published in the press.

Universal shareholders are referred to page 4 of this circular for information on the action required to be taken by them.

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## INTERPRETATIONS AND DEFINITIONS

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In this circular and the annexures hereto, unless inconsistent with the context, an expression which denotes a gender includes the other gender, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the expressions set out in the first column bear the meaning assigned to them in the second column.

“ <b>acquisition</b> ”	the proposed acquisition by Universal of the sale equity;
“ <b>acquisition agreement</b> ”	the agreement between Universal and the sellers governing the acquisition, dated 9 June 2010 as read with the letter of addendum, dated 14 July 2010;
“ <b>BCE</b> ”	BCE Foodservice Equipment (Proprietary) Limited (registration number 2000/021159/07), a private company duly incorporated in South Africa and the subject of the acquisition;
“ <b>BCE group</b> ”	BCE and its subsidiaries;
“ <b>the board</b> ”	the board of directors of Universal as set out on page 9 of this circular;
“ <b>Boner Trust</b> ”	the trustees for the time being of The Boner Family Trust (Master’s Reference No. IT10259/98) a discretionary trust of which Frank Boner is the founder;
“ <b>business day</b> ”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“ <b>certificated shareholders</b> ”	Universal shareholders who hold certificated shares;
“ <b>certificated shares</b> ”	Universal shares which have not yet been dematerialised into the Strate system, title to which is represented by share certificates or other physical documents of title;
“ <b>Cida</b> ”	Cida BCE Investments (Proprietary) Limited (registration number 2003/027509/07), a company duly incorporated in South Africa, the ultimate owner being the CIDA Empowerment Trust (Master’s Reference No. IT5016/04);
“ <b>the/this circular</b> ”	all the documents contained in this bound document, including the notice of general meeting and the form of proxy;
“ <b>closing date</b> ”	means the business day following fulfilment (or, if applicable, waiver) of the conditions precedent;
“ <b>Companies Act</b> ”	the Companies Act, Act 61 of 1973, as amended or replaced from time to time;
“ <b>Competition Act</b> ”	the Competition Act, 89 of 1998, as amended;
“ <b>Competition Authorities</b> ”	the Competition Commission established by the Competition Act;
“ <b>condition fulfilment date</b> ”	the date on which the condition precedent in question is to be fulfilled (or where applicable, waived);
“ <b>conditions precedent</b> ”	the conditions precedent to which the acquisition is subject, as set out in paragraph 2 of this circular;
“ <b>CSDP</b> ”	Central Securities Depository Participant;
“ <b>current share option scheme</b> ”	the Universal Industries Group Executive Incentive Scheme adopted on 7 November 2007 and which is proposed to be amended on the basis set out in paragraph 3 of this circular;
“ <b>dematerialised shareholders</b> ”	Universal shareholders who hold dematerialised shares;
“ <b>dematerialised shares</b> ”	shares which have been incorporated into the Strate system, title to which is no longer represented by share certificates or other physical documents of title;
“ <b>due diligence period</b> ”	the period which commenced on 30 April 2010 and which expired on 6 July 2010;
“ <b>effective date</b> ”	the effective date of the acquisition, being 1 May 2010;
“ <b>effective financial statements</b> ”	the audited consolidated financial statements of BCE for the 10 months ended 30 April 2010;

<b>“general meeting”</b>	the general meeting of the shareholders of Universal to be held at 12h00 on Friday, 20 August 2010 at the offices of PKF (42 Wierda Road West, Wierda Valley, Sandton);
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“Investec”</b>	Investec Bank Limited (registration number 1969/004763/06), a public company incorporated and registered in terms of the laws of South Africa;
<b>“JSE”</b>	JSE Limited (registration number 2005/022939/06), a public company duly incorporated in South Africa and licensed as an exchange under the Securities Services Act, 36 of 2004, as amended or replaced from time to time;
<b>“key BCE executives”</b>	collectively, Mike Thurley, Justin Morby Smith, Neill Wooding and Raymond Rive;
<b>“last practicable date”</b>	Tuesday, 27 July 2010, being the last practicable date prior to the finalisation of this circular;
<b>“Listings Requirements”</b>	the JSE Listings Requirements, as amended from time to time;
<b>“LNP Trust”</b>	a discretionary trust of which Daryl Paynter is a trustee and beneficiary;
<b>“Nestadt Trust”</b>	the trustees for the time being of The LM Nestadt Trust (Master’s Reference No. T11215);
<b>“new share purchase scheme”</b>	the proposed Universal assisted share purchase scheme, the salient features of which are set out in paragraph 4 of this circular;
<b>“Newco”</b>	Brevilite (Proprietary) Limited (registration number 2010/011354/07), a private company duly incorporated in South Africa and a wholly-owned subsidiary of Universal, to be renamed BCE Foodservice Equipment (Proprietary) Limited as soon as possible after implementation of the proposed restructure of the group;
<b>“own-name dematerialised shareholders”</b>	dematerialised shareholders who/which have elected own-name registration in the sub register of Universal maintained by a CSDP;
<b>“PKF”</b>	the reporting accountants to the acquisition, namely PKF (Jhb) Inc. (registration number 1994/001166/21), a limited partnership duly incorporated in South Africa, with offices at 42 Wierda Road West, Wierda Valley, Sandton;
<b>“prime rate”</b>	the publicly quoted nominal rate of interest per annum of Nedbank Limited (as certified by any General Manager of that bank, whose appointment and authority it shall not be necessary to prove) at which that bank lends monies on overdraft, which interest shall be compounded monthly in arrear and calculated on a 365-day year, irrespective of whether or not the year in question is a leap year;
<b>“R” or “Rand”</b>	South African Rand;
<b>“reporting accountants”</b>	PKF;
<b>“sale equity”</b>	all of the shares and claims on loan account against BCE, the subject matter of the acquisition;
<b>“the sellers”</b>	collectively, Investec Bank, Cida, the Boner Family Trust and the L M Nestadt Trust;
<b>“SENS”</b>	the Securities Exchange News Service, the news service operated by the JSE;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Strate”</b>	Strate Limited (registration number 1998/022242/06), a limited liability public company duly incorporated in South Africa, which is a registered central securities depository and which is responsible for the electronic settlement system used by the JSE;
<b>“the transactions”</b>	the acquisition, the proposed amendment of the current share option scheme and the proposed adoption of the new assisted share purchase scheme;
<b>“transfer secretaries”</b>	Link Market Services South Africa (Proprietary) Limited (registration number 2000/007239/07), a limited liability private company duly incorporated in South Africa;

<b>“Universal” or “the company”</b>	Universal Industries Corporation Limited (registration number 1996/004343/06), a public company duly incorporated in accordance with the laws of South Africa, the shares of which are listed on the JSE;
<b>“Universal group” or “the group”</b>	Universal, its subsidiaries and its associated companies;
<b>“Universal register”</b>	Universal’s share register, including all sub-registers;
<b>“Universal shareholders” or “shareholders”</b>	the holders of Universal shares recorded as such in the Universal register; and
<b>“Universal shares” or “shares”</b>	ordinary shares with a par value of R0,00001, in the share capital of Universal, listed on the JSE.



universal industries  
CORPORATION LIMITED

# Universal Industries Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number 1996/004343/06)

JSE code: UNI ISIN: ZAE000110664

("Universal" or "the company")

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## Directors

Gaff Kahn\* (*Chairman*)

Daryl Paynter (*Chief Executive Officer*)

Ivor Morgan (*Financial Director*)

James Martin

Richard Wilkes

Colin Brayshaw\*

Avram Levy#

Ishmail Essa\*•

Wayne Brett#

\* Independent non-executive

# Non-executive

• Alternate director to Gaff Kahn

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## CIRCULAR TO UNIVERSAL SHAREHOLDERS

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### 1. INTRODUCTION

#### *The acquisition*

It was announced on SENS on 9 June 2010 and in the press on 10 and 11 June 2010 that Universal had concluded an agreement with Investec, Cida, the Boner Trust and the Nestadt Trust to acquire all of the shares and claims on loan account against BCE for a maximum purchase consideration of R224 550 000. Given that the acquisition is classified as a Category 1 transaction by the JSE, the approval of Universal shareholders is required for the acquisition.

#### *The proposed amendments to the current share option scheme and adoption of the new assisted share purchase scheme*

In terms of the most recent amendments to the Listings Requirements, the share incentive scheme of a company whose shares are listed on the JSE is no longer permitted to make reference to the words "*from time to time*" or a specified percentage of the company's share capital, either as regards the maximum number of shares permitted for the scheme or per participant. Accordingly, it is proposed that the Universal Industries Group Executive Incentive Scheme adopted by Universal on 7 November 2007, be amended in order to comply with the revised Listings Requirements.

In addition, the board proposes the adoption of a new assisted share purchase scheme, intended as a holistic approach to the incentivisation of key executives within the group.

The approval of shareholders is required for both the amendment of the current share option scheme and the proposed new assisted share purchase scheme.

#### *Purpose of circular*

The purpose of this circular is to provide Universal shareholders with information relating to the acquisition, the proposed amendments to the current share option scheme and the proposed new assisted share purchase scheme and to convene the general meeting in order to consider and, if deemed appropriate, pass all of the resolutions necessary to implement the acquisition and other proposals set out above in terms of the Listings Requirements and, with respect to the adoption of the proposed new assisted share purchase scheme, the Company's Act. The notice to convene the general meeting is included in this circular.

## 2. THE ACQUISITION

### *BCE*

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

### *Rationale for the acquisition*

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

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

### *Prospects*

Universal has an established export network into Africa, which, post acquisition, will offer BCE significant growth opportunities into this market. Furthermore, Universal's manufacturing base could be utilised to manufacture certain items for distribution by BCE. The group will also benefit from a marketing perspective as well as opportunities for cross selling to customers.

### *Terms of the acquisition*

The sale equity is being acquired from the sellers with effect from an effective date of 1 May 2010, in the ratios set out in paragraph 20 of this circular.

Subsequent to due diligence investigations, the purchase consideration has been adjusted downwards by R312 795. Accordingly, the initial payment will be in an amount of R214 237 205 (as per the addendum letter to the acquisition agreement dated 14 July 2010). This is as a result of the NAV and NTAV as at the effective date, being below the required R140 000 000 and R117 500 000, respectively.

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

The purchase consideration is an amount of R224 237 205, subject to adjustment downwards on a Rand for Rand basis if the assumptions listed below on which the purchase consideration has been determined are found to be incorrect:

- as at the closing date, BCE will have no interest-bearing liabilities and, in particular, the senior debt facility held by BCE with Investec would have been discharged in full;
- as at the closing date, BCE would have redeemed all of its preference shares ("the prefs") in full and will have no outstanding obligations in respect thereof;
- save for any payment required to service any accrued dividends on and/or to redeem the preference shares or any payment required to discharge the Investec senior debt facility, as referred to above, no dividends would have been declared or paid on or after 1 January 2010 up to and including the closing date;
- BCE will not have paid any management fees to the Sellers on or after 1 April 2010;
- there will have been no reduction in the value of the Sellers' claims on loan account against BCE as from 1 January 2010 up to and including the closing date; and
- all profits generated by BCE and its subsidiaries after 1 January 2010 will be reflected as an increase in the net asset value of the BCE group (except to the extent that the profits were used to effect the payments required to settle the Investec senior debt facility and/or pay any dividends on and/or redeem the prefs).

No further adjustments to the purchase price are anticipated.

If the adjustments referred to above result in the purchase consideration being reduced by an amount in excess of R4 million (on the basis set out above) then either the sellers or Universal shall be entitled to elect not to proceed with the acquisition.

The acquisition agreement contains warranties normal for acquisitions of this nature.

### ***Payment of the purchase consideration***

The purchase consideration is payable in cash as follows:

- R214 237 205 (less any reduction contemplated above) on the closing date against compliance by the sellers with their obligations in terms of the acquisition agreement; and
- the balance, being R10 million, free of interest, on the first anniversary of the closing date.

### ***Goodwill and intangible assets***

The purchase consideration includes goodwill and intangible assets of approximately R98 million. A purchase price allocation in terms of IFRS will be performed within the next 12 months.

#### *Universal's accounting policy on goodwill*

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

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

### ***The conditions precedent***

The acquisition is subject to various conditions precedent, failing fulfilment (or, where applicable, waiver) of which, by the relevant condition fulfilment date, the acquisition agreement will never become of any force or effect.

The following conditions precedent are outstanding as at the last practicable date:

- Universal securing bank funding of R125 million to partly fund the discharge of the purchase consideration by 31 July 2010 and funding becoming unconditional by 31 August 2010;  
Universal has secured R120 million bank funding through Investec and R5 million vendor funding. This condition will be fulfilled on the conditions precedent to the Investec loan arrangements being fulfilled;
- the securing of the requisite Competition Authority approval by 4 October 2010; and
- the securing from Universal's shareholders of the approval required in terms of the Listings Requirements for the implementation of the acquisition. In this regard, Universal has obtained written undertakings from its shareholders holding 84.7% of the issued share capital of Universal to vote in favour of any resolution required to be passed by Universal shareholders in respect of the acquisition.

## **3. AMENDMENTS TO THE CURRENT SHARE OPTION SCHEME**

The Universal Industries Group Executive Incentive Scheme adopted by Universal on 7 November 2007 is proposed to be amended in order to comply with the revised Listings Requirements, by an addendum thereto in accordance with the draft to be tabled at the meeting, salient features of which are detailed in **Annexure 6**. The amendment is required given that the latest amendments to the Listings Requirements do not permit reference to the words "*from time to time*" or a specified percentage of a company's share capital, either as regards the maximum number of shares permitted for the scheme or per participant.

## **4. THE PROPOSED ADOPTION OF THE NEW ASSISTED SHARE PURCHASE SCHEME**

The board proposes adopting a new executive incentive scheme to take the form of an assisted share purchase scheme, the intended participants to be the executives (including executive directors) of Universal and its subsidiaries. Terms of the proposed new assisted share purchase scheme are set out in **Annexure 7**.

## **5. OPINION AND RECOMMENDATION**

The directors of Universal intend voting the Universal shares held or controlled by them in favour of all of the resolutions necessary to implement the acquisition, amend the current share option scheme and adopt the new share assisted purchase scheme.

## 6. GENERAL MEETING

A general meeting of Universal shareholders will be held at 12h00 on Friday, 20 August 2010 at the offices of PKF to consider and, if deemed fit, pass the proposed resolutions necessary to implement the acquisition, amend the current share option scheme and adopt the new assisted share purchase scheme.

Details of the action required by Universal shareholders are set out on page 4 of this circular.

## 7. FINANCIAL INFORMATION

### *Pro forma financial information*

The unaudited *pro forma* consolidated statement of comprehensive income (“income statement”) and *pro forma* consolidated statement of financial position (“balance sheet”) are the responsibility of the directors of Universal and they have been prepared for illustrative purposes only, in order to provide information about the financial position and results of Universal, assuming the acquisition had been implemented on 1 January 2009, in respect of the income statement and on 31 December 2009, in respect of the balance sheet.

Due to its nature, the *pro forma* financial information may not give a fair reflection of Universal’s financial position and results of operations subsequent to the acquisition.

The reporting accountants’ report on the *pro forma* financial information of the acquisition is set out in **Annexure 1** to this circular.

	<b>Before (cents)</b>	<b>After (cents)</b>	<b>Change (%)</b>
Earnings and headline earnings per share	11,4	15,6	36,8
Net asset value per share	78,8	77,9	(1,1)
Tangible net asset value per share	36,0	18,0	(50,0)

#### **Notes and assumptions:**

- The figures set out in the “Before” column above have been extracted from the audited financial results of Universal for the year ended 31 December 2009.
- The figures set out in the “After” column above have been calculated after including the results attributable to BCE extracted from its audited financial results for the year ended 30 June 2009, and the adjustments referred to below.
- The acquisition of BCE is assumed to have been implemented on 1 January 2009 for earnings and headline earnings per share purposes and on 31 December 2009 for net asset and tangible net asset value per share purposes.
- BCE had an attributable net profit of R31,2 million for the year ended 30 June 2009 and a net asset value of R107,3 million at that date.
- It is assumed that:
  - the purchase consideration payable of R224,2 million is paid, settled as to R89,2 million from existing cash resources within the group, R120 million from bank funding and R15 million is vendor funded;
  - the reduction in finance income resulting from the cash portion of the consideration payable, restraint payments of R11,0 million to certain key executives of BCE and transaction costs that are settled out of existing cash resources has been calculated at 6,5%, being the average rate at which the Universal group earned finance income during the financial period ended 31 December 2009;
  - the interest expense on the bank funding has been calculated at the prime rate, i.e. 10%;
  - the notional interest expense on the interest-bearing portion of the vendor funding (R5 million) has been calculated at the prime rate, i.e. 10%;
  - transaction costs of R4,1 million have been expensed;
  - R1,9 million of the restraint payments have been expensed during the period;
  - taxation has been provided for at 28%; and
  - there are 448 418 999 Universal shares in issue before and after the acquisition.

#### **Historical financial information of BCE**

BCE’s audited financial information for the years ended 30 June 2009, 2008 and 2007 and for the 10-month period ended 30 April 2010 is attached as **Annexure 3** to this circular.

The independent reporting accountants’ report on the historical financial information of BCE is attached as **Annexure 4**.

## 8. SHARE CAPITAL

The authorised and issued share capital of Universal, both before and after the acquisition is as follows:

<b>Before and after the acquisition:</b>	<b>R'000</b>
<i>Authorised</i>	
2 000 000 000 ordinary shares of R0,00001 each	20
<i>Issued</i>	
448 418 999 ordinary shares of R0,00001 each	4
Share premium	139 982

## 9. MAJOR SHAREHOLDERS

Set out below are the names of those Universal shareholders who as far as is known to the board, directly or indirectly, are beneficially interested in 5% or more of the total Universal shares in issue, together with each such shareholder's interest at the last practicable date, both before and after the acquisition:

<b>Holder</b>	<b>Number of shares</b>	<b>Percentage of issued shares</b>
LNP Trust	88 827 625	19,8
Wayne Brett Primary Trust	75 723 217	16,9
Jacob Levy Trust	72 632 324	16,2
James Martin Family Trust	30 522 290	6,8
<b>Total</b>	<b>267 705 456</b>	<b>59,7</b>

As at the last practicable date the directors had no knowledge of any controlling shareholders in Universal. In addition, there has been no change in the controlling shareholder of Universal in the past five years and no changes in controlling shareholders are anticipated as a result of the implementation of the acquisition.

## 10. INTERESTS OF DIRECTORS

The interests of the directors of Universal as at the last practicable date were as follows:

<b>Directors</b>	<b>Beneficially held</b>		<b>Total</b>	<b>Percentage</b>
	<b>Directly</b>	<b>Indirectly</b>		
Gaff Kahn	–	–	–	0.0%
Daryl Paynter	–	88 827 625	88 827 625	19.8%
Ivor Morgan	6 419 658	–	6 419 658	1.4%
James Martin	–	30 522 290	30 522 290	6.8%
Richard Wilkes	–	17 990 654	17 990 654	4.0%
Colin Brayshaw	250 000	–	250 000	0.1%
Avram Levy	–	72 632 324	72 632 324	16.2%
Ishmail Essa	–	–	–	0.0%
Wayne Brett	–	75 723 217	75 723 217	16.9%
<b>Total</b>	<b>6 669 658</b>	<b>285 696 110</b>	<b>292 365 768</b>	<b>65.2%</b>

There have been no dealings in Universal shares by any directors since 25 June 2010.

Other than as set out above, there are no other directors' interests held through the directors' associates.

## 11. DIRECTORS' EMOLUMENTS AND INTERESTS IN TRANSACTIONS

The emoluments of the directors for the year ended 31 December 2009 (whether received from Universal or any of its subsidiaries, fellow subsidiaries, associates of subsidiaries, joint ventures of Universal or subsidiaries or associates of subsidiaries, or entities that provide management or advisory services to the company or any group companies or associates thereof) are set out in the table and paragraphs below.

Director	Basic salary R'000	Directors' fees R'000	Other fees R'000	Expense allowances R'000	Contributions to a pension scheme R'000	Commission gain or profit-sharing arrangements R'000	Bonuses and other performance-related payments R'000	Total R'000
<i>Executive</i>								
Daryl Paynter	1 546	–	–	–	–	–	1 000	2 546
Ivor Morgan	1 086	–	–	–	–	–	650	1 736
James Martin **	522	–	–	–	–	–	325	847
Richard Wilkes **	701	–	–	–	–	–	2 400	3 101
<i>Non-executive</i>								
Gafoor Khan*	–	444	–	–	–	–	–	444
Colin Brayshaw	–	271	–	–	–	–	–	271
Wayne Brett•	–	163	–	–	–	–	–	163
Avram Levy	–	130	–	–	–	–	–	130
<b>Total</b>	<b>3 855</b>	<b>1 008</b>	–	–	–	–	<b>4 375</b>	<b>9 238</b>

\* Alternate director: Ishmail Essa.

\*\* Appointed 18 June 2009.

• Management, consulting, technical or other fees paid for such services rendered, directly or indirectly, including payments to management companies, a part of which is then paid to the relevant director.

A trust associated with Wayne Brett, a non-executive director of Universal, is the controlling shareholder of Interactive Capital (Proprietary) Limited (registration number 2005/014194/07) ("Interactive"). Interactive will receive a fee of R2 820 000 for the introduction, negotiation, structuring, fund raising and other corporate finance services rendered in relation to the conclusion of the acquisition (the "acquisition fee"). In addition to this, Universal paid Interactive advisory fees totalling R180 000 in the financial year ended 31 December 2009. The company has voluntarily decided for reasons of sound corporate governance to treat the agreement to pay the acquisition fee as a "small related party transaction". Grant Thornton was appointed as independent expert to furnish an opinion as to whether the resultant transaction between the company and Interactive was fair. Grant Thornton has furnished written confirmation to the company that the fee arrangement with Interactive is fair. A copy of the Grant Thornton letter dated 26 July 2010 will be available for inspection at the company's registered office for a period of 28 days commencing 29 July 2010.

During the year ended 31 December 2009 James Martin and Richard Wilkes were appointed to the board. There were no resignations.

There will be no variation in the remuneration receivable by any of the directors as a consequence of the acquisition.

The service agreement of the executive directors of Universal contain terms and conditions that are standard for these types of agreements and are terminable on three months' notice during which period the director would be remunerated in full.

Save as in relation to their holding of Universal shares as detailed in paragraph 10 above and other than as disclosed in this paragraph 11, none of the directors of Universal or any company in the group have had any interests beneficially, whether directly or indirectly, in any transaction undertaken by the company during the current or preceding financial year or an earlier financial year and which remains outstanding or unperformed.

Macadams International (Proprietary) Limited ("**Macadams**"), a wholly-owned subsidiary of Universal, leases property from HMNW Properties (Proprietary) Limited ("**HMNW**"). Richard Wilkes, an executive director of Universal, and Mike Hodgson, Shane McMeeking and Graham Noonan, directors of Macadams, are all shareholders of HMNW. For the financial year ended 31 December 2009, Macadams paid rent of R2 928 973 to HMNW.

During the 2009 year Macadams entered into a new operating lease with HMNW, for a new factory and office property in Blackheath. The initial lease term is five years commencing 1 June 2010 with a further option period of five years. The rental amount is R462 400 per month and the lease shall escalate at 7% per annum.

Colcab (Proprietary) Limited ("**Colcab**"), a wholly-owned subsidiary of Universal, leases property from Colcab Property (Proprietary) Limited ("**Colcab Property**"). Shareholders of Colcab Property include Universal directors Wayne Brett, Avram Levy, Daryl Paynter, Jimmy Martin and Ivor Morgan, as well as directors of Insulated and Colcab, being Dave Roberts, Ian Haries, Keith Reeves, Johan Burger and Mike Constable. Rent paid for the financial year ended 31 December 2009 was R5 188 800.

All the above rentals are on market-related terms.

Save in their capacity as shareholders in the company and other than as detailed above, none of the directors of Universal will derive, nor have they derived during the three years preceding the date of this circular, any benefit from the acquisition.

Following the implementation of the acquisition, BCE will be a wholly-owned subsidiary of Universal and Universal's nominee/s shall be appointed as directors of BCE. In addition, the written resignations of such of the directors, public officer, secretary and other officers of BCE which resignations are called for in writing by Universal will be implemented, in terms of the acquisition agreement.

## 12. DIRECTORS' QUALIFICATIONS

### Full names, roles, qualifications, occupations and experience of each executive director

Director, age, role and qualification	Address	Occupation and experience
Daryl Paynter (42) Chief Executive Officer and Executive Director CA(SA), HDip (Tax)	16 Precision Street Kya Sand Randburg	After completing his studies at the University of Pretoria, Daryl joined KPMG in 1990 to serve articles. He subsequently worked in the investment banking and private equity industry for the IDC, Nedcor Investment Bank and Corpcapital. Whilst at Corpcapital Daryl gained insight into both the refrigeration and baking systems businesses that were part of Corpcapital's portfolio at that stage. In 2004 Daryl was appointed Managing Director of Universal following a private equity buyout of Universal.
Ivor Morgan (59) Group Financial Director and Managing Director of Colcab SocSc, BA Hons (UCT), CA(SA)	Buttskop Road Blackheath Cape Town	Ivor completed his studies at the University of Cape Town before becoming a teacher, and later Deputy Principal. He then served articles with auditors BDO Spencer Steward before becoming Financial Manager of Matador Refrigeration and Colcab, then divisions of Columbit Holdings. In 1988 he was part of a management buyout of these divisions and was appointed Financial Director. In 2003 he was appointed Managing Director of Colcab and became a shareholder in Universal following a private equity transaction in 2004.
James (Jimmy) Martin (60) Executive Director and Technical Director for Insulated Structures and Colcab BSc Eng, MBA	16 Precision Street Kya Sand Randburg	Jimmy obtained a BSc Mechanical Engineering degree at the University of the Witwatersrand and later an MBA at the University of Cape Town. Past employment includes Anglovaal Group Mines, Delta Metal Holdings, James Howden and a stockbroking firm. He became a shareholder of Insulated Structures in 1994 and was appointed managing director of Universal when it acquired Insulated Structures and Colcab in 1996. In 2004 he was part of the management buyout of Universal and became the group's technical director.
Richard Wilkes (55) Executive Director and Chief Executive Officer of Macadams Dip Bus Man	Macadams Business Park School Street Blackheath Cape Town	Richard's past employment includes Holiday Inn (as qualified chef), Phillip Bros (general manager fast food and event catering) and Norbake (branch manager). In 1985 he joined Backon which later became part of Macadams. Richard then had his own supermarket and bakery business for seven years. He rejoined Macadams in 1992 as sales manager and was appointed CEO in 1998. Richard became a significant shareholder of Macadams in 2004 following management buyout transactions before selling the business to Universal in 2007 at which stage he became a shareholder in Universal.

<b>Director, age, role and qualification</b>	<b>Address</b>	<b>Occupation and experience</b>
Gaff Khan (58) Independent Non-executive Chairman Chairman of the remuneration and nomination committee Member of the audit and risk management committee	382 Main Road Tokai Cape Town	Gaff has more than 35 years' experience in the property development and construction industry. He joined Murray and Roberts in 1973 as quantity surveyor and later progressed through the ranks where he served on the board of directors as well as holding the post of managing director of the construction entity in the Western Cape. He also served on the board of the National Construction Company. He later joined Asrin Property Developers as a partner and Executive Director
Colin Brayshaw (75) Independent Non-executive Director CA(SA), FCA (England and Wales) Chairman of the audit and risk management committee Member of the remuneration and nomination committee	Unit 6, 1st Floor 3 Melrose Boulevard Melrose Arch Melrose North Johannesburg	Colin is a member of the South African Institute of Chartered Accountants and a Fellow of the Institute of Accountants in England and Wales. He was an audit partner of firms that later became Deloitte. In his last years in practice he was the managing partner and Chairman of Deloitte & Touche. Previous directorships include AECI, AngloGold Ashanti, Anglo Platinum, Datatec, Freestone Property Holdings (Chairman) and Johnnic Holdings. Current directorships included Metmar Trading (Chairman), Buildmax and Highveld Steel and Vanadium Corporation.
Avram Levy (41) Non-executive Director B.Bus.Sc (Hons), CA(UK)	1st Floor 24 Crescent Drive Melrose Arch Melrose North Johannesburg	Avram completed a BSc (Finance) degree at the University of Cape Town. Thereafter he qualified as a Chartered Accountant in the United Kingdom and did mergers and acquisition advisory work before returning to South Africa in 1996. He was the operationally involved in various businesses including a large micro finance business, which was sold to African Bank Investments. In 2004 he co-founded Interactive Capital with Wayne Brett which has successfully concluded a number of equity transactions in various industries.
Ishmail Essa (38) Independent Non-executive Director (Alternate to Gaff Khan)	382 Main Road Tokai Cape Town	Ishmail has 15 years' experience in the construction and property development sector, and holds a diploma in personnel management. He is currently the CEO of Asrin Property Developers and under his guidance the company has grown exponentially for the last 15 years to be one of the leading Black Empowerment players in the property development industry.
Wayne Brett (39) Non-executive Director Member of the remuneration and nomination committee CA(SA)	Unit 24 1 Melrose Boulevard Melrose Arch Melrose North Johannesburg	Wayne qualified as a Chartered Accountant following his studies at the University of Cape Town. He then became operationally involved in a number of successful business including TCO, an IT business which was sold to Dimension Data. Wayne co-founded Interactive Capital with Avram Levy, which has successfully concluded a number of equity transactions in various industries including media, manufacturing, micro finance, retail, mining, sand and aggregates and buildware.

### 13. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 9 of this circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the circular contains all information required by law and the Listings Requirements.

#### 14. LITIGATION STATEMENT

There are no material legal or arbitration proceedings against the Universal group nor, as far as the directors are aware, are there any legal or arbitration proceedings pending or threatened against the group, that may have had, in the 12 months preceding the last practicable date, a material effect on the financial position of the group. Universal is only involved in legal matters related to normal business practices (for example claiming moneys due to the group), but these are not material.

To the best of the directors' belief and knowledge there are no material legal or arbitration proceedings against BCE nor are there any legal or arbitration proceedings pending or threatened against BCE, that may have had, in the 12 months preceding the date of this circular, a material effect on the financial position of BCE. The sellers, having made all reasonable enquiries, have warranted to Universal in the acquisition agreement that BCE is not engaged in any litigation, income tax appeals, arbitration or criminal proceedings.

#### 15. ADEQUACY OF CAPITAL

The directors of the group are of the opinion that, after the acquisition, the issued share capital and working capital of the group is and will be adequate for its requirements for at least the next 12 months.

#### 16. MATERIAL CHANGES

There have been no material changes in the financial or trading positions of the group since Universal published its year end results for the year ended 31 December 2009.

To the best of the board's belief and knowledge there have been no material changes in the financial or trading positions of BCE since finalisation of its audited results for the 10 months ended 30 April 2010.

There has been no change in the trading objects of the Universal group since date of listing, being 29 November 2007.

#### 17. MATERIAL CONTRACTS

Save as the contracts between Macadams and HMNW, and between Colcab and Colcab Property as well as the acquisition fee set out in paragraph 11 above, there have been no material contracts entered into either verbally or in writing by either Universal or BCE or any of their subsidiaries, otherwise than in the ordinary course of the business within the two years prior to the date of issue of this circular or at any time but containing an obligation or settlement that is material at the date of the circular.

#### 18. BORROWINGS

In terms of Universal's articles of association, the borrowing powers of the company are unlimited.

Details of the Group's borrowings are set out in **Annexure 8**.

#### 19. CONSENTS

Each of Java Capital, the reporting accountants, the independent experts and the transfer secretaries have consented in writing to act in the capacities stated and to their names appearing in this circular and have not withdrawn their consent prior to the publication of this circular.

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

#### 20. VENDORS

The ratio in which each of the sellers is disposing of the sale equity is set out below:

Investec	490,0
Cida	250,0
The Boner Trust	86,7
The Nestadt Trust	173,3
	<hr/>
	1 000

To the best of the board's knowledge the business of BCE will remain unchanged and any tax liabilities of BCE, including tax liabilities for accrued taxation to the date of the acquisition, will be settled in the ordinary course.

To the best of the board's knowledge, other than in their capacity as holders of BCE shares and the receipt of R10 950 000 as restraint of trade payments made to key BCE executives, no director of BCE has any beneficial interest, direct or indirect, in the acquisition.

Save for any fees payable to Interactive Capital, in which an associate of Wayne Brett is a controlling shareholder, as disclosed in paragraph 11 above, no cash or securities have been paid or benefit given to any promoter, not being a director, since date of listing.

To the best of the board's knowledge and belief BCE has not concluded any material acquisitions nor disposals in the preceding three years.

## 21. SHARE PRICE AND TRADING HISTORY

The price and trading history of Universal's shares are set out in **Annexure 5** to this circular.

## 22. PRELIMINARY EXPENSES

The preliminary expenses of the acquisition incurred by Universal are set out below:

<b>Costs</b>	<b>R</b>
Corporate advisor and sponsor fees payable to Java Capital in respect of Category 1 circular	400 000
Legal advisor fee payable to Java Capital	300 000
Cost of press announcements	60 000
Printing costs payable to Ince (Proprietary) Limited in respect of this circular	35 000
Reporting accountants' fees payable to PKF	120 000
Acquisition fee payable to Interactive Capital	2 820 000
Due diligence fees payable to PKF	180 000
Grant Thornton fairness opinion fee	70 000
Werksmans loan agreement fee	120 000
JSE – Category 1 documentation inspection fee	38 000
<b>Total</b>	<b>4 143 000</b>

BCE has incurred preliminary expenses of approximately R300 000, in respect of audit fees payable to PKF for the audit of the effective date financial statements required in terms of the acquisition agreement.

All amounts are stated exclusive of VAT.

## 23. DOCUMENTS AVAILABLE FOR INSPECTION

The documents listed below will be available for inspection during normal office hours on business days from Thursday, 29 July 2010 until Friday, 20 August 2010 at the offices of the company at 16 Precision Street, Kya Sand, Randburg, 2163.

The documents available for inspection are as follows:

- Universal and Universal's subsidiaries memoranda and articles of association;
- the acquisition agreement dated 9 June 2010 (in two counterparts) and addendum letter, dated 14 July 2010;
- copies of directors' service agreements and agreements with vendors entered into during the last three years;
- BCE's consolidated audited financial statements for the years ended 30 June 2009, 2008 and 2007 and the 10-month period ended 30 April 2010;
- Universal's annual reports for the years ended 31 December 2009, 2008 and 2007;
- the independent reporting accountants' report on the *pro forma* financial information;
- the independent reporting accountants' report on the historical financial information of BCE;
- an example of the offer letter to be issued to offerees in terms of the Universal assisted share purchase scheme;
- a copy of the share embargo and pre-emptive agreement, dated 9 November 2007; and
- copies of all material contracts.

Signed in Johannesburg by Daryl Paynter of Universal in his capacity as Chief Executive Officer and on behalf of the remaining directors of Universal in terms of the powers of attorney granted to him by each director of the company.

By order of the board

### UNIVERSAL INDUSTRIES CORPORATION LIMITED

28 July 2010

#### Registered office

16 Precision Street  
Kya Sand  
Randburg, Johannesburg, 2163

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**REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION**

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

27 July 2010

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF UNIVERSAL INDUSTRIES CORPORATION LIMITED IN RESPECT OF THE ACQUISITION**

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in paragraph 7 and **Annexure 2** to the circular to shareholders of Universal Industries Corporation Limited (“**Universal**”), to be dated on or about 28 July 2010 (the “**Circular**”). Terms used herein and defined in the Circular have the meaning assigned to them in the Circular unless otherwise indicated.

The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited (the “**JSE**”) Listings Requirements, for illustrative purposes only, to provide information about how the acquisition might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.

**Directors' responsibility**

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the Circular 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 Universal;
- the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

**Reporting accountants' responsibility**

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the Circular to Universal 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.

This 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 dates of their issue.

**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 Universal, 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 corporate action that is the subject of the Circular.

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

While our work performed has involved an analysis of the historical published 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.

### **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 Universal; and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

### **Consent**

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

Yours faithfully

**Ian Vorster**

**PKF (Jhb) Inc.**

(Registration number 1994/001166/21)

*Registered Auditors*

*Chartered Accountants (SA)*

42 Wierda Road West

Wierda Valley

Sandton

2196”

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**PRO FORMA FINANCIAL INFORMATION**

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The unaudited *pro forma* consolidated statement of comprehensive income (“**income statement**”) and *pro forma* consolidated statement of financial position (“**balance sheet**”) are the responsibility of the directors of Universal and they have been prepared for illustrative purposes only, in order to provide information about the financial position and results of Universal, assuming the acquisition had been implemented on 1 January 2009, in respect of the income statement and 31 December 2009, in respect of the balance sheet. Due to its nature, the *pro forma* financial information may not give a fair reflection of Universal’s financial position and results of operations subsequent to the acquisition. The reporting accountants’ report on the *pro forma* financial information of the acquisition is set out in **Annexure 1**.

## PRO FORMA STATEMENT OF COMPREHENSIVE INCOME

Set out below is the *pro forma* consolidated statement of comprehensive income of the group reflecting the effects of the acquisition:

R'000	Before <sup>1</sup>	BCE <sup>2</sup>	Adjust- ments	After
<b>Revenue</b>	587 072	296 977		884 049
Cost of goods sold	(421 309)	(190 462)		(611 771)
<b>Gross profit</b>	165 763	106 515		272 278
Other income	323	492		815
Operating expenses	(93 148)	(52 492)	(5 950) <sup>3</sup>	(151 590)
<b>Profit from operations</b>	72 938	54 515	(5 950)	121 503
Interest received	16 863	512	(6 781) <sup>4</sup>	10 594
Interest paid	(16 693)	(8 848)	(4 007) <sup>5</sup>	(29 548)
<b>Profit before taxation</b>	73 108	46 179	(16 738)	102 549
Taxation	(22 034)	(14 886)	4 305 <sup>6</sup>	(32 615)
<b>Profit attributable to the equity holders of the parent</b>	51 074	31 293	(12 433)	69 934
Other comprehensive income	–	–	–	–
<b>Total comprehensive income attributable to the equity holders of the parent</b>	51 074	31 293	(12 433)	69 934
Number of shares in issue ('000)	448 419			448 419
Weighted average number of shares in issue ('000)	448 863			448 863
Basic and headline earnings per share (cents)	11,4			15,6

### Notes and assumptions:

1. The figures set out in the "Before" column have been extracted from the audited financial results of Universal for the year ended 31 December 2009.
2. The figures set out in the "BCE" column have been extracted from the audited financial results of BCE for the year ended 30 June 2009.
3. Represents the expensing of: (i) transaction costs of R4,1 million and (ii) R1,9 million of the aggregate R11 million restraint payments referred to in paragraph 20 of the circular, expensed for the period.
4. Represents the reduction in interest income resulting from the payment of: (i) R89,2 million of the purchase consideration payable in respect of the acquisition; (ii) the R11 million restraint payments and (iii) the payment of the transaction costs of R4,1 million, all of which is to be settled from existing cash resources. The interest reduction has been calculated at 6,5%, being the average rate at which the Universal group earned finance income during the financial period ended 31 December 2009.
5. Represents the reversal of R8,8 million interest paid on the Investec facilities and preference shares which are assumed to have been settled and redeemed in full at the effective date, and R11,3 million interest raised on the bank funding portion of the purchase consideration in an amount of R120 million at 10%, the notional and actual interest of R1,4 million on the vendor funded portion of the purchase consideration and R183 000 in respect of the amortisation of the raising fee of R1,1 million over the term of the loan.
6. Represents the tax effect of the adjustments above at a rate of 28%.
7. The acquisition of BCE is assumed to have been implemented on 1 January 2009 for earnings and headline earnings per share purposes.

## PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Set out below is the *pro forma* consolidated statement of financial position for the group reflecting the effects of the acquisition:

R'000	Before <sup>1</sup>	BCE <sup>2</sup>	Adjust- ments	After
<b>Assets</b>				
<i>Non-current assets</i>	211 946	39 764	71 411	323 121
Property, plant and equipment	18 563	13 222	8 551 <sup>3</sup>	40 336
Prepaid asset			10 950 <sup>4</sup>	10 950
Intangible assets	192 064	24 402	51 910 <sup>5</sup>	268 376
Deferred taxation	1 319	2 140		3 459
<i>Current assets</i>	331 046	160 448	(104 313)	387 181
Inventories	87 047	84 042		171 089
Trade and other receivables	133 622	60 329		193 951
Taxation receivable	28			28
Cash and cash equivalents	110 349	16 077	(104 313) <sup>6</sup>	22 113
<b>Total assets</b>	542 992	200 212	(32 902)	710 302
<b>Equity and liabilities</b>				
<i>Capital and reserves</i>	353 388	107 325	(111 450)	349 263
Share capital and premium	153 439	1	(1) <sup>7</sup>	153 439
Accumulated profits	199 949	107 324	(111 449) <sup>7</sup>	195 824
<i>Non-current liabilities</i>	68 803	18 844	85 891	173 538
Interest bearing liabilities	65 316	18 740	85 891 <sup>8</sup>	169 947
Deferred taxation	1 008			1 008
Operating lease liabilities	2 479	104		2 583
<i>Current liabilities</i>	120 801	74 043	(7 343)	187 501
Trade and other payables	96 257	34 701		130 958
Current portion of:				
– interest bearing liabilities	20 714	10 672	4 697 <sup>9</sup>	36 083
– other financial liabilities	350	25 766	(12 040) <sup>10</sup>	14 076
Taxation payable	3 480	2 904		6 384
<b>Total equity and liabilities</b>	542 992	200 212	(32 902)	710 302
Number of shares in issue ('000)	448 419			448 419
Net asset value per shares (cents)	78,8			77,9
Tangible net asset value per shares (cents)	36,0			18,0

### Notes and assumptions:

- The figures set out in the "Before" column have been extracted from the audited consolidated financial results of Universal for the year ended 31 December 2009.
- The figures set out in the "BCE" column have been extracted from the audited consolidated financial results of BCE for the year ended 30 June 2009.
- Represents the fair value adjustment in respect of the property acquired.
- Represents the prepayment in respect of the restraint payments to the key executives of BCE.
- Represents the excess of the purchase consideration over the fair value of the assets acquired. A purchase price allocation in terms of IFRS will be performed within the next 12 months.
- Represents the amounts settled out of existing cash resources referred to in note 4 of the *pro forma* income statement.
- Represents the reversal of BCE's share capital, share premium and pre-acquisition profits and the expensing of transaction costs of R4,1 million.
- Represents the reversal of R18,7 million of existing BCE interest bearing liabilities that will be settled in full before the closing date and the recognition of the long-term portion of the bank funding raised to settle the purchase consideration.
- Represents the reversal of R10,7 million of existing BCE current liabilities that will be settled in full before the closing date and the raising of the short-term portion of the funding raised to settle the purchase consideration.
- Represents the reversal of R25,7 million of existing BCE financial liabilities that will be settled in full before the closing date and the raising of the vendor funded portion of the purchase consideration (the non-interest bearing portion being stated at its present value applying a discount rate of 10%).
- The acquisition of BCE is assumed to have been implemented as at 31 December 2009 for net asset value and tangible net asset value per share purposes.

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**BCE'S HISTORICAL FINANCIAL INFORMATION FOR THE YEARS ENDED 30 JUNE 2009,  
2008 AND 2007 AND FOR THE 10-MONTH PERIOD ENDED 30 APRIL 2010**

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**BASIS OF PREPARATION**

The consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes of BCE Foodservice Equipment (Pty) Ltd and its subsidiaries for the period ended April 2010 and the year ended 30 June 2009 as set out below have been derived from the audited financial statements of BCE Foodservice Equipment (Pty) Ltd and have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act and the Listings Requirements of the JSE Limited. These financial statements have been reported on by BCE Foodservice Equipment (Pty) Ltd auditors, PKF (Jhb) Inc.

The consolidated reviewed statement of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows and related notes of BCE Foodservice Equipment (Pty) Ltd and its subsidiaries for the years ended 30 June 2008 and 2007 have been derived from the reviewed financial statements of BCE Foodservice Equipment (Pty) Ltd and have been prepared in accordance with International Financial Reporting Standards, the Companies Act, IAS 34 and the Listings Requirements of the JSE Limited, where applicable.

The financial information contained herein is the responsibility of the directors of BCE Foodservice Equipment (Pty) Ltd.

**STATEMENT OF FINANCIAL POSITION**

	Notes	<b>Audited 30 April 2010 R</b>	Audited 30 June 2009 R	Reviewed 30 June 2008 R	Reviewed 30 June 2007 R
<b>Assets</b>					
<i>Non-current assets</i>					
		<b>39 538 965</b>	39 763 644	39 365 578	42 932 190
Property, plant and equipment	3	<b>13 654 746</b>	13 221 760	13 026 145	15 291 168
Intangible assets	4	<b>1 262 094</b>	1 877 755	2 493 415	4 380 952
Goodwill	4	<b>22 523 972</b>	22 523 972	22 523 972	22 523 972
Deferred taxation	8	<b>2 098 153</b>	2 140 157	1 322 546	736 598
<i>Current assets</i>					
		<b>162 114 733</b>	160 447 639	145 281 833	166 458 011
Inventories	9	<b>77 995 452</b>	84 041 622	78 609 071	76 949 210
Trade and other receivables	10	<b>60 405 521</b>	60 328 596	58 305 589	77 336 264
Other financial asset	11	–	–	28 493	156 946
Bank and cash	23	<b>23 713 760</b>	16 077 421	8 338 419	11 859 717
Taxation prepaid		–	–	261	155 874
<b>Total assets</b>		<b>201 653 698</b>	200 211 283	184 647 411	209 390 201
<b>Equity and liabilities</b>					
<i>Capital and reserves</i>					
		<b>139 816 877</b>	107 325 132	6 032 916	55 064 061
Issued share capital	13	<b>1 000</b>	1 000	1 000	1 000
Accumulated profits		<b>139 815 877</b>	107 324 132	76 031 916	55 063 061
<i>Non-current liabilities</i>					
		–	18 739 503	39 486 102	73 559 952
Preference share obligation	14	–	–	9 725 828	12 666 582
Interest bearing liabilities	16	–	18 739 503	29 760 274	60 893 370
<i>Current liabilities</i>					
		<b>61 836 821</b>	74 146 648	69 128 393	80 766 188
Trade and other payables	18	<b>42 644 123</b>	29 196 195	31 633 321	49 272 817
Provisions	17	<b>1 927 046</b>	5 608 907	4 398 848	2 560 465
Dividends payable		<b>11 173 053</b>	15 950 443	10 612 467	5 893 691
Current portion of preference share obligation	14	<b>250</b>	9 725 827	2 940 754	2 554 108
Current portion of interest bearing liabilities	16	–	10 671 730	8 665 352	11 105 185
Other financial liability	15	–	89 341	–	–
Taxation		<b>6 092 349</b>	2 904 205	5 875 699	3 375 316
Bank overdraft		–	–	5 001 952	6 004 603
<b>Total equity and liabilities</b>		<b>201 653 698</b>	200 211 283	184 647 411	209 390 201

## STATEMENTS OF COMPREHENSIVE INCOME

		<b>Audited</b> <b>10 months</b> <b>30 April</b> <b>2010</b> <b>R</b>	Audited 12 months 30 June 2009 R	Reviewed 12 months 30 June 2008 R	Reviewed 12 months 30 June 2007 R
<b>Revenue</b>	20	<b>261 625 794</b>	296 976 639	400 535 064	355 426 754
<b>Profit from operations</b>		<b>47 394 496</b>	54 514 216	62 035 190	46 925 353
Loss on disposal of business		–		(8 015 812)	–
Investment income		<b>1 752 722</b>	511 747	1 384 209	869 594
Finance costs		<b>(4 253 456)</b>	(8 848 014)	(13 590 453)	(12 210 084)
<b>Profit before taxation</b>		<b>44 893 762</b>	46 177 949	41 813 134	35 584 863
Taxation	22	<b>(12 402 017)</b>	(14 885 733)	(16 142 901)	(10 822 595)
<b>Net profit for the period</b>		<b>32 491 745</b>	31 292 216	25 670 233	24 762 268
Other comprehensive income		–	–	–	–
<b>Total comprehensive income for the period attributable to the equity holders of the parent</b>		<b>32 491 745</b>	31 292 216	25 670 233	24 762 268
<i>Attributable to:</i>					
Basic earnings per share (cents)	26	<b>3 249 175</b>	3 129 222	2 567 023	2 476 227
Diluted earnings per share (cents)	26	<b>3 249 175</b>	3 129 222	2 567 023	2 476 227
Headline earnings per share (cents)	26	<b>3 248 708</b>	3 131 836	3 303 619	2 480 527
Ordinary dividends per share (cents)	26	–	–	470 138	–
Preference dividends per share (cents)	26	–	–	–	–

## STATEMENTS OF CHANGES IN EQUITY

Group	Share capital R	Accumulated profits R	Total equity R
<b>Reviewed balances at 30 June 2006</b>	1 000	30 300 793	30 301 793
Total comprehensive income	–	762 268	762 268
<b>Reviewed balances at 30 June 2007</b>	1 000	55 063 061	55 064 061
Total comprehensive income for the year	–	25 670 233	25 670 233
Dividends	–	(4 701 378)	(4 701 378)
<b>Reviewed balance at 1 July 2008</b>	1 000	76 031 916	76 032 916
Total comprehensive income for the year	–	31 292 216	31 292 216
<b>Audited balance at 1 July 2009</b>	1 000	107 324 132	107 325 132
Total comprehensive income for the 10 months	–	32 491 745	32 491 745
<b>Audited balance at 30 April 2010</b>	<b>1 000</b>	<b>139 815 877</b>	<b>139 816 877</b>

## STATEMENTS OF CASH FLOWS

	Notes	Reviewed 12 months 30 June 2008 R	Reviewed 12 months 30 June 2007 R
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	39 868 439	25 415 134
Interest income		1 384 209	869 594
Finance costs		(13 590 453)	(12 210 084)
Tax paid	24	(13 704 221)	(17 142 702)
<b>Net cash from operating activities</b>		<b>13 957 974</b>	<b>(3 068 058)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	3	(2 369 701)	(2 786 446)
Acquisition of intangibles	4	(364 099)	(2 141 374)
Proceeds on sale of property, plant and equipment	3	26 525	90 568
Proceeds on disposal of business	29	(6 172 541)	–
<b>Net cash from investing activities</b>		<b>(8 879 816)</b>	<b>(4 829 252)</b>
<b>Cash flows from financing activities</b>			
Cash movement in preference share obligation		2 164 669	1 689 551
Repayment of interest-bearing liabilities		(9 761 474)	(7 621 351)
Cash movement in dividends payable	25	–	–
<b>Net cash from financing activities</b>		<b>(7 596 805)</b>	<b>(5 931 801)</b>
<b>Total cash and cash equivalents movement</b>		<b>(2 518 647)</b>	<b>(13 829 111)</b>
Cash at the beginning of the period		5 855 114	19 684 225
<b>Total cash and cash equivalents</b>	12	<b>3 336 467</b>	<b>5 855 114</b>
<b>Audited</b>			
<b>10 months</b>			
<b>30 April</b>			
<b>2010</b>			
<b>R</b>			
<b>Audited</b>			
<b>12 months</b>			
<b>30 June</b>			
<b>2010</b>			
<b>R</b>			
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	64 688 229	47 734 807
Interest income		1 752 722	511 747
Finance costs		(4 253 456)	(8 848 014)
Tax paid	24	(9 171 868)	(18 674 837)
<b>Net cash from operating activities</b>		<b>52 995 627</b>	<b>20 723 703</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	3	(1 507 711)	(1 529 268)
Acquisition of intangibles	4	–	–
Proceeds on sale of property, plant and equipment	3	151 964	45 858
Proceeds on disposal of business	29	–	–
<b>Net cash from investing activities</b>		<b>(1 355 747))</b>	<b>(1 483 410)</b>
<b>Cash flows from financing activities</b>			
Cash movement in preference share obligation		(9 725 577)	2 397 220
Repayment of interest-bearing liabilities		(29 500 574)	(8 896 559)
Cash movement in dividends payable	25	(4 777 390)	–
<b>Net cash from financing activities</b>		<b>(44 003 541)</b>	<b>(6 499 339)</b>
<b>Total cash and cash equivalents movement</b>		<b>7 636 339</b>	<b>12 740 954</b>
Cash at the beginning of the period		16 077 421	3 336 467
<b>Total cash and cash equivalents</b>	12	<b>23 713 760</b>	<b>16 077 421</b>

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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL 10 MONTHS ENDED 30 APRIL 2010

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## ACCOUNTING POLICIES AND COMMENTARY

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

#### *Basis of preparation*

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements have been prepared on the historical cost convention, except for available for sale financial assets, which are at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policy. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or, in the period of the revision and future periods, if the revision affects both current and future periods.

#### *Summary of significant accounting policies*

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are prepared in accordance with IFRS and the requirements of the South African Companies Act and incorporate the principal accounting policies set out below. These accounting policies are consistent with those applied in the annual financial statements for the year ended 30 June 2006 and the application of IFRS has not resulted in any changes from the previous application of South African Statements of Generally Accepted Accounting Practice.

#### **1.1 Significant judgments**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from those estimates which may be material to the financial statements. Significant judgments include:

##### *Estimates in impairments*

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates, inflation and interest.

##### *Deferred tax asset*

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

### *Trade receivables and trade payables*

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

The group assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

### *Allowance for slow-moving, damaged and obsolete stock*

The stock provision is based on average loss rates of stock in recent months. The provision makes use of stock counts performed which is considered to be representative of all stock items held.

### *Recoverability of goodwill*

Goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared from expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, etc. together with economic factors such as exchange rates, inflation interest, etc.

### *Provisions*

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13.

### *Residual values and useful lives of items of property, plant and equipment*

Plant and machinery:

Due to the specialised nature of the group's plant and machinery the residual value attached to these assets has been estimated to be nil.

Motor vehicles:

The entity has a policy of utilising all motor vehicles for a period of five years. It is estimated that passenger vehicles have a nil residual value.

The useful lives are assessed as the period the assets can be utilised without significant modifications, improvements or replacements based on current levels of production.

Residual value assessments consider issues such as future market conditions, remaining useful life of asset and projected disposal values.

## **1.2 Property, plant and equipment**

All property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

Depreciation is provided for on the straight lines basis, to write down the cost, less the estimated residual value, over the useful life of the property, plant and equipment, as follows:

<b>Item</b>	<b>Average useful life</b>
Freehold land and buildings	15 years
Plant and equipment	5 years
Furniture and fixtures	10 years
Motor vehicles	5 years
IT equipment	5 years
Burglar alarm	10 years

Residual values, remaining useful lives and depreciation methods are reviewed at financial year-end and adjusted, if appropriate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### **1.3 Goodwill**

Goodwill on acquisitions of subsidiaries comprises the excess of the fair value of the purchase consideration plus any associated costs for investments in subsidiary undertakings over the fair value of the net identifiable assets acquired.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually. For the purpose of impairment testing goodwill is allocated to the cash generating unit expected to benefit from the synergies of the business combination.

### **1.4 Investments in subsidiaries**

#### *Group annual financial statements*

The group financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition.

Subsidiaries are entities, including unincorporated entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are consolidated from the date on which the Group acquires effective control up to the date that effective control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

### **1.5 Financial instruments**

#### *Initial recognition and measurement*

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

#### *Trade and other receivables*

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

### *Trade and other payables*

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

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and are classified as loans and other receivables.

### *Bank overdraft and borrowings*

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

### *Forward exchange contracts*

Forward exchange contracts are classified as held for trading financial instruments and measured at fair value through profit and loss.

## **1.6 Tax**

### *Income tax assets and liabilities*

Income tax, is to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

### *Deferred tax assets and liabilities*

Deferred tax is provided in full using the comprehensive balance sheet method. Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the balance sheet. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities other than a business combination that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

## **1.7 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### *Operating leases – lessee*

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

## **1.8 Inventories**

Inventories are measured at the lower of cost and net realisable value on the first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Any reversal of a write down is limited to the carrying amount of that item on inventory previously impaired, had the item not been impaired in the first place.

Included in inventory are spare parts which are held for a period of five years, in terms of the customer warranty agreement. Spare parts not used within five years are written off in the income statement in the 6th year.

## **1.9 Employee benefits**

### *Short-term employee benefits*

The cost of short-term employee benefits (such as paid vacation leave and bonuses), are recognised in the period in which the service is rendered and are not discounted.

### *Retirement benefits*

Current contributions to pension and retirement funds operated for employees are based on current service and charged against income as incurred. All retirement benefit plans are defined contribution plans.

## **1.10 Provisions and contingencies**

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

## **1.11 Revenue**

Revenue comprises sales and services to external customers (excluding value-added tax).

Rental income from operating leases is recognised in income on a straight-line basis over the lease term.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

## **1.12 Borrowing costs**

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

## **1.13 Translation of foreign currencies**

### *Foreign currency transactions*

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

## 2. NEW STANDARDS AND INTERPRETATIONS

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

*IFRS 3 – Business Combinations (effective 1 July 2009). Comprehensive revision on applying the acquisition method.*

*IFRS 5 – Non-current Assets Held for Sale and Discounted Operations (effective 1 July 2009). Plan to sell the controlling interest in a subsidiary.*

*IAS 7 – Statement of Cash Flows (effective 1 January 2010). Cash flows from assets held for rental classified as operating activities.*

*IAS 17 – Leases (effective 1 January 2010). Classification of leases of land and buildings.*

The directors anticipate that the adoption of these Standards and Interpretations in future years will have no material impact on the financial statements of the group.

## 3. PROPERTY, PLANT AND EQUIPMENT

	2010		Carrying value R	Cost/ Valuation R	2009	
	Cost R	Accumulated depreciation R			Accumulated depreciation R	Carrying value R
Buildings	13 793 437	(4 374 774)	9 418 663	13 650 088	(4 400 678)	9 249 410
Plant and equipment	896 362	(348 574)	547 788	719 551	(275 230)	444 321
Furniture and fixtures	2 491 307	(1 345 619)	1 145 688	381 358	(1 149 521)	1 231 837
Motor vehicles	3 528 383	(2 224 191)	1 304 192	3 261 298	(1 900 689)	1 360 609
IT equipment	1 773 370	(852 853)	920 517	2 809 139	(2 195 582)	613 557
Burglar alarms	447 945	(130 047)	317 898	417 197	(95 171)	322 026
<b>Total</b>	<b>22 930 807</b>	<b>(9 276 058)</b>	<b>13 654 746</b>	<b>23 238 631</b>	<b>(10 016 871)</b>	<b>13 221 760</b>

	2008		Accumulated value R	Carrying cost R	2007	
	Accumulated cost R	Carrying depreciation R			Depreciation R	Value R
Buildings	13 650 090	4 400 680	9 249 410	13 650 090	4 400 680	9 249 410
Plant and equipment	664 376	268 779	395 597	684 907	184 884	500 023
Furniture and fixtures	2 200 322	926 964	1 273 358	3 086 430	951 354	2 135 076
Motor vehicles	2 642 470	1 322 667	1 319 803	3 216 307	1 062 449	2 153 858
IT equipment	2 302 193	1 837 653	464 540	2 551 341	1 368 325	1 183 016
Burglar alarms	378 555	55 118	323 437	105 875	36 090	69 785
<b>Total</b>	<b>21 838 006</b>	<b>8 811 861</b>	<b>13 026 145</b>	<b>23 294 950</b>	<b>8 003 782</b>	<b>15 291 168</b>

### Reconciliation of property, plant and equipment – 2010

	Opening balance R	Additions/ Transfers R	Disposals R	Depreciation R	Closing balance R
Buildings	9 249 410	169 253	–	–	9 418 663
Plant and equipment	444 321	179 151	–	(75 684)	547 788
Furniture and fixtures	1 231 837	84 016	–	(170 165)	1 145 688
Motor vehicles	1 360 609	447 242	–	(503 659)	1 304 192
IT equipment	613 557	597 300	(147 305)	(143 035)	920 517
Burglar alarms	322 026	30 749	–	(34 877)	317 898
	<b>13 221 760</b>	<b>1 507 711</b>	<b>(147 305)</b>	<b>(927 420)</b>	<b>13 654 746</b>

**Reconciliation of property, plant and equipment –2009**

	<b>Opening balance R</b>	<b>Additions R</b>	<b>Disposals R</b>	<b>Depreciation R</b>	<b>Closing balance R</b>
Buildings	9 249 410	–	–	–	9 249 410
Plant and equipment	395 597	103 208	–	(54 484)	444 321
Furniture and fixtures	1 273 358	252 798	(63 754)	(230 565)	1 231 837
Motor vehicles	1 319 803	618 828	–	(578 022)	1 360 609
IT equipment	464 540	515 792	(8 253)	(358 522)	613 557
Burglar alarms	323 437	38 642	–	(40 053)	322 026
	<b>13 026 145</b>	<b>1 529 268</b>	<b>(72 007)</b>	<b>(1 261 646)</b>	<b>221 760</b>

**Reconciliation of property, plant and equipment – 2008**

	<b>Opening balance R</b>	<b>Additions R</b>	<b>Disposals R</b>	<b>Depreciation R</b>	<b>Closing balance R</b>
Buildings	9 249 410	–	–	–	9 249 410
Plant and equipment	500 023	105 951	(51 751)	(158 626)	395 597
Furniture and fixtures	2 135 076	284 771	(745 749)	(400 740)	1 273 358
Motor vehicles	2 153 858	683 151	(727 619)	(789 587)	1 319 803
IT equipment	1 183 016	1 023 148	(923 265)	(818 359)	464 540
Burglar alarms	69 785	272 680	–	(19 028)	323 437
	<b>15 291 168</b>	<b>2 369 701</b>	<b>(2 448 384)</b>	<b>(2 186 340)</b>	<b>13 026 145</b>

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

	<b>Opening balance R</b>	<b>Additions R</b>	<b>Disposals R</b>	<b>Depreciation R</b>	<b>Closing balance R</b>
Buildings	9 249 410	–	–	–	9 249 410
Plant and equipment	257 153	342 209	–	(99 338)	500 023
Furniture and fixtures	1 916 052	688 017	(84 713)	(384 280)	2 135 076
Motor vehicles	1 704 491	1 086 304	(1 983)	(634 954)	2 153 858
IT equipment	996 548	660 653	(11 872)	(462 313)	1 183 016
Burglar alarms	71 615	9 263	–	(11 093)	69 785
	<b>14 195 268</b>	<b>2 786 446</b>	<b>(98 568)</b>	<b>(1 591 978)</b>	<b>15 291 168</b>

Freehold land and buildings consists of Erven 199 and 200 in Southdale Ext 2 Township, Gauteng.

Director's valuation of property – R20 million.

No depreciation has been provided in the current year as the estimated residual value exceeds the carrying amount at year-end.

#### 4. INTANGIBLE ASSETS

	<b>Cost</b> <b>R</b>	<b>2010</b> <b>Accumulated</b> <b>amortisation</b> <b>R</b>	<b>Carrying</b> <b>value</b> <b>R</b>	<b>Accumulated</b> <b>cost</b> <b>R</b>	<b>2009</b> <b>Carrying</b> <b>amortisation</b> <b>R</b>	<b>Value</b> <b>R</b>
Computer software	3 078 305	(1 816 211)	1 262 094	3 078 305	(1 200 550)	1 877 755

  

	<b>Cost</b> <b>R</b>	<b>2008</b> <b>Accumulated</b> <b>amortisation</b> <b>R</b>	<b>Carrying</b> <b>value</b> <b>R</b>	<b>Accumulated</b> <b>cost</b> <b>R</b>	<b>2007</b> <b>Carrying</b> <b>amortisation</b> <b>R</b>	<b>Value</b> <b>R</b>
Computer software	3 075 305	(584 890)	2 493 415	2 714 206	(242 976)	2 471 230
Right of use	–	–	–	2 500 000	(590 278)	1 909 722
	<b>3 075 305</b>	<b>(584 890)</b>	<b>2 493 415</b>	<b>5 214 206</b>	<b>(833 254)</b>	<b>4 380 952</b>

#### *Right of use*

The group acquired the right to be the sole agent for Consol Speciality Glass (Pty) Ltd in South Africa, Namibia and Botswana, for a finite period. The intangible asset was amortised over the life of the contract. This right was disposed together with the disposal of BCE Home and Catering Suppliers (Pty) Ltd on 30 June 2008.

#### 5. GOODWILL

	<b>Cost</b> <b>R</b>	<b>2010</b> <b>Carrying value</b> <b>R</b>	<b>2009</b> <b>Cost</b> <b>R</b>	<b>Carrying value</b> <b>R</b>
Goodwill	22 523 972	22 523 972	22 523 972	22 523 972

  

	<b>Cost</b> <b>R</b>	<b>2008</b> <b>Carrying value</b> <b>R</b>	<b>2007</b> <b>Cost</b> <b>R</b>	<b>Carrying value</b> <b>R</b>
Goodwill	22 523 972	22 523 972	22 523 972	22 523 972

The goodwill arose on the initial acquisition of the business of BCE in 2004.

The smallest cash generating unit to which the goodwill can be allocated is the assets and liabilities acquired as a whole.

The recoverable amount of the cash generating unit has been determined on the value-in-use calculation, using cash flow projections which cover a three year period and then extended into perpetuity.

Cash flows have been discounted at a pre-tax rate of 22,4%.

A growth rate of 7% was used.

The following assumptions have been applied when reviewing goodwill impairment:

- asset values have been based on the carrying amounts for the financial period;
- future expected profits have been estimated using historical information and approved budgets extending over three years;
- sales growths and gross margins were based on historical performance and known future prospects; and
- costs were assumed to grow in line with expansion and expected inflation and cash flows have been extended into perpetuity as management have no reason to believe that the company will not continue past the budget period.

The recoverable amounts of the cash generating units were determined to be higher than the relevant portion of goodwill and therefore no impairment was necessary.

## 6. PROFITS/(LOSSES) FROM SUBSIDIARIES

The aggregate profits/(losses) after taxation from subsidiaries amounted to:

Name of company	% holding 2010	% holding 2009	2010	2009
THH Properties (Pty) Ltd Profit for the period	100	100	1 892 663	2 381 738
Gilbere Investments (Pty) Ltd Profit for the period	100	100		
Merxteam SA (Pty) Ltd Profit for the period	100	100		

Gilbere Investments (Pty) Ltd and Merxteam SA (Pty) Ltd are in the process of deregistration.

Name of company	% holding 2008	% holding 2007	2008	2007
THH Properties (Pty) Ltd Profit for the period	100	100	990 539	955 339
Gilbere Investments (Pty) Ltd Loss for the period	100	100	(2 088)	(56 150)
Merxteam SA (Pty) Ltd Loss for the period	100	100	(27 456)	(20 121)
BCE Home and Catering Suppliers (Pty) Ltd Profit for the period	100	100	5 620 441	4 166 164

BCE Home and Catering Suppliers (Pty) Ltd was disposed of in 2008; inspect note 29 for more details.

## 7. FINANCIAL ASSETS BY CATEGORY

The classification of financial instruments have been applied to the line items below:

	2010 Loans and receivables R	Non-financial instrument R	Total R
Trade and other receivables	55 073 083	5 332 439	60 405 521
Bank and cash	23 713 760	–	23 713 760
	<b>78 640 895</b>	<b>5 332 439</b>	<b>84 119 281</b>

	2009 Loans and receivables R	Non-financial instrument R	Total R
Trade and other receivables	55 697 522	4 631 074	60 328 596
Bank and cash	16 077 421	–	16 077 421
	<b>71 774 943</b>	<b>4 631 074</b>	<b>76 406 017</b>

	2008 Loans and receivables R	Non-financial instrument R	Fair value through profit and loss R	Total R
Trade and other receivables	58 305 589	–	–	58 305 589
Bank and cash	8 338 419	–	–	8 338 419
Other financial asset	–	–	28 493	28 493
	<b>66 644 008</b>	<b>–</b>	<b>28 493</b>	<b>66 672 501</b>

	2007 Loans and receivables R	Non-financial instrument R	Fair value through profit and loss R	Total R
Trade and other receivables	77 336 264	–	–	77 336 264
Bank and cash	11 859 717	–	–	11 859 717
Other financial asset	–	–	156 946	156 946
	<b>89 195 981</b>	<b>–</b>	<b>156 946</b>	<b>89 352 927</b>

## 8. DEFERRED TAX

	2010 R	2009 R	2008 R	2007 R
<b>Deferred tax asset</b>				
Prepayment	(39 734)	(50 272)	(24 029)	(5 937)
Provisions	2 137 887	2 190 429	1 315 523	742 535
Deferred lease liability	–	–	31 052	–
	<b>2 098 153</b>	<b>2 140 157</b>	<b>1 322 546</b>	<b>736 598</b>
<b>Reconciliation of deferred tax asset</b>				
At beginning of the year	2 140 157	1 322 546	736 598	836 165
Provisions	(52 542)	843 854	572 988	(93 630)
Prepayments	10 538	(26 243)	(18 092)	(5 937)
Deferred lease liability	–	–	31 052	–
	<b>2 098 153</b>	<b>2 140 157</b>	<b>1 322 546</b>	<b>736 598</b>

### Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

## 9. INVENTORIES

	2010 R	2009 R	2008 R	2007 R
Inventories	72 745 979	78 496 234	70 146 135	73 701 969
Goods in transit	7 906 343	8 095 388	11 012 936	5 797 241
	80 652 322	85 591 622	81 159 071	79 499 210
Inventories (write-downs)	(2 656 870)	(2 550 000)	(2 550 000)	(2 550 000)
	<b>77 995 452</b>	<b>84 041 622</b>	<b>78 609 071</b>	<b>76 949 210</b>

Carrying amount of inventory carried at fair value less costs to sell amounted to R1,1 million (2009: R1,1 million, 2008: NIL, 2007: NIL).

Inventory was given as security against the interest bearing liability as set out in note 16.

## 10. TRADE AND OTHER RECEIVABLES

	2010 R	2009 R	2008 R	2007 R
Trade receivables	52 719 183	53 633 532	56 445 455	76 345 869
Consignment debtors	2 033 791	1 888 673	1 536 928	–
Prepayments	5 271 339	4 631 074	184 403	856 396
Deposits	135 740	135 740	113 391	27 291
Value-added tax	61 100	–	–	–
Staff loans	38 420	39 577	25 412	106 708
Sundry debtors	145 948	–	–	–
	<b>60 405 521</b>	<b>60 328 596</b>	<b>58 305 589</b>	<b>77 336 264</b>

### Trade and other receivables past due but not impaired

To line, with management judgements taken, trade receivables that are less than three months' overdue have not been impaired.

At 30 April 2010, trade receivables of R9,1 million (2009: R6,9 million) were past due of which only R2 800 000 (2009: R2 800 000, 2008: R487 500, 2007: R1 046 267) were impaired.

The balance of the debt relates to a number of independent customers for whom there is no history of default. The age analysis of trade receivables is as follows:

	2010 R	2009 R	2008 R	2007 R
Up to 3 months	46 447 109	46 355 860	47 420 700	127 864
4 months and older	6 272 074	7 277 672	9 024 755	218 005
Amount in 90 days +	52 719 183	53 633 532	56 445 455	76 345 869

### Trade and other receivables impaired

The amount of the provision was R2 800 000 as of 30 April 2010 (2009: R2 800 000, 2008: R487 500, 2007: R1 046 267).

### Reconciliation of provision for impairment of trade and other receivables

	2010 R	2009 R	2008 R	2007 R
Opening balance:				
– relating to debtors in 90+ days	2 800 000	2 800 000	1 046 267	–
Provision for impairment raised/(reversed)	–	–	(547 267)	753 145
Impairments recognised in profit and loss	–	–	11 500	698 169
Utilisation for impairments	–	–	–	(405 047)
	2 800 000	2 800 000	487 500	1 046 267
Credit risk exposure:				
Maximum exposure to credit losses of trade receivables	52 719 183	53 633 532	56 445 455	76 345 869
Credit risk exposure mitigated through:				
Value-added tax	(6 474 286)	(6 586 574)	(6 931 898)	(9 375 808)
Impairment provision	(2 800 000)	(2 800 000)	(487 500)	(1 046 267)
Credit insurance contracts	(1 900 000)	(1 400 000)	–	–
Residual exposure	41 544 897	42 846 958	4 902 605	65 923 794
Financial asset risk exposure – other receivables:				
Other debtors	2 033 791	1 888 673	1 536 928	–
	43 578 688	44 735 631	50 562 985	65 923 794

## 11. OTHER FINANCIAL ASSET

	2010 R	2009 R	2008 R	2007 R
Foreign exchange contracts	–	–	28 493	156 946

## 12. CASH AND EQUIVALENTS

Bank and cash consist of:

Cash on hand	16 734	13 313	6 538	8 310
Bank balances	23 697 026	16 064 108	8 331 881	11 851 407
	23 713 760	16 077 421	8 338 419	11 859 717
Bank overdraft	–	–	(5 001 952)	(6 004 603)
	<b>23 713 760</b>	<b>16 077 421</b>	<b>3 336 467</b>	<b>5 855 114</b>

Security for the banking facility with Standard Bank. Pledge over the call account to a value of R1 000 000.

## 13. SHARE CAPITAL

	Group 2010 R	Group 2009 R	2008 R	2007 R
<b>Authorised</b>				
4 000 ordinary shares of R1,00 each	4 000	4 000	4 000	4 000
250 redeemable preference shares of R1,00 each	250	250	250	250
<b>Issued</b>				
Ordinary	1 000	1 000	1 000	1 000

#### 14. PREFERENCE SHARE OBLIGATION

	2010 R	2009 R	2008 R	2007 R
250 redeemable, non-convertible, cumulative voting preference shares of 100 cents each	250	250	250	250
<i>Movement in the preference share obligation for the period is as follows:</i>				
At the beginning of the period	9 725 827	12 666 582	15 220 690	17 583 601
Interest raised	744 616	1 810 874	2 175 508	2 156 405
Repayment of obligation	(10 470 193)	(4 751 629)	(4 729 616)	(4 519 315)
	<b>250</b>	<b>9 725 827</b>	<b>12 666 582</b>	<b>15 220 690</b>

Each preference shareholder shall have the right to receive in respect of each preference share held, the preference dividend on such dividend date.

The dividend/repayment is calculated as:

	250	9 725 828	12 666 582	15 220 690
Non-current portion	–	–	9 725 828	12 666 582
Current portion	250	9 725 828	2 940 754	2 554 108

25% of the capital amount of R56 100 000 which has been repaid by the group during the dividend period plus the 25% of the after-tax amount of the interest paid by the group during the dividend period divided by the number of preference shares in issue on the dividend date divided by 75%.

The company shall redeem each preference share on the redemption date. The redemption date is the date upon which the outstanding balance is reduced to zero or the date on which the outstanding balance becomes due and payable.

#### 15. OTHER FINANCIAL LIABILITY

	2010 R	2009 R	2008 R	2007 R
Foreign exchange contract	–	89 341	–	–

## 16. INTEREST BEARING LIABILITY

	2010 R	2009 R	2008 R	2007 R
<b>Long-term liability</b>				
Investec Bank Limited	–	29 411 233	38 425 626	57 788 766
<p>The term loan bears interest at 7,15% (2009: 11,83%, 2008: 17,075%, 2007: 13,925%) on the amount outstanding by BCE Foodservice Equipment (Pty) Ltd. The term loan is payable in quarterly instalments of R3 413 233 by BCE Foodservice Equipment (Pty) Ltd. The instalments are inclusive of interest. The loan has been secured.</p> <p>Security for the long-term liability with Investec Bank Ltd has been provided by:</p> <ul style="list-style-type: none"> <li>• cession of shares in BCE Foodservice Equipment (Pty) Ltd and THH Properties (Pty) Ltd;</li> <li>• guarantees by Frank Boner, Lawrence Nestadt and THH Properties (Pty) Ltd;</li> <li>• notarial bond over property in THH Properties (Pty) Ltd;</li> <li>• general notarial bond over all movable assets;</li> <li>• cession of debtors.</li> </ul>				
	2010 R	2009 R	2008 R	2007 R
<b>Other liabilities</b>	–	–	–	13 473 697
Investec Bank Limited	–	–	–	6 039 292
CIDA Empowerment (Pty) Ltd	–	–	–	4 229 882
LM Nestadt Trust	–	–	–	2 136 349
Boner Family Trust	–	–	–	1 068 174
<p>The loans are unsecured bear interest at prime and are repayable by 30 June 2010.</p> <p>A motor vehicle was purchased and finance obtained from WesBank. This loan bears interest at prime less 0,0279% per annum and is repayable in monthly instalments of R3 774,47</p>				
	–	–	–	123 406
<p>The book value of the motor vehicle at the 2007 year-end is R132 409,15.</p> <p>A forklift was purchased and finance was obtained from WesBank. This loan bears interest at prime less 0,817% per annum and is repayable in monthly instalments of R4 860,67</p>				
	–	–	–	174 806
<p>The book value of the forklift at the 2007 year-end is R160 640,57.</p> <p>A reach truck was purchased and finance was obtained from WesBank. This loan bears interest at prime less 0,479% per annum and is repayable in monthly instalments of R6 700,14</p>				
	–	–	–	261 305
<p>The book value of the reach truck at the 2007 year-end is R176 982.</p> <p>A motor vehicle was purchased and finance was obtained from WesBank. This loan bears interest at the prime rate and is repayable in monthly instalments of R4 013,16</p>				
	–	–	–	176 575
<p>The book value of the motor vehicle at the 2007 year-end is R134 375.</p>				
	–	29 411 233	38 425 626	71 998 555
Non-current liability	–	18 739 503	29 760 274	60 893 370
Current portion of non-current liability	–	10 671 730	8 665 352	11 105 185
	–	<b>29 411 233</b>	<b>38 425 626</b>	<b>71 998 555</b>

## 17. PROVISIONS

### Reconciliation of provisions – 2010

	Opening Balance R	Additions R	Utilised during the year R	Closing balance R
Provision for warranty	1 181 867	–	(612 597)	569 270
Provision for leave pay and bonuses	4 427 040	1 357 776	(4 427 040)	1 357 776
	<b>2 608 907</b>	<b>1 357 776</b>	<b>(5 039 637)</b>	<b>1 927 046</b>

### Reconciliation of provisions – 2009

Provision for warranty	908 198	273 669	–	1 181 867
Provision for leave pay and bonuses	3 490 650	936 390	–	4 427 040
	<b>4 398 848</b>	<b>1 210 059</b>	<b>–</b>	<b>5 608 907</b>

### Reconciliation of provisions – 2008

Provision for warranty	457 509	450 608	–	908 198
Provision for leave pay and bonuses	2 102 878	1 387 772	–	3 490 650
	<b>2 560 468</b>	<b>1 838 380</b>	<b>–</b>	<b>4 398 848</b>

### Reconciliation of provisions – 2007

Provision for warranty	–	457 590	–	457 590
Provision for leave pay and bonuses	–	2 102 878	–	2 102 878
	<b>–</b>	<b>2 560 468</b>	<b>–</b>	<b>2 560 468</b>

## 18. TRADE AND OTHER PAYABLES

	2010 R	2009 R	2008 R	2007 R
Trade payables	22 263 489	15 231 057	14 836 238	26 374 256
Value-added tax	31 277	838 673	337 106	644 644
Accrued expenses	3 889 990	4 136 680	5 468 078	5 730 615
Accrued bonuses and general accruals	7 728 286	238 091	670 424	689 866
Other payables	8 731 081	751 694	10 321 475	15 833 436
	<b>42 644 123</b>	<b>29 196 195</b>	<b>31 633 321</b>	<b>49 272 817</b>

## 19. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

<b>2010</b>	<b>Non-financial instruments R</b>	<b>Financial liabilities at amortised cost R</b>	<b>Fair value through profit or loss – held for trading R</b>	<b>Fair value through profit or loss – designated R</b>	<b>Total R</b>
Trade and other payables	31 277	42 612 846	–	–	42 644 123
Preference share obligations	–	250	–	–	–
	<b>31 277</b>	<b>42 613 096</b>	<b>–</b>	<b>–</b>	<b>42 644 373</b>

  

<b>2009</b>	<b>Non-financial instruments R</b>	<b>Financial liabilities at amortised cost R</b>	<b>Fair value through profit or loss – held for trading R</b>	<b>Fair value through profit or loss – designated R</b>	<b>Total R</b>
Other financial liabilities	–	–	89 341	89 341	–
Interest bearing liabilities	–	29 411 233	–	–	29 411 233
Trade and other payables	838 673	28 357 522	–	–	29 196 195
Preference share obligations	–	9 725 827	–	–	9 725 827
	<b>838 673</b>	<b>67 494 582</b>	<b>89 341</b>	<b>89 341</b>	<b>68 422 596</b>

  

<b>2008</b>	<b>Non-financial instruments R</b>	<b>Financial liabilities at amortised cost R</b>	<b>Fair value through profit or loss – held for trading R</b>	<b>Fair value through profit or loss – designated R</b>	<b>Total R</b>
Interest bearing liabilities	–	38 425 626	–	–	38 425 626
Trade and other payables	337 106	31 296 215	–	–	31 633 321
Preference share obligation	–	12 630 582	–	–	12 630 582
Bank overdraft	–	5 001 952	–	–	5 001 952
	<b>337 106</b>	<b>87 354 375</b>	<b>–</b>	<b>–</b>	<b>87 691 481</b>

  

<b>2007</b>	<b>Non-financial instruments R</b>	<b>Financial liabilities at amortised cost R</b>	<b>Fair value through profit or loss – held for trading R</b>	<b>Fair value through profit or loss – designated R</b>	<b>Total R</b>
Interest bearing liabilities	–	71 998 555	–	–	71 998 555
Trade and other payables	644 644	48 628 173	–	–	49 272 817
Preference share obligation	–	15 220 690	–	–	15 220 690
Bank overdraft	–	6 004 603	–	–	6 004 603
	<b>644 644</b>	<b>141 852 021</b>	<b>–</b>	<b>–</b>	<b>142 496 665</b>

## 20. REVENUE

	2010 R	2009 R	2008 R	2007 R
Sale of goods	271 072 752	308 043 385	416 336 464	367 713 374
Discount allowed	(9 446 958)	(11 066 746)	(15 801 400)	(12 286 620)
	<b>261 625 794</b>	<b>296 976 639</b>	<b>400 535 064</b>	<b>355 426 754</b>

## 21. PROFIT FROM OPERATIONS

Profit from operations includes the following:

	2010 R	2009 R	2008 R	2007 R
<b>Income</b>				
Profit on exchange differences	605 876	–	–	–
<b>Expenses</b>				
Auditors' remuneration	262 500	286 396	416 630	452 463
Bad debts	232 815	3 610 576	661 215	748 092
Cost of sales	167 552 920	190 462 273	273 380 845	251 735 345
Depreciation	927 447	1 261 645	1 427 761	932 324
Employee costs	26 398 926	25 830 776	37 098 862	30 118 161
Loss on disposal of assets	–	26 147	8 322	(45 392)
Loss on exchange differences	–	725 443	3 027 188	603 939
Loss on disposal of business	–	–	8 015 812	–
Amortisation of intangibles	615 661	615 661	758 579	659 653
Directors' remuneration	5 879 000	5 702 000	5 183 000	3 954 000

## 22. TAXATION

	2010 R	2009 R	2008 R	2007 R
<b>Major components of the tax expense</b>				
<b>Current:</b>				
Local income tax – current period	242 708	14 372 517	16 728 849	10 710 432
Secondary tax on companies	1 117 305	545 841	–	–
Prior period over/under provision	–	784 985	–	12 596
	<b>12 360 013</b>	<b>15 703 343</b>	<b>16 728 849</b>	<b>10 723 028</b>
<b>Deferred:</b>				
Deferred taxation	42 004	(817 610)	(585 948)	99 567
	<b>12 402 017</b>	<b>14 885 733</b>	<b>16 142 901</b>	<b>10 822 595</b>
<b>Reconciliation of the tax expense:</b>				
Accounting profit	44 893 762	46 177 949	41 813 134	35 584 863
Tax at applicable rate of 28%	12 570 253	12 929 826	11 707 677	10 319 610
Local dividends	–	1 316 386	–	–
Other	(285 541)	625 081	768 853	(291 255)
STC	1 117 305	545 841	–	–
Prior year under/over provision	–	784 985	–	12 596
Capital Gains Tax	–	–	2 324 585	–
Rate change	–	–	25 400	–

## 23. CASH GENERATED FROM OPERATIONS

	2010 R	2009 R	2008 R	2007 R
Profit before taxation	44 893 762	46 177 949	41 813 134	35 584 863
<b>Adjustments for:</b>				
Depreciation and amortisation	1 543 108	1 877 306	2 944 919	2 251 620
(Profit)/Loss on sale of assets	(4 659)	26 147	8 322	–
Interest received	(1 752 722)	(511 747)	(1 384 209)	(869 594)
Impairment loss	–	–	–	43 002
Loss on sale of business	–	–	8 015 812	–
Finance costs	4 253 456	8 848 014	13 590 453	12 210 084
Straight-lined adjustments	–	118 620	44 729	–
Movement in financial assets	(27)	(59 430)	174 028	–
<b>Changes in working capital:</b>				
Inventories	6 046 170	(5 432 551)	(25 419 814)	(12 934 306)
Trade and other receivables	(76 925)	(2 023 007)	(2 063 670)	(21 843 356)
Trade and other payables and provisions	9 766 066	(1 286 494)	2 144 735	10 972 821
	<b>64 668 229</b>	<b>47 734 807</b>	<b>39 868 439</b>	<b>25 415 134</b>

## 24. TAX PAID

Balance at beginning of period	(2 904 204)	(5 875 699)	(3 219 442)	(9 639 116)
Current tax	(12 360 013)	(15 703 343)	(16 728 849)	(10 723 028)
Balance at end of period	6 092 349	2 904 205	6 244 070	3 219 442
	<b>(9 171 868)</b>	<b>(18 674 837)</b>	<b>(13 704 221)</b>	<b>(17 142 702)</b>

## 25. DIVIDENDS PAID

Balance at beginning of period	(15 950 443)	(10 612 467)	(5 893 691)	(1 841 229)
Dividends paid	–	–	(4 701 377)	–
Allocated to shareholders' loan	–	–	4 701 379	–
Balance at end of period	11 173 053	15 950 443	10 612 467	5 893 691
Adjustment against preference share obligation	–	(5 337 976)	(4 718 777)	(4 052 462)
	<b>(4 777 390)</b>	<b>–</b>	<b>–</b>	<b>–</b>

## 26. PER SHARE CALCULATIONS

### Headline earnings reconciliation:

Net profit for the period attributable to equity holders of the parent	32 491 745	31 292 216	25 670 233	24 762 268
(Profit)/Loss on disposal of assets	(4 659)	26 147	8 322	43 002
Profit on disposal of business	–	–	8 015 812	–
Tax effects of above adjustments	–	–	(658 179)	–
Headline earnings	32 487 086	31 318 363	33 036 188	24 805 270
<b>Basic earnings per share (cents)</b>	3 249 175	3 129 222	2 567 023	2 476 227
<b>Diluted earnings per share (cents)</b>	3 249 175	3 129 222	2 567 023	2 476 227
<b>Headline earnings per share (cents)</b>	3 248 708	3 131 836	3 303 619	2 480 527
<b>Ordinary dividends per share (cents)</b>	–	–	470 138	–
<b>Preference dividends per share (cents)</b>	–	–	–	–
<b>Average weighted number of ordinary shares in issue</b>	1 000	1 000	1 000	1 000
<b>Average weighted number of preference shares in issue</b>	250	250	250	250

## 27. DIRECTORS' REMUNERATION

	Remuneration R'000	Benefits R'000	Total allowances R'000	Bonuses R'000	10 months R'000	Full year 2009 R'000	Full year 2008 R'000	Full year 2007 R'000
The remuneration paid to the directors of the company, whilst in office during the year ended 30 April 2010, can be analysed as follows:								
<i>Executive directors</i>								
N K Wooding	685	118	80	434	1 317	1 269	1 171	939
R J Rive	534	66	75	282	957	980	901	782
J Morby-Smith	752	92	50	540	1 434	1 373	1 206	994
M D Thurley	1 072	107	80	912	2 171	2 080	1 905	1 239
<i>Non-Executive directors</i>								
F Boner	–	–	–	–	–	–	–	–
L M Nestadt	–	–	–	–	–	–	–	–
T A Chiappini-Young	–	–	–	–	–	–	–	–

## 28. RESTATEMENTS IN CIRCULAR COMPARED TO FINANCIAL STATEMENTS

The adjustment relates to reclassification of preference shares and correct treatment of preference share in terms of IFRS 2.

	2010 R	2009 R	2008 R	2007 R
<i>Effect on preference share liability:</i>				
<i>Non-current:</i>				
Previously reported	–	–	–	–
Effect on preference share liability	–	–	9 725 828	12 666 582
Currently reported	–	–	9 725 828	12 666 582
<i>Current:</i>				
Previously reported	–	–	–	–
Effect on preference share liability	250	9 725 828	2 940 754	2 554 108
Currently reported	250	9 725 828	2 940 754	2 554 108
<i>Effect on profit for the year</i>				
Previously reported	33 939 221	33 689 437	27 834 902	26 451 818
Effect on profit for the year	(1 447 476)	(2 397 221)	(2 164 669)	(1 689 550)
Currently reported	32 491 745	31 292 216	25 670 233	24 762 268
<i>Effect on dividends paid</i>				
Previously reported	11 173 053	5 337 976	9 420 155	4 052 461
Effect on dividends	(11 173 053)	(5 337 976)	(4 718 778)	(4 052 461)
Currently reported	–	–	4 701 377	–

### Other effects on the financials:

- On the 30 April 2010, a re-allocation of computer software from property, plant and equipment to intangible assets was done in order to correspond with previous years classifications.
- The 2007 and 2008 years, provisions were reclassified from trade payables to provisions to correspond with correct classification in 2009 and 2010 years.
- In the 2007 year, instalment sales were reclassified from a separate line item into interest bearing liabilities.

## 29. DISPOSAL OF BUSINESS

	2010 R	2009 R	2008 R	2007 R
BCE Foodservice Equipment (Pty) Ltd disposed of its wholly-owned subsidiary, BCE Home and Catering Suppliers (Pty) Ltd, on 30 June 2008.				
The company disposed of the subsidiary, as follows:				
Plant and equipment	–	–	2 413 537	–
Intangible assets	–	–	1 493 056	–
Inventories	–	–	23 759 953	–
Trade and other receivables	–	–	21 094 345	–
Interest bearing liabilities	–	–	(23 097 312)	–
Instalment sale agreements	–	–	(714 143)	–
Trade and other payables	–	–	(18 036 154)	–
Taxation owing	–	–	(368 632)	–
Bank and cash	–	–	6 172 541	–
	–	–	12 717 191	–
Loss on sale	–	–	(8 015 812)	–
Proceeds from sale	–	–	4 701 379	–
<i>Settled as follows:</i>				
Loan payable	–	–	(4 701 379)	–
Bank and cash	–	–	(6 172 541)	–
Net cash proceeds	–	–	(6 172 541)	–

## 30. COMMITMENTS

### Operating leases – as lessee (expense)

#### Minimum lease payments due

– within one year	332 997	338 991	4 245 341	6 002 476
– in second to fifth year inclusive	85 185	366 554	702 118	4 754 274
– later than five years	–	–	–	–
	<b>418 182</b>	<b>705 545</b>	<b>4 947 459</b>	<b>10 753 750</b>

## 31. RELATED PARTIES

### Relationships

#### Related party balances

#### Interest bearing liability

Investec Bank Limited – shareholder	–	29 411 233	38 425 626	63 828 058
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#### Related party transactions

#### Interest paid to related parties

Investec Bank Limited – shareholder	2 243 073	5 699 249	7 409 390	6 906 656
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#### Administration fees paid to related party

Global Capital (Pty) Ltd – shareholder	900 000	1 200 000	1 000 000	1 000 000
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## 32. RISK MANAGEMENT

### Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

### Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>Non-financial instruments R</b>	<b>Less than 1 year R</b>	<b>Between 1 and 2 years R</b>	<b>Between 2 and 5 years R</b>	<b>Over 5 years R</b>
<b>At 30 June 2010</b>					
Trade and other payables	32 277	43 182 116	–	–	–
<b>At 30 June 2009</b>					
Interest bearing liabilities	–	13 652 935	20 479 402	–	–
Trade and other payables	838 673	29 539 389	–	–	–
Preference share liability	–	9 725 807	–	–	–
<b>At 30 June 2008</b>					
Trade and other payables	337 106	32 204 413	–	–	–
Interest bearing liabilities	–	14 477 015	31 646 973	–	–
Preference share liability	–	2 940 754	9 725 827	–	–
<b>At 30 June 2007</b>					
Interest bearing liabilities	–	14 180 300	14 447 015	31 646 973	–
Trade and other payables	644 644	49 085 763	–	–	–
Preference share liability	–	22 554 108	2 940 754	9 725 828	–

### Interest rate risk

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

At 30 April 2010, if interest rates on financial assets, cash and cash equivalents had been between 1% to 2% higher/lower with all other variables held constant, pre-tax profit for the 10 months would have been R237 138 (2009: R155 676, 2008: R885 331, 2007: R1 939 603) lower/higher, mainly as a result of higher/lower of the interest rate.

### Credit risk

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

The group limits its counterparty exposure arising from money market instruments by dealing only with well-established financial institutions of high credit standing. 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 widespread customer base. (Refer to note 10 for maximum exposure to credit risk.)

### Foreign exchange risk

Currency risk arises as a result of purchases transactions in currencies other than Rand. The currencies giving rise to currency risk are mainly Euro and US Dollars. Currency exposures are managed using appropriate exposure management techniques.

Where deemed appropriate, spot contracts are entered into in order to mitigate the foreign exchange risks.

	2010 R	2009 R	2008 R
<b>Foreign currency exposure at balance sheet</b>			
<b>Liabilities</b>			
Trade payables: Euro 373 323 (2009 and 2008: NIL)	3 677 232	–	–
Trade payables: USD 235 141 (2009: USD 394 528) (2008: USD 456 617)	1 742 385	3 108 881	3 634 671
Trade payables: GBP 445 (2009: GBP 5 051) (2008: NIL)	5 051	–	–

**Exchange rates used for conversion of foreign items were:**

Denominations	2010	2009	2008	2010	2009	2008
	Closing rate	Closing rate	Closing rate	Average rate	Average rate	Average rate
Euro	9,85	–	–	10,20	–	–
US Dollar	7,41	7,88	7,96	7,24	6,582	6,759
GBP	11,35	–	–	11,28	–	–

**Sensitivity analysis**

Based on the company's net exposure to currency risk, a 10% strengthening of the Rand would have increased equity and profit by the amounts shown below, assuming all other variables remained constant:

	2010 R	2009 R	2008 R
Equity	390 575	223 839	261 696
Profit for the year before tax	542 465	310 888	363 467

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF BCE**

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

27 July 2010

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF BCE FOODSERVICE EQUIPMENT (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES (“BCE”) FOR THE YEARS ENDED 30 JUNE 2009, 2008 AND 2007 AND THE 10-MONTH PERIOD ENDED 30 APRIL 2010****Introduction**

At your request and for the purposes of the circular to be dated on or about 28 July 2010 (“the circular”), we present our report on the historical financial information of BCE for the years ended 30 June 2009, 2008 and 2007 and the 10-month period ended 30 April 2010 in compliance with the JSE Limited Listings Requirements.

**Responsibilities***Management's responsibility for the financial statements*

Management is responsible for the preparation, contents and presentation of the circular and the fair presentation of the historical financial information in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Reporting accountants' responsibility*

Our responsibility is to express an opinion or conclusion on the historical financial information of BCE for the years ended 30 June 2009, 2008 and 2007 and the 10-month period ended 30 April 2010, included in the circular, based on our audit of the financial information for the year ended 30 June 2009 and the 10-month period ended 30 April 2010 and our review of the financial information for the years ended 30 June 2008 and 2007.

**Scope of the audit**

We conducted our audit of the historical financial information for the year ended 30 June 2009 and the 10-month period ended 30 April 2010 in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Audit opinion**

In our opinion, the historical financial information of BCE for the year ended 30 June 2009 and the 10-month period ended 30 April 2010 fairly presents, in all material respects, for the purposes of the circular, the financial position of BCE at that date and the results of its operations and cash flows for the period then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 61 of 1973, and the JSE Limited Listings Requirements.

## **Scope of the review**

We conducted our review of the historical financial information for the years ended 30 June 2008 and 2007 in accordance with the International Standards on Review Engagements 2400, "Engagements to review financial statements". This standard requires that we plan and perform the review to obtain moderate assurance as to whether 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 30 June 2008 and 2007 and, accordingly, we do not express an audit opinion in respect of these periods.

## **Review conclusion**

Based on our review nothing has come to our attention that causes us to believe that the historical financial information of BCE for the years ended 30 June 2008 and 2007 is not fairly presented, in all material respects, for the purposes of the circular, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 61 of 1973, and the JSE Limited Listings Requirements.

## **Consent**

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

Yours faithfully

## **Ben Frey**

### **PKF (Jhb) Inc**

(Registration number 1994/001166/21)

*Registered Auditors*

*Chartered Accountants (SA)*

42 Wierda Road West

Wierda Valley

Sandton

2196"

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**UNIVERSAL'S SHARE PRICE HISTORY**


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	<b>High (cents)</b>	<b>Low (cents)</b>	<b>Close (cents)</b>	<b>Volume</b>	<b>Value (R)</b>
<b>Period</b>					
Period 29 November 2007 to 31 December 2007	160	120	150	5 284 793	7 448 893
<b>Quarterly</b>					
<b>2008</b>					
March	150	100	114	587 667	667 303
June	114	80	99	11 269 933	9 591 021
September	95	50	80	387 100	292 494
December	78	55	75	21 758 952	13 305 192
<b>2009</b>					
March	85	65	80	223 254	169 149
June	80	70	75	403 344	289 708
<b>Monthly</b>					
<b>2009</b>					
June	75	70	75	330 597	231 532
July	75	75	75	1 000	750
August	74	50	64	2 549 510	1 821 049
September	64	60	60	239 600	145 984
October	60	55	59	2 676 993	1 547 350
November	155	56	70	3 217 335	1 902 216
December	90	73	90	279 000	226 973
<b>2010</b>					
January	85	85	85	34 650	29 452
February	85	70	85	3 105 296	2 208 572
March	110	73	110	2 029 450	1 583 756
April	120	105	120	168 640	187 288
May	123	81	120	4 169 669	4 617 823
<b>Daily</b>					
1 June	–	–	120	–	–
2 June	–	–	120	–	–
3 June	–	–	120	–	–
4 June	–	–	120	–	–
7 June	–	–	120	–	–
8 June	–	–	120	–	–
9 June	–	–	120	–	–
10 June	125	119	119	59 000	70 810
11 June	–	–	119	–	–
14 June	–	–	119	–	–
15 June	–	–	119	–	–
17 June	–	–	119	–	–
18 June	119	119	119	1 000	1 190
21 June	–	–	119	–	–
22 June	–	–	119	–	–
23 June	–	–	119	–	–
24 June	120	119	120	27 402	32 812

	High (cents)	Low (cents)	Close (cents)	Volume	Value (R)
<b>2010</b>					
<b>Daily (continued)</b>					
25 June	–	–	120	–	–
28 June	–	–	120	–	–
29 June	–	–	120	–	–
30 June	128	125	128	12 500	15 700
1 July	–	–	128	–	–
2 July	–	–	128	–	–
5 July	–	–	128	–	–
6 July	–	–	128	–	–
7 July	–	–	128	–	–
8 July	–	–	128	–	–
9 July	–	–	128	–	–
12 July	–	–	128	–	–
13 July	120	100	120	1 400	1 600
14 July	–	–	120	–	–
15 July	0	0	120	0	0
16 July	0	0	120	0	0
19 July	0	0	120	0	0
20 July	0	0	120	0	0
21 July	–	–	120	–	–
22 July	120	101	120	30 000	33 100
23 July	–	–	120	–	–
26 July	114	114	114	2 500	2 850

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## SALIENT FEATURES OF THE AMENDMENTS TO THE CURRENT SHARE OPTION SCHEME

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In terms of the latest amendments to the Listings Requirements, use of the wording “*from time to time*” or a percentage is prohibited in terms of the maximum number of equity securities which may be utilised for purposes of the scheme or the maximum number of securities permitted in respect of any one participant. Accordingly, clauses 3.1 to 3.3 of the current share option scheme are, upon the approval of the addendum by Universal shareholders, to be replaced in their entirety with the following:

### **Proposed amendment**

“3.1 The aggregate number of awards that can be made under this scheme is limited to an amount of 48 000 000 ordinary shares.”

“3.2 The aggregate number of awards that may be made to any particular participant under this scheme is limited to an amount of 4 800 000 ordinary shares.”

Clause 3.3 is deleted in its entirety.

Other than the deletion of reference to the wording “*from time to time*” and the percentages “10%” and “1%” in clauses 3.1 and 3.2, respectively, the current share option scheme remains unamended and in full force and effect.

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## TERMS OF THE PROPOSED UNIVERSAL ASSISTED SHARE PURCHASE SCHEME

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The board has resolved to make Universal shares available to the group's key executives, including executive directors, through a scheme with the terms set out below. Any offer in terms of this scheme will be set out in an offer letter in substantially the form available for inspection in terms of paragraph 23 of this circular.

### 1. RATIONALE FOR THE SCHEME

The Universal assisted share purchase scheme (the "**scheme**") is intended as a holistic approach to employee compensation in recognition of their commitment and contribution to Universal by giving them an opportunity to acquire shares in Universal.

### 2. PARTICIPANTS

The group's key executives, including executive directors, directly involved in the business of the company or any of its subsidiaries who are entitled, subject to the provisions of the Companies Act, to purchase shares in the company, shall be eligible to participate in the scheme if offers are made to and are accepted by them.

### 3. SCHEME ALLOCATIONS

- 3.1 The Remuneration Committee ("**Remco**") may, at its discretion, offer shares (the "**offer shares**") and grant credit to the participants named in the offer ("**offerees**") which when added to the number of shares then issued under or offered for sale in terms of this scheme, do not exceed the scheme allocation (being 45 000 000 shares in number).
- 3.2 The maximum number of shares under this scheme in respect whereof any one offeree shall be entitled to accept an offer shall be 4 500 000 shares in number.
- 3.3 If and to the extent that any of the shares allocated to the scheme are not subsequently issued to the identified participants (whether by reasons of forfeiture or otherwise) such shares will revert back to the scheme.

### 4. OFFERS

- 4.1 An offer shall be made at the purchase price determined as at the date the offer is made to an offeree ("**offer date**") at a price based on a 20-day volume weighted average traded price of a Universal share on the trading day immediately preceding the offer date less 10%. The aggregate purchase price will be payable, by the offeree, within a specified period of between 21 and 30 days from the offer date.
- 4.2 If required, a credit facility will be available to an offeree for the sole purpose of enabling an offeree to discharge the price payable for the offer shares, to a maximum of 50% of the price payable for the offer shares ("**the loan**") on the following terms:
  - 4.2.1 the loan will bear interest at a rate of between the prime rate plus 1% and the prime rate less 1%, to be determined at the time of making the offer (the "**specified rate**") from the date on which the offeree exercises the right to subscribe for or purchase the offer shares (being the "**advance date**") calculated daily on the outstanding amount of the loan and compounded monthly in arrear until full repayment of the loan (both days inclusive);
  - 4.2.2 the loan, together with the interest thereon, is repayable by the fifth anniversary of the advance date (the "**fifth anniversary date**");
  - 4.2.3 all dividends, payments and/or distributions (collectively "**dividends**") generated from the offer shares shall, for as long as any portion of the loan remains outstanding, be applied in discharge of the loan and while any portion of the loan remains outstanding, the offeree cedes his/her/its right and entitlement to the dividends to the lender;

- 4.2.4 the offeree is permitted to dispose of any or all of the offer shares at any time, subject to pre-emptive rights in favour of Universal or its nominee and provided that the sale proceeds generated from the sale thereof (up to a maximum of the aggregate of the amount outstanding on the loan, together with any interest calculated up until the third anniversary date) will, until the third anniversary date, be held in trust in an interest bearing call account managed by Universal on the offeree's behalf (on the basis that the capital and all accrued interest thereon shall be for the offeree's benefit and account) (the "security account"), and the funds standing to the credit of the security account shall be applied exclusively in discharge of the loan and all other amounts owing by the offeree to the lender in terms of the loan. For as long as any portion of the loan remains outstanding, all funds standing to the credit of the security account are ceded *in securitatem debiti* as security for the offeree's obligations to the lender in terms of the loan;
- 4.2.5 any amount not paid on due date shall accrue interest at the specified rate plus 3% from due date for payment to date of actual payment in full;
- 4.2.6 if the offeree at any time, *inter alia*, is found guilty of conduct which would have justified the offeree's summary dismissal from the Universal group at common law or if the offeree ceases to be employed (whether by reason of death, incapacity, resignation, termination of service or otherwise) by the Universal group, the offeree may be obliged to effect early repayment of the loan;
- 4.2.7 if the company is placed in liquidation (otherwise than for the purpose of re-organisation, a scheme of arrangement affecting the share capital, splits or consolidates its shares) the full amount owing by the offeree shall become due and payable;
- 4.2.8 for as long as any portion of the loan remains outstanding, the offeree may not pledge, encumber or afford any other security interest over or any rights or interest in any of the offer shares, without the lender's prior written approval.

## 5. RIGHTS ATTACHING TO SHARES

- 5.1 All shares awarded under the terms and conditions of the scheme shall rank *pari passu* with all other issued shares of the company, subject to the terms of the scheme.
- 5.2 Ownership of the specified shares shall vest in the offeree and the specified shares shall be registered at all times in the name of a nominee company, to be nominated by Universal, which will act as the registered holder of shares on the offeree's behalf (and on behalf of other Universal shareholders). Notwithstanding this nominee arrangement, beneficial ownership of the shares shall remain with the offeree and the share certificates covering such shares shall be held in pledge by Universal on the basis that the voting rights in respect of the specified shares shall vest in the offeree, subject to the nominee arrangement referred to above.
- 5.3 The limit stated in clause 3.2 above shall be adjusted, in such manner as the auditors of the company at the time certify to be in their opinion fair and reasonable and shall entitle the offeree to the same proportion of equity capital as prior to such adjustment, as a result of:
- 5.3.1 the sub-division or consolidation of shares; or
- 5.3.2 the issue of additional shares whether by way of a capitalisation of the company's profits and/or reserves (including the share premium account and the capital redemption reserve fund) or a rights issue.

## UNIVERSAL'S BORROWINGS

The group has overdraft and other short-term banking facilities with Nedbank Limited ("Nedbank") of R20 million. At year-end these facilities were unutilised.

The long-term facilities (all with Nedbank) that were utilised as at 31 December 2009 are disclosed below

### Interest bearing liabilities

Disclosed as:	R'000
Non-current portion	65 316
Current portion	20 714
	<hr/>
	86 030

### These comprise:

Variable rate term loan (i)	61 681
Capital outstanding	81 521
Less: Current portion	(19 840)
Instalment sale creditors (ii)	3 635
Capital outstanding	4 509
Less: Current portion	(874)
<b>Present value of repayments</b>	
Due within 1 year	20 714
Total repayments	26 827
Unearned finance charges	(6 113)
Due within 1 to 5 years	65 316
Total repayments	79 136
Unearned finance charges	(13 820)
Total	86 030
Total repayments	105 963
Unearned finance charges	(19 933)

(i) The variable rate term loan bears interest at the prime overdraft rate plus 0,25% and is repayable in 47 equal monthly instalments of R2 136 550 inclusive of finance charges. Secured as detailed below.

(ii) Instalment sale credits bear interest at the prime overdraft rate less 0,5%. The liability is repayable in montly instalments totalling R99 023. The instalment sale agreements are secured by plant and equipment with a carrying value of R5 147 629.

The banking facilities of the Universal group are secured as follows:

- general notarial bond over all moveable assets of Insulated Structures (R10 million) and Colcab (R15 million);
- special and notarial bonds over all moveable assets of Macadams International (R70 million);
- cession of all trade and other receivables;
- unlimited cross-suretyship in favour of the bank provided by all the group entities; and
- Universal has ceded to the bank its shares and loan accounts in its subsidiaires.

Those debts which are repayable within the next 12 months will be financed out of internal operating cash flow.

There are no conversion or redemption rights.

### **Acquisition finance**

Lender: Investec  
Borrower: Brevilite (Pty) Ltd, Registration number 2010/011354/07, to be renamed BCE Foodservice Equipment (Proprietary) Limited (“**Newco**”). Newco will be a 100% held subsidiary of Universal.

### **Investec Senior Term Loan**

Amount: R120 million.  
Term: 6 years from advance date.  
Interest rate: The applicable base rate would be the aggregate of the 90-day SAFEX JIBAR calculated on a 365-day year.  
Margin: An all inclusive margin of 3,35% nacq. Based on current market rates, this equates to an indicative variable rate of 9,95% nacq.  
Repayment profile: Fully amortising with interest and capital repayable quarterly in arrears.

### **Working Capital Facility**

Amount: R15 million.  
Term: 364 days from advance date.  
Interest rate: The prime lending rate (currently 10%).  
Repayment profile: Capital repayable 364 days from advance date with interest repayable monthly.

### **General**

Security:

- pledge and cession of 100% of the shares in and claims against Newco;
- a guarantee from Universal for all the obligations of Newco under the Term Debt Facilities limited to R35 million;
- subordination of 100% of the shareholder loans in Newco;
- general and special notarial bond over all moveable assets, including plant and equipment and inventory of Newco;
- a mortgage bond to be registered over the property, situated at 11 Third Street, Southdale, in favour of Investec; and
- cession of Newco’s debtors, insurance policies and bank accounts.

Those debts which are repayable within the next 12 months will be financed out of internal operating cash flow.

There are no conversion or redemption rights.

None of the companies in the group have any debentures in issue. BCE has no long-term borrowings.



universal industries  
CORPORATION LIMITED

## Universal Industries Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number 1996/004343/06)

JSE code: UNI ISIN: ZAE000110664

(“Universal” or “the company”)

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### Directors

Gaff Kahn\* (*Chairman*)

Daryl Paynter (*Chief Executive Officer*)

Ivor Morgan (*Financial Director*)

Jimmy Martin

Richard Wilkes

Colin Brayshaw\*

Avram Levy#

Ishmail Essa\*†

Wayne Brett#

\* Independent non-executive

# Non-executive

† Alternate director to Gaff Kahn

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## NOTICE OF GENERAL MEETING OF UNIVERSAL SHAREHOLDERS

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Notice is hereby given that a general meeting of shareholders of the company will be held at the offices of PKF (Jhb) Inc. at 42 Wierda Road West, Wierda Valley, Sandton at 12h00 on Friday, 20 August 2010 (“**the general meeting**”), for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary and special resolutions set out below:

### ORDINARY RESOLUTION 1

“**RESOLVED THAT** the acquisition by the company of all of the shares and claims on loan account against BCE for a maximum purchase consideration of R224 237 205, on the terms and conditions set out more fully in the acquisition agreement between Universal, Investec Bank, Cida, the Boner Trust and the Nestadt Trust, dated 9 June 2010, a copy of which will be tabled at the general meeting and initialled by the chairperson for identification, be and is hereby approved.”

Ordinary resolution 1 is required to be passed by approval of a majority of the shareholders present or represented by proxy at the general meeting. Due to Wayne Brett’s interest in the transaction (as detailed in paragraph 11 of the circular to which this notice is attached) this resolution needs to be passed by a simple majority of votes of shareholders excluding the votes of Wayne Brett and his associates.

### ORDINARY RESOLUTION 2

“**RESOLVED THAT** the agreement governing the Universal Industries Group Executive Incentive Scheme adopted by Universal on 7 November 2007, be amended in order to comply with revised requirements of the JSE Limited, by addendum thereto in accordance with the draft which will be tabled at the general meeting, which addendum may be executed by any director of the company.”

Ordinary resolution 2 is required to be passed by approval of 75% of all shareholders present or represented by proxy at the general meeting, with votes attaching to shares owned or controlled by persons who are existing participants in such scheme being excluded from voting.

### **ORDINARY RESOLUTION 3**

“**RESOLVED THAT** the Universal Assisted Share Purchase Scheme (the “**Proposed Share Purchase Scheme**”), a copy of which will be tabled at the general meeting and initialled by the chairperson for identification, be and is hereby approved.”

Ordinary resolution 3 is required in terms of the Listings Requirements, to be passed by approval of 75% of all shareholders present or represented by proxy at the general meeting.

### **SPECIAL RESOLUTION 1**

“**RESOLVED THAT**, in terms of section 38 of the Companies Act, 61 of 1973 (the “**Companies Act**”), the company be permitted to grant financial assistance for the purpose of subscriptions or purchase of shares of the company as contemplated in the Proposed Share Purchase Scheme, a copy of which will be tabled at the general meeting and initialled by the chairperson for identification, be and is hereby approved.”

#### **Reason**

The reason for the passing of this special resolution 1 is to permit the granting of loans or the extension of credit to employees, including executive directors of Universal and/or any of its subsidiaries, to enable them to subscribe or purchase Universal shares pursuant to the Proposed Share Purchase Scheme.

#### **Effect**

The effect of this special resolution 1 is to permit the granting of financial assistance as contemplated in section 38 of the Companies Act.

### **SPECIAL RESOLUTION 2**

“**RESOLVED THAT**, in terms of section 223 of the Companies Act, the executive directors of the company or any of its subsidiaries be permitted to subscribe or purchase Universal shares in terms of the Universal Proposed Share Purchase Scheme, a copy of which will be tabled at the general meeting and initialled by the chairperson for identification, be and is hereby approved.”

#### **Reason**

The reason for special resolution 2 is to allow executive directors of any of the Universal group of companies to participate in the Proposed Share Purchase Scheme.

#### **Effect**

The effect of special resolution 2 is to permit the participation by executive directors in the Proposed Share Purchase Scheme in terms of section 223 of the Companies Act.

### **SPECIAL RESOLUTION 3**

“**RESOLVED THAT** the company be permitted, whether directly or indirectly, to advance loans or extend credit to any executive director or manager of Universal or any of its subsidiaries in terms of the Proposed Share Purchase Scheme, a copy of which will be tabled at the general meeting and initialled by the chairperson for identification, be and is hereby approved.”

#### **Reason**

The reason for special resolution 3 is to allow loans to be granted or credit to be extended to any executive director or manager of any of the Universal group of companies to enable them to participate in the Proposed Share Purchase Scheme.

#### **Effect**

The effect of special resolution 3 is to ensure that the Proposed Share Purchase Scheme complies with section 226 of the Companies Act.

The special resolutions set out above are required to be passed by approval of 75% of all shareholders present or represented by proxy at the general meeting in accordance with the provisions of section 199 of the Companies Act.

#### **ORDINARY RESOLUTION 4**

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

#### **FORM OF PROXY**

A form of proxy is attached for the convenience of any shareholder holding certificated shares who cannot attend the general meeting or who wishes to be represented thereat. Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at or posted to the office of the transfer secretaries of the company, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) to be received by not later than 12h00 on Tuesday, 17 August 2010. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should the shareholder subsequently decide to do so.

Shareholders who have already dematerialised their shares through a CSDP or broker and who wish to attend the shareholders' general meeting must instruct their CSDP or broker to issue them with the necessary Letter of Representation to attend.

Dematerialised shareholders, who have elected own-name registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the general meeting must complete and return the attached form of proxy and lodge it with the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000).

Dematerialised shareholders, who have not elected own-name registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the general meeting should ensure that the person or entity (such as a nominee) whose name has been entered into the sub-register maintained by a CSDP or broker completes and returns the attached form of proxy in terms of which they appoint a proxy to vote at the shareholders' general meeting.

By order of the board

#### **UNIVERSAL INDUSTRIES CORPORATION LIMITED**

##### **Registered office**

16 Precision Street  
Kya Sand  
Randburg  
Johannesburg  
2163

28 July 2010



universal industries  
CORPORATION LIMITED

## Universal Industries Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number 1996/004343/06)

JSE code: UNI ISIN: ZAE000110664

("Universal" or "the company")

### FORM OF PROXY – THE GENERAL MEETING OF THE UNIVERSAL SHAREHOLDERS

For use by shareholders holding certificated shares, dematerialised shareholders who have elected own-name registration, nominee companies of CSDP's and brokers' nominee companies ("shareholders") at the general meeting of shareholders to be held at 12h00 on Friday, 20 August 2010 at the offices of PKF (Jhb) Inc. at 42 Wierda Road West, Wierda Valley, Sandton.

I/We (BLOCK LETTERS PLEASE)

of (ADDRESS)

being the holder/s of  ordinary shares, hereby appoint:

1. \_\_\_\_\_ or failing him/her,
2. \_\_\_\_\_ of failing him/her,
3. the chairperson of the general meeting,

as my/our proxy to attend and speak and to vote for me/us and on my/our behalf at the general meeting of shareholders and at any adjournment thereof, in the following manner:

	Number of votes		
	Shares		
	*For	*Against	*Abstain
Ordinary resolution 1 – Approval of the acquisition			
Ordinary resolution 2 – Approval of amendment to the Universal Industries Group Executive Incentive Scheme (the current share option scheme)			
Ordinary resolution 3 – Approval of Universal Assisted Share Purchase Scheme (the new purchase scheme)			
Special resolution 1 – Approval of financial assistance pursuant to the new purchase scheme, in terms of section 38 of the Companies Act			
Special resolution 2 – Approval of the participation in the new purchase scheme by executive directors of the group in terms of section 223 of the Companies Act			
Special resolution 3 – Approval of financial assistance to executive directors or managers of the group pursuant to the new purchase scheme in terms of section 226 of the Companies Act			
Ordinary resolution 4 – Authorisation of directors			

\*Mark "For", "Against" or "Abstain" as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

Unless otherwise instructed, my/our proxy may vote or abstain from voting as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Signature

Assisted by me (where applicable)

(State capacity and full name)

A shareholder entitled to attend and vote at the abovementioned general meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a member of the company.

Forms of proxy must be deposited at Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001, or posted to PO Box 4844, Johannesburg, 2000, so as to arrive by no later than 12h00 on Tuesday, 17 August 2010.

**Please read the notes on the reverse side hereof.**

**Notes:**

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space. The person whose name stands first on this form of proxy and who is present at the general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat relating to the resolutions proposed in this form of proxy.
3. The forms of proxy should be lodged at Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001, or posted to PO Box 4844, Johannesburg, 2000, so as to arrive by no later than 12h00 on Tuesday, 17 August 2010.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. The chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
6. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company.
8. Where there are joint holders of shares:
  - any one holder may sign the form of proxy; and
  - the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
9. This form of proxy may be used at any adjournment or postponement of the general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.