



**Universal
Annual Report**

08



**Building a diversified
industrial group**



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this report and investor
information please visit**

www.universalindustries.co.za



Company profile

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

Forward looking statement

Going forward Universal will focus on maintaining the market leading position that its underlying operations have established in its chosen market segments. This will be achieved through a number of operational strategies that include a customer centric focus on delivering customised solutions with superior service and with an extensive product range of international quality.

Extracting of synergies between its business units in operational areas such as utilising export networks and distribution, as well as production and efficiency related activities offer significant opportunities for growth.

Universal will utilise the foundation provided by the existing businesses, which are cash generative with strong balance sheets, to expand its activities to other areas with the objective of becoming a diversified industrial group.

Group profile and operational structure

The group's operations have a significant installed product base that requires ongoing replacement. The replacement lifecycle is estimated as between six and eight years

NATURE OF THE BUSINESS

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

The group does not own any fixed property, preferring to lease facilities as required. All property leases, some of which are with related parties, are structured on a commercial basis on terms and at rates in line with the prevailing market rates. The group has facilities in excess of 45 000m² and employs 690 people.

Refrigeration business

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

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

Colcab and Insulated Structures employ approximately 400 people and have a highly experienced and committed executive team, the majority of which are shareholders in the group. In recent years additional capacity has been added to the group's manufacturing facilities, which has considerably increased manufacturing capacity. Colcab's relocation to a new 17 000m² facility in February 2008, which has now achieved ISO 9001 certification, has also positioned the overall group for the extraction of manufacturing synergies between the group companies.

The success of the refrigeration business is based on understanding and exceeding customers' needs and expectations. Internationally the environmental impact of supermarket refrigeration (being a significant consumer of electricity) has come under the spotlight. In certain countries legislative changes are forcing supermarkets to upgrade and install more environmentally friendly and energy efficient display cases (i.e. LED lights and glass door cases in place of open display cases). Significant time is spent monitoring international developments with regard to refrigeration technology and the group has a technology sharing arrangement

with Tyler (Tyler is part of the Carrier Group, the world's largest commercial refrigeration manufacturer). As a result of its leading manufacturing facilities and Colcab's full test laboratory, the group is able to develop and launch new products and customise products for customers.

● *Refrigerated display cabinets*

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

Almost all of the group's cabinets are remote cases (as opposed to self contained or plug-in type beverage coolers) requiring external refrigeration plant rooms. Colcab and Insulated Structures supply the display cases and line-up of the cases, whilst the customer contracts with a refrigeration contractor for the installation of the plant room, refrigeration piping and electrical connection.

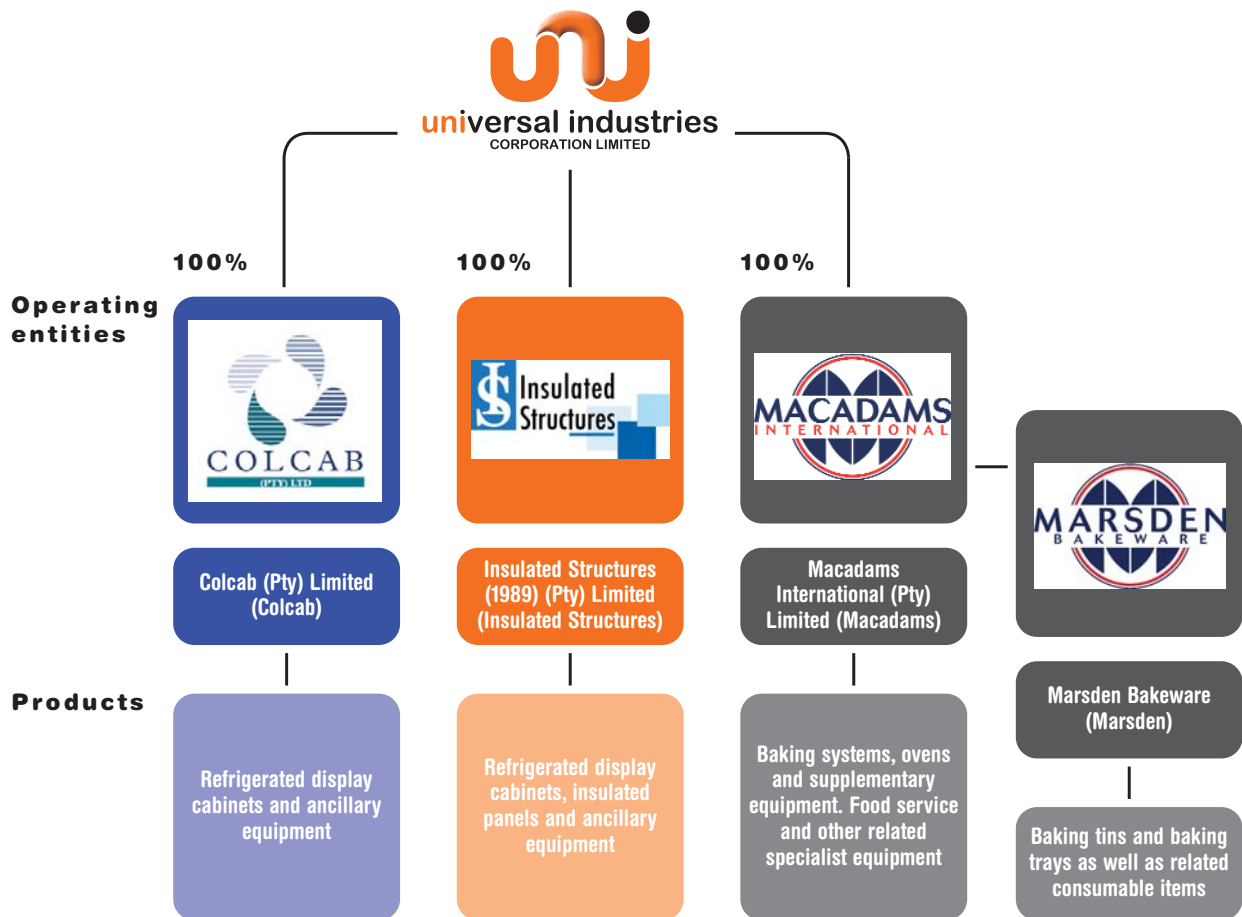
● *Insulated panels*

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

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

● *Ancillary items*

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



Baking systems business

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

Macadams International has over the last 100 years become a major force in oven manufacturing both in Africa and the rest of the world. As the leading supplier of these products in South Africa, Macadams’ primary customers include all of the major supermarket chains, franchised food retailers, independent bakeries and pie shops and franchised bakery operations. The group is also the leading supplier of bakeware (baking tins and trays) to industrial baking operations.

Macadams operates out of an EN ISO 9001 certified leased manufacturing facility in Blackheath Industrial Park in Cape Town. New product development and design is a continued focus. The business is managed on a centralised basis with regional sales offices in Johannesburg, Durban and Cape Town staffed by a team of experienced and highly competent executives. Key executives of Macadams have acquired a significant shareholding in Universal.

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

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

Through a deliberate export drive over a number of years, Macadams has established itself in approximately 65 countries through the appointment of agents. Macadams’ representatives interact with these agents and their significant customers on a regular basis and provide a technical support infrastructure based in Cape Town. Export sales comprise approximately one third of turnover.

- **Bakery equipment**
Macadams is the only local manufacturer and supplier that can offer the complete range of equipment required by the retail baking industry. Through its own manufacturing capability and associations and agency agreements with international suppliers Macadams can supply a wide range of equipment. The equipment offered ranges from the more standard type of items (i.e. ovens, mixers, provers) to highly specialised equipment (i.e. automated pastry and breadmaking equipment).
- **Food service equipment**
Macadams has established a dedicated division to service and supply its own as well as leading international products specifically suited to the retail industry’s kitchen requirements. A wide range of products is offered such as grillers, fryers, ice making equipment, ovens, microwaves etc.
- **Bakeware**
Through its Marsden division Macadams is able to supply a wide range of bakeware products such as baking tins and pans for use in retail and industrial baking. These items have a limited life and have to be replaced on an ongoing basis.

Group salient features

| Year ended 31 December | | 2008 | 2007* |
|---|-------|----------------|---------|
| Income statement | | | |
| Revenue | R'000 | 648 188 | 314 222 |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA") | R'000 | 105 930 | 47 757 |
| Profit from operations | R'000 | 100 335 | 46 307 |
| Headline earnings | R'000 | 73 636 | 28 979 |
| Balance sheet | | | |
| Cash and cash equivalents | R'000 | 135 576 | 49 472 |
| Total assets | R'000 | 596 737 | 435 880 |
| Shareholders' funds (capital and reserves) | R'000 | 316 079 | 265 073 |
| Cash flow statement | | | |
| Cash generated by operations | R'000 | 65 245 | 55 853 |
| Share statistics (per share) | | | |
| Headline earnings | Cents | 15,6 | 8,0 |
| Distribution | Cents | 3,0 | 7,8 |
| Net asset value | Cents | 70,4 | 55,2 |
| Tangible net asset value | Cents | 27,1 | 17,4 |
| Other statistics | | | |
| Shares in issue at year end | '000 | 448 912 | 480 000 |
| Weighted average number of shares in issue | '000 | 472 369 | 364 438 |
| Number of employees | | 686 | 688 |
| JSE statistics | | | |
| Market capitalisation | R'000 | 336 684 | 720 000 |
| Share price | Rand | 0,75 | 1,50 |
| Price earnings ratio | Times | 4,8 | 18,8 |
| Selected ratios | | | |
| Profit from operations as percentage of revenue | % | 15,5 | 14,7 |
| Effective tax rate (refer note 19 to the financial statements) | % | 28,0 | 36,6 |
| Current asset ratio (current asset / current liabilities) | Times | 2,0 | 2,3 |
| Quick asset ratio (current assets – inventories/current liabilities) | Times | 1,5 | 1,6 |
| Debt to equity (refer note 29 to the financial statements) | % | 14,0 | 10,6 |
| Return on equity (headline earnings/average shareholders' funds) | % | 25,3 | 17,0 |

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

Chairman and Chief Executive Officer's report

DEAR SHAREHOLDER

The board is pleased to report a year of strong results for Universal in this our first full trading year as a listed entity. Despite a more challenging operating environment than anticipated at the time of our listing, Universal achieved basic and headline earnings per share of 15,6 cents compared to 15,4 cents per share as forecast in the prospectus.

The year under review incorporates the first full year of the baking systems business of Macadams. Macadams traded very well and we are satisfied with the level of interaction and co-operation achieved between the different business units. Continued improvement of this interaction remains a focus area for management.

A pleasing feature of the current year's performance has been the volume growth experienced in our export sales with total group export sales now amounting to R105 million. These sales occurred primarily into developing Africa markets and the expectation is that the penetration of these markets will continue despite the current turmoil in the global economy.

INDUSTRY OVERVIEW

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

South African market

In recent years the South African perishable foods market has expanded significantly in line with the growth in South Africa's middle class supported by favourable economic conditions and increased fixed investment expenditure. Although conditions in the South African economy were more challenging during 2008 than in some of the preceding years, food retail remained resilient relative to other sectors of the economy.

Food retailers and their suppliers continue to invest in new locations as well as in the refurbishment and upgrading of existing facilities in an effort to maintain or increase market share and to gain entry into historically under serviced markets where there is significant opportunity for growth. These retailers are still reporting excellent turnover growth and increased profitability, which coupled with strong balance sheets, bodes well for continued investment in new outlets and upgrading of existing stores.

The group has a significant installed base of products that has a limited life, estimated between six and eight years. The replacement of product already makes up a large portion of the group's turnover.

Export markets

The export market is an established part of the baking systems business with representation throughout the world. Export sales have historically accounted for approximately one third of the baking systems business. The refrigeration division has historically exported its products to a few countries and exports represent only a small percentage of the refrigeration business. It remains a key strategic imperative to expand the export sales of the refrigeration division by cross-selling through Macadams' established international distribution channels and our efforts in this regard are starting to yield positive results.

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

Highlights:

- **Headline earnings per share** ↑ 28%
- **Tangible net asset value per share** ↑ 56%
- **Strong balance sheet with R136 million cash on hand and gearing of only 14%**
- **Export turnover exceeded R100 million**

Chairman and Chief Executive Officer's report **continued**

FINANCIAL RESULTS

When analysing the financial results it should be taken into consideration that:

- the acquisition of the business of Macadams International only became effective 15 November 2007 and accordingly the 31 December 2007 reporting period includes Macadams for a six week period;
- the raising of R120 million following the private placement and subsequent listing of the group on the JSE, effective 29 November 2007.

Accordingly comparison to the 2007 results is not meaningful. To facilitate a more meaningful comparative analysis the operational review contains pro forma turnover and operating income numbers for the baking systems business, as per its management accounts for the year ending 31 December 2007 (referred to as the pro forma results). As the pro forma results form a more appropriate basis for comparison, all references to Macadams for the prior period refer to these pro forma results.

The group achieved turnover of R648 million and profit after tax of R74 million, increasing basic and headline earnings per share to 15,6 cents, an increase of 28% on the 2007 pro forma 12,2 cents per share.

The group's balance sheet remains strong with net gearing of 14% (2007: 11%). Net gearing increased marginally due to:

- the group absorbing some R47 million in working capital;
- a further R15 million payment due to the vendors of the Macadams business in terms of the acquisition agreement due to the business exceeding its buy-out profit target for the year; and
- R23 million utilised to buy back our own shares.

OPERATIONAL REVIEW

Refrigeration businesses

The refrigeration businesses increased sales by 9% to R310 million. The unit experienced minimal volume growth and performed below budget with operating margins under pressure.

The businesses delivered operating income of R47 million (2007: R44 million) but experienced a slight decrease in their operating margin. The decline in operating margin is attributed to a combination of sales mix and cost inflation. The businesses were unable to pass on cost increases on raw materials, particularly on steel related items where prices increased by up to 80% on certain steel products. Labour costs also increased above expectation as an existing steel industry bargaining council agreement was renegotiated at increased wage rates.

Colcab, the Cape Town based operation, relocated to a new purpose built 17 000m² factory. Colcab's results reflect the benefits gained in efficiency and process improvements and we are confident that these benefits will become even more apparent as volumes increase over the longer term.

For the year under review the businesses invested some R4 million in new plant and equipment. A key differentiating factor of the business is its ability to provide customised solutions tailored to customer requirements. This flexibility in our manufacturing capability will be further enhanced through the continued upgrading of plant and equipment in the future.

Improving manufacturing and product efficiencies remains a key area of focus. Selected plant and equipment will be purchased in the coming year to assist in achieving these goals.

International trends indicate that the environmental impact of refrigeration products will be under closer scrutiny. The refrigeration division has access to international technology agreements and in this regard is working closely with our customer base to ensure that it is able to offer customised solutions of an international standard to meet these more intense environmental requirements.

Although exports historically have been predominantly through supply to local customers embarking on international operations and represent a small percentage of the refrigeration business, the Africa export market has been identified as a growth area. Macadams' export network in Africa offers a significant opportunity and the refrigeration business has started penetrating this market.

Baking systems business

The baking systems business had an excellent year, increasing sales over the pro forma comparable period by 26% to R338 million (2007 pro forma: R269 million) and achieving operating income of R56 million (2007 pro forma: R41 million).

The business benefited from volume growth in both its existing core range of products as well as from new product ranges. As a result of the additional volumes requiring limited investment in resources and overhead, improved operating margins were achieved compared to the prior year.

We remain excited by the opportunities offered by the move into foodservice equipment. Having already established themselves as a preferred supplier to the majority of the local baking customers, cross-selling opportunities through the same sales and distribution channel could lead to this division becoming a significant driver of growth.

Export sales have always been a significant component of the business, historically fluctuating between 25% and 35%. Macadams remains committed to continue its drive into the export markets, with a strong emphasis on Africa, and is looking at investing in more resource to service this existing and growing market.

Marsden, the bakeware division supplying baking tins and pans, had another good year and is investigating investment in additional plant and equipment to increase production capacity to better service its customers' requirements.



BLACK ECONOMIC EMPOWERMENT

At the time of listing we announced our intention to facilitate a BEE shareholding. Whilst we have identified suitable BEE shareholders, volatile market conditions and the subsequent international banking crisis have made funding such transactions very difficult. Universal remains committed to find a solution to this problem and continues to engage with funders to find a resolution to our lack of a BEE shareholding. Initiatives relating to the other aspects covered by the DTI scorecard are also being pursued.

OUTLOOK

The unprecedented deterioration in the global economic outlook is well documented and being discussed at the highest levels of Government and business throughout the world. It seems certain that in the short term the South African economy will experience low growth rates and this may unfortunately be associated with job losses. This has resulted in a high level of uncertainty being created in the business community. This uncertainty may have an impact on our business as capital projects could be delayed should the uncertainty continue for any length of time.

Under the current circumstances management finds it very difficult to predict trading levels over the short term but remains confident that the group is well positioned for growth over the medium to long term.

Part of our reason for listing was to expand the group through acquisitions. In this regard we evaluated a number of opportunities in the past financial year. The current uncertainty does, however, afford an opportunity to grow the group through reasonably priced acquisitions and the group's cash on hand and borrowing capacity leaves it well positioned to capitalise on suitable acquisition opportunities that we identify.

DISTRIBUTION TO SHAREHOLDERS BY WAY OF A CAPITAL REDUCTION

At listing the group adopted a dividend policy of distributing 25% of profits attributable to equity holders. Considering that the group has

already spent R23 million buying back its own shares and taking into account the prevailing uncertain economic outlook, the board has decided to increase the dividend cover for the current year.

Accordingly the board has proposed a cash distribution from share premium, in lieu of an ordinary dividend, of 3 cents per share. The distribution requires approval at the annual general meeting ("AGM").

The relevant dates are:

| | |
|---|---------------|
| Approval of distribution at AGM | 28 April 2009 |
| Announcement of results of AGM | 28 April 2009 |
| Last day to trade <i>cum</i> the distribution | 15 May 2009 |
| Shares commence trading ex the distribution | 18 May 2009 |
| Record date | 22 May 2009 |
| Distribution paid on | 25 May 2009 |

CHANGES TO DIRECTORATE

Mr Adam Esa has resigned as director of Universal due to other work commitments. The board would like to thank Mr Esa for his contribution. Mr Ishmail Essa has been appointed as an alternate director to Mr Gaff Khan.

IN APPRECIATION

The board extends its thanks to the management and employees for their considerable efforts last year, which was certainly most challenging. We would also like to thank the non-executive directors for their continued support and valuable contribution.

Gaff Khan
Chairman

Daryl Paynter
Chief Executive Officer

Directorate

NON-EXECUTIVE DIRECTORS

Mr Gaff Khan

Independent Non-executive Chairman

Chairman of the remuneration and nomination committee

Member of the audit and risk management committee

Appointed as Director on 29 November 2007 and as Chairman on 25 June 2008

Gaff Khan 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 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.

Mr Colin Brayshaw

Independent Non-executive Director

Chairman of the audit and risk management committee

Member of the remuneration and nomination committee

Appointed: 29 November 2007

Colin is a member of the South African Institute of Chartered Accountants and a Fellow of the Institute of Accountants in England and Wales. He was a partner of various firms, which today comprise Deloitte. In his last years in practice he was the managing partner of Deloitte & Touche followed by being its Chairman. He is the Governor of the University of Witwatersrand Foundation, Trustee of St Andrews College Foundation and Representative of the Institute of Chartered Accountants in England and Wales in South Africa. His previous directorships include AECI Limited, AngloGold Ashanti Limited, Anglo Platinum Limited, Datatec Limited, Freestone Property Holdings Limited (where he was also Chairman) and Johnnic Holdings Limited.

Current directorships include Chairman of Metmar Trading Limited and non-executive Director of Buildmax Limited and Highveld Steel and Vanadium Corporation Limited.

Mr Wayne Brett

Non-executive Director

Member of the remuneration and nomination committee

Appointed: 20 September 2004

Wayne qualified as a Chartered Accountant at the University of Cape Town. He then became operationally involved in a number of successful businesses including TCO, an IT business which was sold to Dimension Data. Wayne was co-founder of Interactive Capital, which has successfully concluded a number of equity transactions in various industries including media, manufacturing, micro finance, retail, mining, sand and aggregates and buildware.

Mr Adam Esa

Independent Non-executive Director

Appointed: 29 November 2007

Resigned: 9 March 2009

Adam has 40 years' experience in the development and construction industry. He was formerly in the employ of Murray & Roberts for 37 years where he retired early from his position as Construction Director to join Asrin Property Developers as an executive director. Adam has been involved with the full spectrum of construction from residential developments to high-rise city centre developments and facilities such as airports. Current projects under his leadership include the R500 million Big Bay development in Cape Town, which is presently under construction.

Mr Ishmail Essa

Independent Non-executive Director – Alternate to Mr Adam Esa until 9 March 2009 and to Mr Gaff Khan from 9 March 2009

Appointed: 29 November 2007

Ishmail has 14 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 14 years to be one of the leading black empowerment players in the property development industry.

Mr Avram Levy

Non-executive Director

Appointed: 20 September 2004

Avram completed a Business Science (Finance) degree at the University of Cape Town and proceeded to qualify as a Chartered Accountant in the United Kingdom. Thereafter he spent a number of years doing mergers and acquisition advisory work in the UK before returning to South Africa in 1996. He then became operationally involved in various businesses including a large micro finance business, which was sold to African Bank Investments Limited. Thereafter, together with Wayne Brett, he founded Interactive Capital and has been involved in a number of successful equity transactions in various industries including media, manufacturing, micro finance, retail, mining, sand and aggregates and buildware.

EXECUTIVE DIRECTORS

Mr Daryl Paynter (41)

Chief Executive Officer and Executive Director

CA(SA), HDip (Tax)

After completing his studies at the University of Pretoria, Daryl joined KPMG in 1990 to serve articles. He subsequently worked in the investment banking and private equity industry for the IDC, Nedcor Investment Bank and Corpcapital. Whilst at Corpcapital Daryl gained insight into both the refrigeration and baking systems business that was part of Corpcapital's portfolio at that stage. In 2004 he joined Universal following the acquisition of the businesses by the pre-listing shareholders.

Mr Ivor Morgan (58)

Financial Director and Managing Director of Colcab

BSocSc, BAHons (UCT), CA(SA)

Ivor completed his studies at the University of Cape Town in 1975. In 1976 he began teaching at Marist Brothers College where he was also Deputy Principal. From 1983 to 1985 he served his articles with BDO Spencer Steward. Later in 1985 he was seconded to Columbit Holdings (Pty) Limited, and in 1986 was appointed Financial Manager for Matador Refrigeration and Colcab Manufacturing, both divisions of Columbit. In 1988 he was part of a management buyout, and was appointed Financial Director of Matador Refrigeration.

In 1996 Corpcapital acquired Colcab and Ivor was appointed as Financial Director of Colcab, and in 2003 was appointed Managing Director. Ivor again became a shareholder when the refrigeration businesses were acquired from Corpcapital in 2004.

EXCO MEMBERS

Mr Jimmy Martin (59)

Group Technical Executive and Executive Director of Insulated Structures

BSc Eng, MBA

In 1971 Jimmy completed a BSc Mechanical Engineering degree at the University of the Witwatersrand. He held an Anglovaal scholarship and worked for Anglovaal Group Mines and in Head Office until 1978. In 1979 he completed an MBA at the University of Cape Town. During the period 1980-1985 Jimmy was employed in senior management positions by Delta Metal Holdings, James Howden and a stockbroking firm. In 1985 he was part of a management buyout of a Delta company and thereafter the listing of Mining and Technical Holdings. In 1994 he was part of the buyout of Supreme Manufacturing Holdings, which included Insulated Structures. In 1996 Insulated Structures and Colcab were acquired by Universal, then a subsidiary of Corpcapital. Jimmy was managing director of Universal from inception until 2004, when he was part of the management buyout of Universal from Corpcapital and became the group's technical specialist.

Mr Richard Wilkes (54)

Chief Executive Officer of Macadams

Dip Bus Man

Richard qualified as a chef in 1974. From 1974 to 1976, he was employed by Holiday Inn – Swaziland and East London. He then joined Phillip Bros as general manager – fast food and event catering from 1976 to 1982. In 1982, he joined Norbake as branch manager in Cape Town. In 1985 he joined Backon (which became part of Macadams). From 1985 to 1991, Richard started and managed his own supermarket business and licensed bakery. From 1992, he rejoined Macadams after successfully selling his supermarket and bakery business. He became CEO of Macadams in 1998 and led the management buyout of Macadams in 2004.

Mr Graham Noonan (45)

Financial Director of Macadams

CA(SA), BCom (Hons)

Graham obtained his BCom Honours from the University of Cape Town in 1985 before serving his National Service from 1986 to 1988. From 1988 to 1997, he joined Deloitte & Touche, where he completed his articles and remained on as a manager. From 1997 to 2000, he joined Baker Street, where he gained commercial experience as the financial director. He joined Macadams in 2000 as financial director and was part of the management buyout of Macadams in 2004.

Corporate governance

The directors endorse, and accept full responsibility for the application of the principles necessary to ensure that effective Corporate Governance is practised consistently throughout Universal. In discharging this responsibility, Universal endeavours to comply with the requirements of the Code of Corporate Practice and Conduct in the King II Report on Corporate Governance. Universal's approach to corporate governance strives to be stakeholder inclusive, based on good communication and integrated into every aspect of Universal's business.

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

SEPARATION OF ROLES OF CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

The board is chaired by Gaff Khan, an independent non-executive director. The Chairperson is responsible for providing leadership to the board, overseeing its efficient operation and has been tasked with ensuring effective Corporate Governance practices.

The Chief Executive Officer, Daryl Paynter is responsible for formulating, implementing and maintaining the strategic direction of Universal, as well as ensuring that the day-to-day affairs of the group are appropriately supervised and controlled.

BOARD

The board comprises two executive directors and five non-executive directors (three independent).

The board's responsibilities include providing Universal with clear strategic direction, ensuring that there is adequate succession planning at senior levels, overseeing operational performance and management, determining policies and processes which seek to ensure the integrity of Universal's risk management and internal controls, implementing and maintaining Universal's communication policy and overseeing director selection, orientation and evaluation.

Non-executive directors bring an independent view to the board's decision-making. As a group, they enjoy significant influence at the meetings. The executive directors have employment agreements (the key terms are disclosed in the directors' report) and all the directors are subject, by rotation, to retirement and re-election by shareholders at least every three years, in accordance with Universal's articles of association.



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

The board meets at least four times a year with additional meetings called if necessary or desirable. Information relevant to a meeting is supplied on a timely basis to the board, ensuring directors can make well informed and reasoned decisions. The directors have unrestricted access to information and management in relation to Universal, and where appropriate, may seek the advice of independent professionals on matters concerning the affairs of Universal.

AUTONOMY OF THE BOARD

The board's autonomy from the executive team responsible for the daily management of Universal is reinforced by:

- separation of the roles of the Chairperson and the Chief Executive Officer;
- functioning board committees comprising only non-executive directors;
- the non-executive directors not holding fixed-term service contracts;
- all directors, with prior permission of the board, being entitled to seek independent professional advice regarding the affairs of Universal at the company's expense;
- all directors having access to the advice and services of the Company Secretary; and
- the appointment and dismissal of the Company Secretary being decided by the board as a whole and not one individual director.

ATTENDANCE AT BOARD MEETINGS

For the year ended 31 December 2008:

| | Number of meetings | Attendance |
|---|--------------------|------------|
| Independent non-executive directors: | | |
| Leslie Boyd ⁽ⁱ⁾ | 1 | 1 |
| Gaff Khan ⁽ⁱⁱ⁾ | 4 | 4 |
| Colin Brayshaw | 4 | 4 |
| Adam Esa/Ishmail Essa | 4 | 1 |
| Non-executive directors: | | |
| Wayne Brett | 4 | 4 |
| Avram Levy | 4 | 3 |
| Executive directors: | | |
| Daryl Paynter | 4 | 4 |
| Ivor Morgan | 4 | 4 |

⁽ⁱ⁾ Chairman, deceased March 2008

⁽ⁱⁱ⁾ Appointed as Chairman in June 2008

BOARD COMMITTEES

The responsibilities delegated to the committees are formally documented in terms of reference for that committee, which have been approved by the board and will be reviewed annually. It is intended that the effectiveness of the committees will be reviewed annually by the board, based on a self-evaluation conducted by each committee, as to their effectiveness and the degree to which they have fulfilled their terms of reference.

Audit and risk management committee

The audit and risk management committee comprises two independent non-executive directors and is chaired by Colin Brayshaw. The committee has adopted written terms of reference.

The committee meets at least three times a year and is responsible for assisting the board in fulfilling its responsibilities in respect of financial reporting issues, internal and external audit matters, ensuring compliance with laws and regulations, risk management and development/maintenance of an effective internal control system.

The committee approves the use of the external auditors for non-audit assignments. The committee also confirms that it has considered and satisfied itself of the appropriateness of the expertise and experience of the Financial Director.

During the year the committee met three times at which all committee members were present.

Remuneration and nomination committee

Refer to the special report of the remuneration and nomination committee on page 13 of the annual report.

SHARE DEALING

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

Directors are required to obtain written clearance from the Chief Executive Officer or the Chairperson of the board before dealing in Universal shares. In terms of the JSE Listings Requirements, any share dealings by directors are required to be released immediately on SENS. A register of share dealings by directors is maintained and reviewed by the board on a periodic basis.

Corporate governance **continued**

BEHAVIOURAL CODE

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

COMPANY SECRETARY

The Company Secretary acts as adviser to the board and plays a pivotal role in ensuring compliance with statutory regulations and the Code, the induction of new directors, tabling information on relevant regulatory and legislative changes, and providing guidance to the directors regarding their duties and responsibilities. The directors have unlimited access to the advice and services of the Company Secretary.

STAKEHOLDER COMMUNICATION

In all communications with stakeholders, the board aims to present a balanced and understandable assessment of Universal's position. This is done through adhering to principles of openness and substance over form and striving to address material matters of significant interest and concern to all stakeholders.

The board will encourage shareholder attendance at general meetings and where appropriate provides full and understandable explanations of the effects of resolutions to be proposed.

Communication with institutional shareowners and investment analysts will be maintained through presentations of financial results, one-on-one visits, trading statements and press announcements of interim and final results, as well as the proactive dissemination of any messages considered relevant to investors.

SUSTAINABILITY REPORT

Environment

Universal recognises that its activities have an impact on the environment. Universal has adopted a strategy that strives to minimise this impact by regularly reviewing its activities and compliance with all relevant legislation.

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

Employment equity

Universal has a clearly defined employment equity strategy aimed at realising the potential of previously disadvantaged people in South Africa and has complied with South African legislative requirements on employment equity plans.

Corporate Social Responsibility

As a participant in the SA economy the company acknowledges its responsibility towards the community. Where appropriate there is participation in programmes aimed at education or the improvement of previously disadvantaged communities.

As an example of our participation, during the year under review we participated in a project to improve conditions at the New Beginnings Care Centre, a facility catering for the needs of people recovering from drug or alcohol abuse. Our participation was through the donation of cold storage equipment as well as the installation thereof and the sourcing of other equipment contributions from our contacts in industry.

Safety and health

Universal acknowledges its responsibility to its employees and complies with applicable legislation regarding quality, safety, health and the environment. We aim to provide and maintain, as far as practicably possible, a working environment that is safe and without material risk to the health of our employees. Where necessary we have committees and external consultants monitoring compliance.

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

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

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

Special report of the remuneration and nomination committee

Year ended 31 December 2008

COMPOSITION AND RESPONSIBILITIES

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

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

During 2008 the committee met once with full attendance. To assist the committee with its work the two executive directors attend meetings but are recused when matters pertaining to their remuneration or other benefits are discussed.

The main responsibilities of the committee are to:

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

DISCLOSURE OF DIRECTORS' REMUNERATION

The following table fully discloses all remuneration received by directors for 2008 as well as in the prior year.

| | Fees | | Salary | | Bonus | | Group total | |
|----------------------|---------------|------------------|---------------|---------------|---------------|---------------|---------------|------------------|
| | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| Non-executive | | | | | | | | |
| Leslie Boyd | 175 | - | - | - | - | - | 175 | - |
| Gafoor Khan | 280 | - | - | - | - | - | 280 | - |
| Colin Brayshaw | 250 | - | - | - | - | - | 250 | - |
| Wayne Brett | 150 | 210 [#] | - | - | - | - | 150 | 210 [#] |
| Avram Levy | 120 | 210 [#] | - | - | - | - | 120 | 210 [#] |
| Adam Esa* | 120 | - | - | - | - | - | 120 | - |
| Executive | | | | | | | | |
| Daryl Paynter | - | - | 1 477 | 861 | 500 | 1 022 | 1 977 | 1 883 |
| Ivor Morgan | - | - | 1 011 | 749 | 350 | 270 | 1 361 | 1 019 |
| Total | 1 095 | 420 | 2 488 | 1 610 | 850 | 1 292 | 4 433 | 3 322 |

* Alternate director: Ishmail Essa

[#] Paid and disclosed as management fees in the financial statements

Special report of the remuneration and nomination committee **continued**

Year ended 31 December 2008

SHARE OPTIONS

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

SALIENT TERMS OF THE SERVICE AND RESTRAINT AGREEMENTS OF EXECUTIVE DIRECTORS

The directors' service agreements contain terms and conditions that are standard for these types of agreements and are terminable on three months' notice. Either party may give notice. The directors are remunerated during their notice period and the contracts contain restraint of trade provisions in terms of which the directors are restrained from competing with the group during their employment and for a period of six months after termination of their employment with the group. There were no changes from the prior year.

NON-EXECUTIVE DIRECTORS' FEES

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

The annual remuneration approved for 2008 and as is being proposed for 2009 is as set out below:

| | 2008 | 2009 |
|--|-------------|-------------|
| ● Universal board | | |
| Chairperson: | R300 000 | R325 000 |
| Non-executive directors: | R120 000 | R130 000 |
| ● Audit and risk committee | | |
| Chairperson: | R100 000 | R108 000 |
| Members: | R50 000 | R54 000 |
| ● Remuneration and nomination committee | | |
| Chairperson: | R60 000 | R65 000 |
| Members: | R30 000 | R33 000 |



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Group financial statements

Year ended 31 December 2008

REGISTRATION NUMBER

1996/004343/06

Incorporated in the Republic of South Africa

Directors' responsibility for financial reporting

Year ended 31 December 2008

The directors are required by the Companies Act of South Africa, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

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

The directors have reviewed the group's cash flow forecast for the year to 31 December 2009 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 17.

The financial statements set out on pages 18 to 43, which have been prepared on the going concern basis, were approved by the board on 6 March 2009 and were signed on its behalf by:



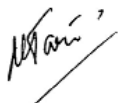
Director



Director

Certificate by the company secretary

In terms of the Companies Act, No. 61 of 1973 (as amended) ("the Act"), we certify that, to the best of our knowledge, the company has lodged with the Registrar of Companies all such returns as are required by a public company in terms of the Act and that all such returns are true, correct and up to date.



Probity Business Services (Pty) Limited

Company Secretary

6 March 2009

Report of the independent auditors

to the members of Universal Industries Corporation Limited

We have audited the financial statements and group financial statements of Universal Industries Corporation Limited, which comprise the directors' report, the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 43.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements and group financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, as amended. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Audit responsibility

Our responsibility is to express an opinion on these financial statements and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements and group financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and group financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and group financial statements.

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

Opinion

In our opinion, the financial statements and group financial statements present fairly, in all material respects, the financial position of Universal Industries Corporation Limited, as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, as amended.

PKF (JHB) INC

PKF (JHB) INC

Registered Auditors

Chartered Accountants (S.A)

Per: R M Huiskamp

Registration number 1994/001166/21

Johannesburg

6 March 2009

Directors' report

Year ended 31 December 2008

Your directors have pleasure in presenting the company and the group financial statements for the year ended 31 December 2008.

BUSINESS AND OPERATIONS

The company's main business is that of an investment holding company. Its subsidiaries are involved in the business of manufacture, erection, supply and distribution of refrigerated display cabinets, insulated structures and industrial and commercial bakery and catering machinery as well as equipment and utensils of all descriptions applicable to that industry.

RESULTS OF OPERATIONS

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

GOING CONCERN

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

ACQUISITION

The company acquired the business of Macadams International effective from 15 November 2007. Details of the acquisition are set out in note 22 to the financial statements.

Had the acquisition been effective from the beginning of the 2007 financial year, group turnover and operating profit before interest and tax would have been R553 million and R85 million respectively and basic earnings would have been 12,2 cents per share (information based on management accounts).

In terms of the purchase agreement entered into with the vendor of the Macadams international business, part of the purchase price relates to a contingent portion based on profit after tax targets being met. The profit target of R40 million for the 2008 year has been met and accordingly the amount payable has been raised as an accrual. The potential payment should the 2009 profit target also be met is disclosed in note 25 to the financial statements as a contingency.

SPECIAL RESOLUTION

At the annual general meeting on 25 June 2008 the directors were authorised to effect a buyback of up to 20% of the company's shares upon such terms and conditions as the directors may from time to time decide, but subject to the Companies Act and the listing requirements of the JSE.

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

AUTHORISED AND ISSUED SHARE CAPITAL

Details are contained in note 11 to the financial statements.

During the year under review the company bought back 31 088 038 of its own shares at an average price of 73 cents per share. These shares have been cancelled.

DISTRIBUTION TO SHAREHOLDERS BY WAY OF CAPITAL REDUCTION

At listing the group adopted a dividend policy of distributing 25% of profits attributable to equity holders. Considering that the group has already spent R23 million buying back its own shares and taking into account the prevailing uncertain economic outlook, the board has decided to increase the dividend cover for the current year.

Accordingly the board has proposed a cash distribution from share premium, in lieu of an ordinary dividend, of 3 cents per share. Details of the proposed distribution are contained as ordinary resolution number 3 in the notice of annual general meeting included in the annual report.

The relevant dates are:

| | |
|---|---------------|
| Approval of distribution at annual general meeting | 28 April 2009 |
| Announcement of results of annual general meeting | 28 April 2009 |
| Last day to trade shares <i>cum</i> the distribution | 15 May 2009 |
| Shares will commence trading <i>ex</i> the distribution | 18 May 2009 |
| Record date | 22 May 2009 |
| Distribution paid | 25 May 2009 |

SUBSIDIARIES

The following entities, all incorporated in the Republic of South Africa, are wholly owned subsidiaries:

- Colcab (Pty) Limited ("Colcab") is a manufacturer of refrigerated display cases;
- Colcab Manufacturing (Pty) Limited ("Colcab Manufacturing") is a dormant entity;
- Insulated Structures (1989) (Pty) Limited ("Insulated Structures") is a manufacturer and distributor of refrigerated display cases, insulated panels and related items; and
- Macadams International (Pty) Limited ("Macadams International") is a manufacturer and distributor of baking equipment and related items.

Details of the company's investment in subsidiaries are set out in note 7 to the financial statements.

BORROWING POWERS

The company has unlimited borrowing powers.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

SECRETARY

Probity Business Services (Pty) Limited
3rd Floor, JHI House, Cradock Avenue, Rosebank, 2196

AUDITORS

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

AUDIT COMMITTEE REPORT

The audit committee has fulfilled its responsibilities during the year (refer to the corporate governance report on page 10). The committee has furthermore satisfied itself as to the independence of the external auditors and their suitability for re-appointment at the annual general meeting for the ensuing year.

DIRECTORATE

The following changes occurred:

- The sad passing away of Mr Leslie Boyd in March 2008;
- Mr Adam Esa resigned on 9 March 2009 due to work commitments; and
- The appointment of Mr Ishmail Essa as an alternate director to Mr Gaff Khan on 9 March 2009 (prior to that he was the alternate director to Mr Adam Esa).

DIRECTORATE AS AT DATE OF THIS REPORT

Non-executive directors

Gaff Khan (Chairman) (Appointed as Chairman on 25 June 2008)
Colin Brayshaw
Wayne Brett
Avram Levy
Ishmail Essa (Alternate to Gaff Khan)

Executive directors

Daryl Paynter (CEO)
Ivor Morgan (CFO)

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

| | Direct | | Indirect beneficial | | Total | |
|----------------|------------------|-----------|---------------------|-------------|--------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Leslie Boyd | | 250 000 | | – | | 250 000 |
| Gaff Khan | – | – | – | – | – | – |
| Colin Brayshaw | 250 000 | 250 000 | – | – | 250 000 | 250 000 |
| Wayne Brett | – | – | 70 832 324 | 70 832 324 | 70 832 324 | 70 832 324 |
| Adam Esa | – | – | – | – | – | – |
| Ishmail Essa | – | – | – | – | – | – |
| Avram Levy | – | – | 70 632 324 | 70 632 324 | 70 632 324 | 70 632 324 |
| Daryl Paynter | – | – | 86 827 625 | 86 827 625 | 86 827 625 | 86 827 625 |
| Ivor Morgan | 6 419 658 | 6 419 658 | – | – | 6 419 658 | 6 419 658 |
| | 6 669 658 | 6 919 658 | 228 292 273 | 228 292 273 | 234 961 931 | 235 211 931 |

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

Balance sheets

As at 31 December 2008

| | Notes | GROUP | | COMPANY | |
|---|-------|----------------|---------------------------|----------------|---------------|
| | | 2008 R'000 | 2007 R'000 Restated | 2008 R'000 | 2007 R'000 |
| ASSETS | | | | | |
| Non-current assets | | 210 676 | 196 244 | 152 823 | 223 465 |
| Property, plant and equipment | 4 | 15 041 | 12 968 | - | - |
| Intangible assets | 5 | 194 305 | 181 739 | - | - |
| Deferred taxation | 6 | 1 330 | 1 537 | 45 | 22 |
| Investment in and loans to subsidiaries | 7 | | | 152 778 | 223 443 |
| Current assets | | 386 061 | 239 636 | 75 628 | 286 |
| Inventories | 8 | 91 365 | 73 795 | - | - |
| Trade and other receivables | 9 | 153 427 | 116 341 | - | 285 |
| Taxation prepaid | | 5 693 | 28 | - | - |
| Cash and cash equivalents | 10 | 135 576 | 49 472 | 75 628 | 1 |
| Total assets | | 596 737 | 435 880 | 228 451 | 223 751 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | 316 079 | 265 073 | 201 713 | 208 226 |
| Share capital | 11 | 4 | 5 | 4 | 5 |
| Share premium | 12 | 167 200 | 189 829 | 167 200 | 189 829 |
| Accumulated profits | | 148 875 | 75 239 | 34 509 | 18 392 |
| Non-current liabilities | | 87 342 | 65 556 | 19 059 | 13 678 |
| Interest bearing liabilities | 13 | 82 843 | 1 009 | - | - |
| Loans from subsidiaries | 7 | | | 19 059 | 13 678 |
| Deferred taxation | 6 | 2 424 | 4 909 | - | - |
| Other financial liabilities | 14 | 2 075 | 59 638 | - | - |
| Current liabilities | | 193 316 | 105 251 | 7 679 | 1 847 |
| Trade and other payables | 15 | 88 472 | 76 518 | 1 420 | 365 |
| Current portion of: | | | | | |
| - interest bearing liabilities | 13 | 14 956 | 1 533 | - | 937 |
| - other financial liabilities | 14 | 79 887 | 15 408 | - | - |
| Taxation payable | | 10 001 | 11 792 | 6 259 | 545 |
| Total equity and liabilities | | 596 737 | 435 880 | 228 451 | 223 751 |
| Asset value per share (cents): | | | | | |
| - Net asset value | | 70,4 | 55,2 | | |
| - Tangible net asset value | | 27,1 | 17,4 | | |

Income statements

Year ended 31 December 2008

| | Notes | GROUP | | COMPANY | |
|---|-------|------------------|---------------|----------------|---------------|
| | | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| Revenue | 16 | 648 188 | 314 222 | 1 440 | 780 |
| Cost of goods sold | | (462 165) | (235 476) | - | - |
| Gross profit | | 186 023 | 78 746 | 1 440 | 780 |
| Other income | | 3 798 | 452 | - | 17 180 |
| Operating expenses | | (89 486) | (32 891) | (3 224) | (1 089) |
| Profit/(loss) from operations | 17 | 100 335 | 46 307 | (1 784) | 16 871 |
| Interest received | 18 | 7 982 | 1 706 | 24 161 | 2 323 |
| Interest paid | 18 | (6 081) | (2 281) | (25) | (306) |
| Profit before taxation | | 102 236 | 45 732 | 22 352 | 18 888 |
| Taxation | 19 | (28 600) | (16 753) | (6 235) | (3 295) |
| Profit for the year attributable to the equity holders of the parent | | 73 636 | 28 979 | 16 117 | 15 593 |
| Basic and headline earnings per share (cents) | 20 | 15,6 | 8,0 | | |
| Distribution per share (cents) | | | | | |
| - Proposed capital distribution | | 3,0 | - | | |
| - Dividend | | - | 7,8 | | |

Statements of changes in equity

Year ended 31 December 2008

| | Share capital R'000 | Share premium R'000 | Accumulated profits R'000 | Total R'000 |
|-------------------------------------|---------------------------|---------------------------|---------------------------------|----------------|
| GROUP | | | | |
| Balances at 31 December 2006 | – | 2 142 | 73 760 | 75 902 |
| Share capitalisation | 4 | (4) | – | – |
| Issue of shares | 1 | 189 999 | – | 190 000 |
| Listing expenses | – | (2 308) | – | (2 308) |
| Profit for the year | – | – | 28 979 | 28 979 |
| Dividend paid | – | – | (27 500) | (27 500) |
| Balances at 31 December 2007 | 5 | 189 829 | 75 239 | 265 073 |
| Share buyback and expenses | (1) | (22 629) | – | (22 630) |
| Profit for the year | – | – | 73 636 | 73 636 |
| Balances at 31 December 2008 | 4 | 167 200 | 148 875 | 316 079 |
| COMPANY | | | | |
| Balances at 31 December 2006 | – | 2 142 | 30 299 | 32 441 |
| Share capitalisation | 4 | (4) | – | – |
| Issue of shares | 1 | 189 999 | – | 190 000 |
| Listing expenses | – | (2 308) | – | (2 308) |
| Profit for the year | – | – | 15 593 | 15 593 |
| Dividend paid | – | – | (27 500) | (27 500) |
| Balances at 31 December 2007 | 5 | 189 829 | 18 392 | 208 226 |
| Share buyback and expenses | (1) | (22 629) | – | (22 630) |
| Profit for the year | – | – | 16 117 | 16 117 |
| Balances at 31 December 2008 | 4 | 167 200 | 34 509 | 201 713 |

Cash flow statements

Year ended 31 December 2008

| | Notes | GROUP | | COMPANY | |
|---|-------|-----------------|---------------|-----------------|---------------|
| | | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| Cash flows from operating activities | | 33 793 | 39 899 | 23 148 | 22 009 |
| Cash generated/(utilised) by operations | 21.1 | 65 245 | 55 853 | (444) | 23 157 |
| Interest received | 18 | 7 982 | 1 706 | 24 161 | 2 323 |
| Interest paid | 18 | (1 100) | (2 281) | (25) | (306) |
| Taxation paid | 21.2 | (38 334) | (15 379) | (544) | (3 165) |
| Cash flows from investing activities | | (5 369) | (104 204) | - | 1 683 |
| Acquisition of subsidiary | | - | - | - | (1) |
| Additions to property, plant and equipment | | (5 433) | (1 427) | - | - |
| Acquisition of business | 22 | - | (104 570) | - | - |
| Proceeds on disposal of: | | | | | |
| - property, plant and equipment | | 64 | 109 | - | - |
| - listed investment | | - | 1 684 | - | 1 684 |
| Cash flows from financing activities | | 57 680 | 82 937 | 52 479 | (23 691) |
| Shareholders' loans repaid | | - | (5 686) | - | (5 686) |
| Loans repaid by/(advanced to) subsidiaries | | - | - | 76 046 | (106 725) |
| Net interest bearing liabilities raised/(repaid) | | 95 257 | (1 569) | (937) | (1 472) |
| Net payment of other financial liabilities | | (14 947) | - | - | - |
| Net (payment on)/proceeds from share (buy back)/issue | | (22 630) | 117 692 | (22 630) | 117 692 |
| Dividend paid | | - | (27 500) | - | (27 500) |
| Increase in cash and cash equivalents | | 86 104 | 18 632 | 75 627 | 1 |
| Cash and cash equivalents at beginning of year | | 49 472 | 30 840 | 1 | - |
| Cash and cash equivalents at end of year | 21.3 | 135 576 | 49 472 | 75 628 | 1 |

Notes to the financial statements

Year ended 31 December 2008

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

1. BASIS OF PREPARATION

These financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") on the historic cost basis except in the case of financial instruments which are measured using the fair value and amortised cost models.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 2.

1.1 Standards and interpretations effective in 2008 but not relevant

The following amendments were mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the operations of the company.

- IFRIC 11 – Group and treasury share transactions;
- IFRIC 12 – Service concession arrangements; and
- IFRIC 14 – (IAS 19) – The limit on a defined benefit asset and minimum funding requirements.

1.2 Standards in issue, not yet effective

At the date of approving these financial statements, the following standards and interpretations were in issue but not yet effective:

- Revised IAS 23 – Borrowing costs (amended) – annual periods beginning on or after 1 January 2009;
- IFRS 8 – Operating segments – annual periods beginning on or after 1 January 2009;
- IFRS 2 – Share based payments, amendment relating to vesting conditions and cancellations – annual periods beginning on or after 1 January 2009;
- IFRS 3 – Business combinations, comprehensive revision on applying the acquisition method – annual periods beginning on or after 1 July 2009;
- IAS 1 (amended) – comprehensive income – annual periods beginning on or after 1 January 2009;
- Revised IAS 27 – Consolidated and separate financial statements – annual periods beginning on or after 1 July 2009;
- Revised IAS 28 – Investments in associates – annual periods beginning on or after 1 July 2009;
- Revised IAS 31 – Interests in joint venture – annual periods beginning on or after 1 July 2009; and
- IFRIC 13 – Customer loyalty programmes – annual periods beginning on or after 1 July 2008.

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

2. SIGNIFICANT JUDGEMENTS

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

2.1 Residual values and useful lives of items of property, plant and equipment

Plant and equipment

Due to the specialised nature of the group's plant and equipment the residual value attached to these assets has been estimated to be insignificant. The group estimates that the useful life of the plant and equipment, being the period of time for which the assets can be utilised without significant modifications, replacements or improvements, is eight years based on current levels of production.

Motor vehicles

The entity has a policy of utilising all motor vehicles for a period of five years.

2.2 Goodwill

Goodwill is tested for impairment at each balance sheet date. The recoverable amounts of cash-generating units to which a portion of goodwill relates, have been estimated based on value in use calculations. Value in use calculations have been based on an appropriate discount rate.

Based on value in use calculations, no impairment of goodwill is required.

2.3 Inventory impairments

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

Notes to the financial statements continued

Year ended 31 December 2008

2. SIGNIFICANT JUDGEMENTS (CONTINUED)

2.4 Impairment of trade and other receivables

The group assesses its trade and other receivables for impairment at each balance sheet date. In determining whether an impairment should be recognised 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 each receivable.

2.5 Discounting of trade receivables and trade payables

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

3. ACCOUNTING POLICIES

3.1 Basis of consolidation

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

The results of any subsidiaries acquired or disposed of during the year are included from the dates effective control was acquired and up to the dates effective control ceased. The assets and liabilities of companies acquired are included in the consolidated balance sheet at their estimated fair values to the group as at the date of acquisition.

All material intragroup transactions and balances are eliminated on consolidation.

3.2 Property, plant and equipment

Property, plant and equipment is initially recorded at cost.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life.

The useful life applicable to each category of plant and equipment is estimated as follows:

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

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

3.3 Impairment of assets

The carrying amounts of property, plant and equipment are reviewed annually for an indication whether or not the relevant asset is impaired. If any such indication exists, and where the carrying amounts exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its realisable value less costs to sell and its value in use.

Impairment losses and reversals are recognised directly in the income statement under the line item "other operating expenses", unless such reversals relate to previously recognised revaluation reserves in equity.

3.4 Leased assets

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

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

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

Notes to the financial statements continued

Year ended 31 December 2008

3. ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets

Goodwill

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

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

Other intangible assets

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

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

| | |
|----------------|----------|
| Brand names | 10 years |
| Customer lists | 5 years |

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

3.6 Taxation

Current tax

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

Deferred tax

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

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

Secondary Tax on Companies

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

3.7 Investments in subsidiaries

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

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transport and handling cost. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs to be incurred in marketing, selling and distribution.

Where necessary, provisions are made for obsolete, slow moving and defective inventories.

Notes to the financial statements continued

Year ended 31 December 2008

3. ACCOUNTING POLICIES (CONTINUED)

3.9 Translation of foreign currencies

Transactions

Foreign currency transactions are recorded, on initial recognition, by applying the exchange rate ruling at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are reported using the closing rate;
- non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate ruling at the date of the transaction, and
- non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

3.10 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

3.11 Revenue recognition

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer. Revenue excludes value added taxation.

3.12 Employee benefits

Defined contribution plans

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

3.13 Borrowing costs

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

3.14 Financial instruments

Initial recognition and measurement

All financial instruments are recognised on the balance sheet. Financial instruments are initially recognised when the company or a subsidiary becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument. Transaction costs are not included in the initial recognition of financial assets carried at fair value through profit and loss.

Subsequent to initial recognition, financial instruments are measured as set out below.

Financial assets

The group's principal financial assets are trade and other receivables and cash and cash equivalents.

Trade and other receivables

Trade and other receivables originated by the group are stated at their nominal value less impairments. An estimate of impairment is made on a review of each outstanding amount at balance sheet date. Irrecoverable amounts are written off during the period in which they are identified.

Cash and cash equivalents

Cash and cash equivalents are measured at their fair value. For the purpose of the cash flow statement, cash and cash equivalents comprise bank and call deposits.

Notes to the financial statements continued

Year ended 31 December 2008

3. ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (continued)

Financial liabilities

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

Interest bearing liabilities

Interest bearing liabilities are recognised at amortised cost, namely original debt less principal payments and amortisation.

Non-interest bearing liabilities

Non-interest bearing liabilities are recognised at original debt less principal payments.

Trade and other payables

Trade and other payables are stated at their nominal value.

Other financial liabilities

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

Derecognition

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

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

Fair value methods and assumptions

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

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

Set-off

Where a legally enforceable right to set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are set-off.

3.15 Related party transactions

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

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

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

3.16 Segment reporting

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

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

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

Notes to the financial statements continued

Year ended 31 December 2008

| | GROUP | | COMPANY | |
|--|----------------|---------------|---------------|---------------|
| | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| 4. PROPERTY, PLANT AND EQUIPMENT | | | | |
| Cost | 30 394 | 28 189 | - | - |
| Plant and equipment | 23 387 | 21 748 | - | - |
| Furniture and fittings | 684 | 871 | - | - |
| Motor vehicles | 1 560 | 1 443 | - | - |
| Leasehold improvements | 547 | 590 | - | - |
| Office equipment | 617 | 508 | - | - |
| Computer equipment | 3 310 | 2 760 | - | - |
| Computer software | 289 | 269 | - | - |
| Accumulated depreciation | 15 353 | 15 221 | - | - |
| Plant and equipment | 11 580 | 12 275 | - | - |
| Furniture and fittings | 299 | 575 | - | - |
| Motor vehicles | 769 | 527 | - | - |
| Leasehold improvements | 236 | 218 | - | - |
| Office equipment | 261 | 90 | - | - |
| Computer equipment | 1 943 | 1 354 | - | - |
| Computer software | 265 | 182 | - | - |
| Carrying value at end of year | 15 041 | 12 968 | - | - |
| Plant and equipment | 11 807 | 9 473 | - | - |
| Furniture and fittings | 385 | 296 | - | - |
| Motor vehicles | 791 | 916 | - | - |
| Leasehold improvements | 311 | 372 | - | - |
| Office equipment | 356 | 418 | - | - |
| Computer equipment | 1 367 | 1 406 | - | - |
| Computer software | 24 | 87 | - | - |
| Movements for the year | | | | |
| Carrying value at beginning of year | 12 968 | 8 800 | - | - |
| Additions | 5 433 | 5 720 | - | - |
| Plant and equipment | 4 002 | 2 656 | - | - |
| Furniture and fittings | 166 | 276 | - | - |
| Motor vehicles | 140 | 638 | - | - |
| Leasehold improvements | 90 | 367 | - | - |
| Office equipment | 236 | 358 | - | - |
| Computer equipment | 799 | 1 309 | - | - |
| Computer software | - | 116 | - | - |
| Book value of disposals | (6) | (102) | - | - |
| Plant and equipment | (6) | - | - | - |
| Motor vehicles | - | (102) | - | - |
| Depreciation for the year | (3 354) | (1 450) | - | - |
| Plant and equipment | (1 662) | (855) | - | - |
| Furniture and fittings | (80) | (35) | - | - |
| Motor vehicles | (266) | (189) | - | - |
| Leasehold improvements | (149) | (20) | - | - |
| Office equipment | (203) | (35) | - | - |
| Computer software | (911) | (256) | - | - |
| Computer equipment | (83) | (60) | - | - |
| Carrying value at end of year | 15 041 | 12 968 | - | - |

Encumbrances:

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

Notes to the financial statements continued

Year ended 31 December 2008

| | GROUP | | COMPANY | |
|---|----------------|---------------------------|---------------|---------------|
| | 2008 R'000 | 2007 R'000 Restated | 2008 R'000 | 2007 R'000 |
| 5. INTANGIBLE ASSETS | | | | |
| Cost | 196 546 | 181 739 | - | - |
| Arising on acquisition of Insulated Structures: | | | | |
| - Goodwill | 7 037 | 7 037 | - | - |
| Arising on acquisition of business of Macadams International: | 189 509 | 174 702 | | |
| - Goodwill | 170 490 | 155 683 | - | - |
| - Brand names | 15 622 | 15 622 | - | - |
| - Customer lists | 3 397 | 3 397 | - | - |
| Accumulated amortisation | 2 241 | - | - | - |
| - Brand names | 1 562 | - | - | - |
| - Customer lists | 679 | - | - | - |
| Carrying value | 194 305 | 181 739 | - | - |
| Insulated Structures: | | | | |
| - Goodwill | 7 037 | 7 037 | - | - |
| Macadams International: | 187 268 | 174 702 | | |
| - Goodwill | 170 490 | 155 683 | - | - |
| - Brand names | 14 060 | 15 622 | - | - |
| - Customer lists | 2 718 | 3 397 | - | - |
| Movements for the year | | | | |
| Carrying value at beginning of year | 181 739 | 7 037 | - | - |
| Additions | 14 807 | 174 702 | - | - |
| - Goodwill | 14 807 | 155 683 | - | - |
| - Brand names | - | 15 622 | - | - |
| - Customer lists | - | 3 397 | - | - |
| Amortisation for the year | (2 241) | - | - | - |
| - Brand names | (1 562) | - | - | - |
| - Customer lists | (679) | - | - | - |
| Carrying value at end of year | 194 305 | 181 739 | - | - |

On 15 November 2007, the group acquired the business assets and liabilities of Macadams International. Refer note 22 for more details of the acquisition. Identifiable intangible assets were fair valued in terms of IFRS 3 during the current reporting period and the prior year restated (refer note 27). No amortisation has been raised in the prior period, as this amount is not significant (R283 000) due to the short reporting period. The goodwill comprises the excess of the cost of the acquisition over the fair value of net tangible assets and identifiable intangible assets.

To assess any impairment of goodwill the recoverable amount of the cash-generating units, applicable to goodwill, have each been determined on a value in use calculation, using cash flow projections, which cover a five-year period. The cash flows have been discounted at a rate of 17,5% (2007: 16,9%) and a growth rate of 6% (2007: 6%) has been applied. The recoverable amounts of the units were determined to be higher than the attributable portion of goodwill and therefore no impairment was necessary.

Notes to the financial statements continued

Year ended 31 December 2008

| | GROUP | | COMPANY | |
|---|---------------|---------------------------|---------------|---------------|
| | 2008 R'000 | 2007 R'000 Restated | 2008 R'000 | 2007 R'000 |
| 6. DEFERRED TAXATION | | | | |
| Disclosed as: | | | | |
| Deferred tax assets | 1 330 | 1 537 | 45 | 22 |
| Deferred tax liabilities | (2 424) | (4 909) | - | - |
| | (1 094) | (3 372) | 45 | 22 |
| Reconciliation of movements for the year | | | | |
| Balance at beginning of the year | (3 372) | 228 | 22 | 22 |
| Movement during year attributable to: | | | | |
| - Tax rate change | 110 | - | (1) | - |
| - Prior year over provision | 190 | - | - | - |
| - Intangible assets | 627 | (5 516) | - | - |
| - Temporary differences | 1 351 | 1 916 | 24 | - |
| Balance at end of the year | (1 094) | (3 372) | 45 | 22 |
| The balance comprises: | | | | |
| - Provisions | 4 188 | 3 400 | 45 | 22 |
| - Intangible assets | (4 698) | (5 516) | - | - |
| - Deposits | 120 | 189 | - | - |
| - Operating lease liabilities | 581 | - | - | - |
| - Accelerated capital allowances | (1 285) | (1 445) | - | - |
| | (1 094) | (3 372) | 45 | 22 |

| | COMPANY | |
|---|---------------|---------------|
| | 2008 R'000 | 2007 R'000 |
| 7. INVESTMENT IN AND LOANS TO/(FROM) SUBSIDIARIES | | |
| Disclosed as: | | |
| Investment in and loans to subsidiaries | 152 778 | 223 443 |
| Loans from subsidiaries | (19 059) | (13 678) |
| | 133 719 | 209 765 |
| Unlisted shares at cost – all wholly owned⁽ⁱ⁾ | 15 422 | 15 422 |
| - Colcab | - | - |
| - Colcab Manufacturing | 8 313 | 8 313 |
| - Insulated Structures | 7 108 | 7 108 |
| - Macadams International | 1 | 1 |
| Interest bearing loans receivable⁽ⁱⁱ⁾ | 127 358 | 22 290 |
| - Colcab | 14 898 | 14 898 |
| - Insulated Structures | 7 392 | 7 392 |
| - Macadams International | 105 068 | - |
| Non-interest bearing loans receivable⁽ⁱⁱⁱ⁾ | 9 998 | 185 731 |
| - Colcab | 9 998 | - |
| - Insulated Structures | - | 3 907 |
| - Macadams International | - | 181 824 |
| Interest bearing loans payable⁽ⁱⁱⁱ⁾ | (19 059) | (13 678) |
| - Colcab | - | (3 660) |
| - Colcab Manufacturing | (10 018) | (10 018) |
| - Insulated Structures | (9 041) | - |
| | 133 719 | 209 765 |

(i) These shares have been ceded to the group's bankers as detailed in note 10.

(ii) The loans are unsecured, bear interest at rates as agreed from time to time (which approximates the prime overdraft rate), and are repayable subject to a twelve-month notice period or earlier by mutual agreement. At 31 December 2008, no notice for repayment had been given. The loans have been ceded to the group's bankers as detailed in note 10.

(iii) The loans are unsecured, and are repayable subject to a twelve-month notice period or earlier by mutual agreement. At 31 December 2008, no notice for repayment had been given. The loans have been ceded to the group's bankers as detailed in note 10.

Notes to the financial statements continued

Year ended 31 December 2008

| | GROUP | | COMPANY | |
|---|-----------------|---------------|---------------|---------------|
| | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| 8. INVENTORIES | | | | |
| The amounts attributable to the different categories are as follows: | | | | |
| – Raw materials | 38 818 | 36 838 | – | – |
| – Work in progress | 10 637 | 8 216 | – | – |
| – Manufactured finished goods | 20 065 | 15 705 | – | – |
| – Merchandise finished goods | 31 165 | 22 276 | – | – |
| | 100 685 | 83 035 | – | – |
| Less allowances for impairment | (9 320) | (9 240) | – | – |
| | 91 365 | 73 795 | – | – |
| Inventories have been ceded to the bank as security for facilities granted (refer note 10). | | | | |
| 9. TRADE AND OTHER RECEIVABLES | | | | |
| These comprise: | | | | |
| – Trade receivables net of allowances for impairment | 152 064 | 114 263 | – | – |
| – Prepayments | 295 | 565 | – | – |
| – Deposits | 996 | 1 225 | – | – |
| – Other receivables | 72 | 288 | – | 285 |
| | 153 427 | 116 341 | – | 285 |
| Trade receivables have been ceded to the bank as security for facilities granted (refer note 10). | | | | |
| Allowances for impairment | | | | |
| Opening balance | 11 512 | 1 513 | – | – |
| Impairment balances acquired at acquisition of the Macadams International business | – | 8 500 | – | – |
| Impairments recognised in the income statement | 4 095 | 1 499 | – | – |
| Closing balance | 15 607 | 11 512 | – | – |
| The following factors were considered in determining the amounts of the impairment: | | | | |
| – each account was assessed based on past credit history; | | | | |
| – the extent of credit guarantee insurance; and | | | | |
| – any knowledge of particular insolvency or other risk. | | | | |
| Trade receivables past due but not impaired: | | | | |
| Amounts in 30 to 60 days | 22 939 | 15 508 | – | – |
| Amounts in 60 to 90 days | 14 021 | 9 746 | – | – |
| Amounts in 90 days plus | 4 219 | 3 351 | – | – |
| | 41 179 | 28 605 | – | – |
| Related credit exposure and enhancements | | | | |
| Maximum exposure to credit losses of trade and other receivables | 153 427 | 116 341 | – | 285 |
| Credit risk mitigated through credit guarantee insurance for the event of liquidation of selected debtors | (15 583) | (9 709) | – | – |
| Residual exposure | 137 844 | 106 632 | – | 285 |

Notes to the financial statements continued

Year ended 31 December 2008

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank and call deposits.

Banking facilities

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

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

- general notarial bond over all moveable assets of Insulated Structures (R10 million) and Colcab (R15 million);
- special and general notarial bonds over all moveable assets of Macadams International (R70 million);
- cession of all trade and other receivables;
- unlimited cross suretyship in favour of the bank provided by all the group entities; and
- the company has ceded to the bank its shares and loan accounts in its subsidiaries as noted in note 7.

| | GROUP | | COMPANY | |
|--|-----------------|---------------|----------------|---------------|
| | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| 11. SHARE CAPITAL | | | | |
| Authorised | | | | |
| 2 000 000 000 ordinary shares of R0,00001 each | 20 | 20 | 20 | 20 |
| Issued | | | | |
| Beginning of year 480 000 000 shares of R0,00001 each (2007: 195 shares of R1 each) | 5 | – | 5 | – |
| Share buyback ⁽ⁱ⁾ | (1) | – | (1) | – |
| Share capitalisation | – | 4 | – | 4 |
| Issue of shares | – | 1 | – | 1 |
| Balance at end of year 448 911 962 shares of R0,00001 each (2007: 480 000 000 shares of R0,00001 each) ⁽ⁱⁱ⁾ | 4 | 5 | 4 | 5 |
| ⁽ⁱ⁾ In terms of the authority given by shareholders at the last annual general meeting 31 088 038 share were bought back and cancelled. | | | | |
| ⁽ⁱⁱ⁾ The 1 551 088 038 (2007: 1 520 000 000) unissued ordinary shares are under the control of the directors until the next annual general meeting. | | | | |
| 12. SHARE PREMIUM | | | | |
| Arising on issue of shares | 167 200 | 189 829 | 167 200 | 189 829 |
| 13. INTEREST BEARING LIABILITIES | | | | |
| Disclosed as: | | | | |
| Non-current portion | 82 843 | 1 009 | – | – |
| Current portion | 14 956 | 1 533 | – | 937 |
| | 97 799 | 2 542 | – | 937 |
| These comprise: | | | | |
| Fixed rate term loan ⁽ⁱ⁾ | – | – | – | – |
| Capital outstanding | – | 937 | – | 937 |
| Less: Current portion | – | (937) | – | (937) |
| Variable rate term loan ⁽ⁱⁱ⁾ | 82 466 | – | – | – |
| Capital outstanding | 96 825 | – | – | – |
| Less: Current portion | (14 359) | – | – | – |
| Instalment sale creditors ⁽ⁱⁱⁱ⁾ | 377 | 1 009 | – | – |
| Capital outstanding | 974 | 1 605 | – | – |
| Less: Current portion | (597) | (596) | – | – |

⁽ⁱ⁾ The fixed rate term loan has been repaid (2007: seven equal monthly instalments of R137 205 inclusive of finance charges). Secured as per note 10.

⁽ⁱⁱ⁾ The variable rate term loan bears interest at the prime overdraft rate plus 0,25% and is repayable in 59 equal monthly instalments of R2 344 912 inclusive of finance charges. Secured as per note 10.

⁽ⁱⁱⁱ⁾ Instalment sale creditors bear interest at the prime overdraft rate less 1%. The liability is repayable in monthly instalments totalling R51 459 (2007: R179 961). The instalment sale creditors are secured by plant and equipment with a carrying value of R2 384 752 (2007: R2 572 504).

Notes to the financial statements continued

Year ended 31 December 2008

| | GROUP | | COMPANY | |
|---|---------------|---------------|---------------|---------------|
| | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| 13. INTEREST BEARING LIABILITIES (CONTINUED) | | | | |
| Present value of repayments | | | | |
| Due within 1 year | 14 956 | 1 533 | - | 937 |
| Total repayments | 28 365 | 1 577 | - | 961 |
| Unearned finance charges | (13 409) | (44) | - | (24) |
| Due within 1 to 5 years | 82 843 | 1 009 | - | - |
| Total repayments | 111 375 | 1 066 | - | - |
| Unearned finance charges | (28 532) | (57) | - | - |
| Total | 97 799 | 2 542 | - | 937 |
| Total repayments | 139 740 | 2 643 | - | 961 |
| Unearned finance charges | (41 941) | (101) | - | (24) |
| 14. OTHER FINANCIAL LIABILITIES | | | | |
| Disclosed as: | | | | |
| Non-current liabilities | 2 075 | 59 638 | - | - |
| - Operating lease liabilities | 2 075 | - | - | - |
| - Vendor loans | - | 59 638 | - | - |
| Current liabilities | 79 887 | 15 408 | - | - |
| - Foreign exchange contracts | 461 | 32 | - | - |
| - Vendor loans | 79 426 | 15 376 | - | - |
| | 81 962 | 75 046 | - | - |
| These comprise: | | | | |
| Operating lease liabilities (arising on straight-lining of leases) | 2 075 | - | - | - |
| Foreign exchange contracts ⁽ⁱ⁾ ("FECs") (at fair value through profit or loss) | 461 | 32 | - | - |
| Vendor ⁽ⁱⁱ⁾ loans (at amortised cost) | | | | |
| - payment of purchase price ⁽ⁱⁱⁱ⁾ | - | 15 376 | - | - |
| - payment of purchase price ^(iv) | 64 619 | 59 638 | - | - |
| - payment of purchase price ^(v) | 14 807 | - | - | - |
| | 81 962 | 75 046 | - | - |

⁽ⁱ⁾ All outstanding FECs were revalued using the FEC rate ruling at year-end for similar contracts.

⁽ⁱⁱ⁾ HMNW Investments (Pty) Limited (previously Macadams Baking Systems (Pty) Limited), the vendor of the Macadams International business. All the loan amounts are unsecured and bear no interest.

⁽ⁱⁱⁱ⁾ Part payment of the unconditional purchase price paid in March 2008.

^(iv) Present value of the final payment of the unconditional purchase price of R70 million payable on 31 December 2009.

^(v) Present value of the contingent purchase price of R15 million payable in March 2009 as the profit target for the December 2008 year has been achieved (refer note 25).

| | GROUP | | COMPANY | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| 15. TRADE AND OTHER PAYABLES | | | | |
| These comprises: | | | | |
| - Trade payables | 62 838 | 59 283 | 1 420 | 365 |
| - Payroll and statutory accruals | 13 836 | 8 730 | - | - |
| - Income received in advance | 11 798 | 8 505 | - | - |
| | 88 472 | 76 518 | 1 420 | 365 |

Notes to the financial statements continued

Year ended 31 December 2008

| | GROUP | | COMPANY | |
|---|----------------|----------------|---------------|---------------|
| | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| 16. REVENUE | | | | |
| Gross revenue comprises turnover, which excludes value added tax and represents the invoiced value of goods supplied: | | | | |
| Major classes of revenue comprise: | | | | |
| – Sales of goods | 648 188 | 314 222 | – | – |
| – Management fees received | – | – | 1 440 | 780 |
| | 648 188 | 314 222 | 1 440 | 780 |
| 17. PROFIT FROM OPERATIONS | | | | |
| Profit from operations is stated after taking into account the following items: | | | | |
| Income | | | | |
| Profit on foreign exchange | 3 228 | 145 | – | – |
| Dividends received | – | 157 | – | 17 181 |
| Profit on disposal of property, plant and equipment | 58 | 7 | – | – |
| Management fees | – | – | 1 440 | 780 |
| Expenditure | | | | |
| Amortisation of intangible assets | 2 241 | – | – | – |
| Auditors' remuneration | 896 | 641 | 211 | 230 |
| Audit fee | | | | |
| – Current year | 830 | 662 | 211 | 220 |
| – (Over)/under provision prior year | 17 | (21) | (9) | 10 |
| Other services | 49 | – | 9 | – |
| Consulting fees | 182 | 184 | 14 | – |
| Depreciation | 3 354 | 1 450 | – | – |
| Impairment of inventories | 80 | 850 | – | – |
| Impairment of trade receivables | 4 095 | 1 499 | – | – |
| Loss on disposal of listed investment | – | 172 | – | 172 |
| Management fees | – | 420 | – | 420 |
| Operating lease charge | 7 016 | 4 313 | – | – |
| – Property: rent paid | 4 876 | 4 285 | – | – |
| – Property: charge on straight-lining of leases | 2 075 | – | – | – |
| – Plant and equipment | 65 | 28 | – | – |
| Remuneration: | | | | |
| – Directors | 4 433 | 2 902 | 1 095 | – |
| – Key management | 13 198 | 5 813 | – | – |
| – Other staff costs | 82 926 | 47 599 | – | – |
| 18. INTEREST RECEIVED AND PAID | | | | |
| Interest received | 7 982 | 1 706 | 24 161 | 2 323 |
| – Bank and call deposits | 5 389 | 1 706 | 1 160 | 79 |
| – Loans to subsidiaries | – | – | 23 001 | 2 244 |
| – Notional interest charged on trade and other receivables | 2 593 | – | – | – |
| Interest paid | 6 081 | 2 281 | 25 | 306 |
| – Bank loans and instalment sales | 1 100 | 2 281 | 25 | 306 |
| – Notional interest paid on other financial liabilities | 4 981 | – | – | – |

Notes to the financial statements continued

Year ended 31 December 2008

| | GROUP | | COMPANY | |
|---|--------------------|---------------|-----------------|---------------|
| | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| 19. TAXATION | | | | |
| Normal tax | 30 878 | 15 919 | 6 258 | 545 |
| – Current year | 31 294 | 15 919 | 6 258 | 545 |
| – Prior year over provision | (416) | – | – | – |
| Deferred tax | (2 278) | (1 916) | (23) | – |
| – Current year | (1 978) | (1 916) | (24) | – |
| – Prior year over provision | (190) | – | – | – |
| – Tax rate change | (110) | – | 1 | – |
| Secondary tax on companies | – | 2 750 | – | 2 750 |
| | 28 600 | 16 753 | 6 235 | 3 295 |
| Reconciliation of rate of taxation: | % | % | % | % |
| South African normal tax rate | 28,0 | 29,0 | 28,0 | 29,0 |
| Adjusted for: | | | | |
| – Exempt income and disallowable expenditure | 0,7 | 1,6 | (0,1) | (26,1) |
| – Prior year over provision | (0,6) | – | – | – |
| – Tax rate change | (0,1) | – | – | – |
| – Secondary tax on companies | – | 6,0 | – | 14,5 |
| Effective rate | 28,0 | 36,6 | 27,9 | 17,4 |
| 20. EARNINGS PER SHARE | | | | |
| Basic and headline earnings per share | | | | |
| Reconciliation of net profit to basic earnings: | | | | |
| Net profit attributable to equity holders of the parent | 73 636 | 28 979 | | |
| Basic earnings | 73 636 | 28 979 | | |
| Basic earnings per share (cents) | 15,6 | 8,0 | | |
| Headline earnings per share (cents) | 15,6 | 8,0 | | |
| Weighted average number of shares in issue used to calculate earnings per share (refer note 11 for movement in issued shares) | 472 369 465 | 364 438 356 | | |
| Shares in issue at year-end | 448 911 962 | 480 000 000 | | |
| 21. NOTES TO THE CASH FLOW STATEMENT | | | | |
| 21.1 Cash generated/(utilised) by operations | | | | |
| Profit before taxation | 102 236 | 45 732 | 22 352 | 18 888 |
| Adjusted for: | | | | |
| Amortisation | 2 241 | – | – | – |
| Depreciation | 3 354 | 1 450 | – | – |
| Interest paid | 6 081 | 2 281 | 25 | 306 |
| Interest received | (7 982) | (1 706) | (24 161) | (2 323) |
| Loss on disposal of listed investment | – | 172 | – | 172 |
| Movements in: | | | | |
| – operating lease accruals | 2 075 | – | – | – |
| – impairment of inventories and trade receivables | 4 175 | 2 349 | – | – |
| Profit on disposal of property, plant and equipment | (58) | (7) | – | – |
| | 112 122 | 50 271 | (1 784) | 17 043 |
| Working capital changes | (46 877) | 5 582 | 1 340 | 6 114 |
| Increase in inventories | (17 650) | (4 335) | – | – |
| (Increase)/decrease in trade and other receivables | (41 181) | (2 287) | 285 | 5 778 |
| Increase in trade and other payables | 11 954 | 12 204 | 1 055 | 336 |
| Cash generated/(utilised) by operations | 65 245 | 55 853 | (444) | 23 157 |

Notes to the financial statements continued

Year ended 31 December 2008

| | GROUP | | COMPANY | |
|--|---------------|---------------------------|---------------|---------------|
| | 2008 R'000 | 2007 R'000 Restated | 2008 R'000 | 2007 R'000 |
| 21. NOTES TO THE CASH FLOW STATEMENT (CONTINUED) | | | | |
| 21.2 Taxation paid | | | | |
| Taxation payable at beginning of year | (11 764) | (8 474) | (545) | (415) |
| Charge per income statement | (30 878) | (18 669) | (6 258) | (3 295) |
| Taxation payable at end of year | 4 308 | 11 764 | 6 259 | 545 |
| Payments made | (38 334) | (15 379) | (544) | (3 165) |
| 21.3 Cash and cash equivalents | | | | |
| Cash and cash equivalents consist of bank and call deposits (refer note 10) | 135 576 | 49 472 | 75 628 | 1 |
| 22. ACQUISITION OF THE MACADAMS INTERNATIONAL BUSINESS | | | | |
| Fair value of assets acquired | | | | |
| Property, plant and equipment | - | 4 293 | | |
| Inventories | - | 40 387 | | |
| Trade and other receivables | - | 72 331 | | |
| Trade and other payables | - | (36 675) | | |
| Deferred tax liability | - | (5 516) | | |
| Other financial liabilities | - | (15 314) | | |
| Bank and call deposits | - | 5 722 | | |
| Total net tangible assets acquired | - | 65 228 | | |
| Surplus recognised as intangible assets | 14 807 | 174 702 | | |
| Total consideration paid | 14 807 | 239 930 | | |
| Consideration paid | | | | |
| - Cash paid on the implementation date | - | (110 292) | | |
| - 46 666 667 ordinary shares issued in Universal Industries | - | (70 000) | | |
| - Present value of cash payable on 31 December 2009 | - | (59 638) | | |
| - Present value of additional cash payment due in March 2009 based on the achievement of profit targets for the December 2008 year (refer notes 14 and 25). | (14 807) | - | | |
| | (14 807) | (239 930) | | |
| Net cash outflow on acquisition | | | | |
| Cash consideration paid | - | (110 292) | | |
| Cash acquired | - | 5 722 | | |
| | - | (104 570) | | |
| 23. RELATED PARTY TRANSACTIONS | | | | |
| Transactions with subsidiaries (as identified in note 7) | | | | |
| - Dividends received | | | - | 17 024 |
| - Interest received | | | 23 001 | 2 244 |
| - Management fees received | | | 1 440 | 780 |
| - Net loans advanced (refer note 7) | | | 118 297 | 194 343 |
| Transactions with directors and key management or entities where directors or key management have an interest | | | | |
| - Other financial liabilities (vendor loans refer note 14) | 79 426 | 75 014 | - | - |
| - Rent paid | 6 778 | 323 | - | - |
| - Management fees paid | - | 420 | - | 420 |
| - Corporate finance and advisory fees paid | 150 | 1 000 | 150 | 1 000 |
| - Director fees paid (refer disclosure in special report from the remuneration and nomination committee on page 13) | 4 433 | 2 902 | 1 745 | - |
| All transactions with directors and key management or entities where directors or key management have an interest were under terms no more favourable than those with third parties. | | | | |

Notes to the financial statements continued

Year ended 31 December 2008

24. RETIREMENT BENEFITS

The majority of the group's employees are members of various pension and provident funds. These funds are independently administered defined contribution funds of the operating entities and defined contribution funds for the industries in which the group's employees work. The group's contributions are charged against income when incurred.

25. GUARANTEES, SURETIES AND CONTINGENCIES

Guarantees

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

The company bound itself as surety jointly and severally for and as co-principal debtor in solidum with Insulated Structures for the due and punctual payment by Insulated Structures to Mittal Steel Limited and its subsidiaries for a maximum of R2 million.

Litigation

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

Contingent liability due to vendors on business acquisition

In terms of the purchase agreement entered into with the vendor of the Macadams International Business, part of the purchase price (in addition to the guaranteed price of R250 million) relates to a contingent portion based on profit after tax targets being met. The profit target of R40 million for the 2008 year has been met and the amount has been raised as an accrual (refer note 14). The profit target for the 2009 year is R46 million. The company is liable to pay a maximum of R15 million if the profit target is met i.e. a total contingent liability of R15 million (2007: R30 million) exists at year-end.

Secondary tax on companies

Secondary tax on companies ("STC") is levied on dividend distributions at a rate of 10% with effect from 1 October 2007 (previously 12,5%). Current and deferred tax are measured at the tax rate applicable to undistributed income and therefore only take STC into account to the extent that dividends have been paid or received. In the event the company or group were to declare a dividend equal to its distributable reserve, it would be liable for STC amounting to R3,5 million (2007: R1,8 million) and R14,9 million (2007: R7,5 million) respectively.

| | GROUP | | COMPANY | |
|--|---------------|---------------|---------------|---------------|
| | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 |
| 26. COMMITMENTS | | | | |
| Operating leases | | | | |
| Future operating lease charges for premises: | 65 761 | 53 183 | - | - |
| – Due within one year | 16 570 | 10 617 | - | - |
| – In second to fifth year | 33 812 | 27 189 | - | - |
| – Later than five years | 15 379 | 15 377 | - | - |
| Future operating lease charges for equipment: | 6 | 39 | - | - |
| – Due within one year | 6 | 33 | - | - |
| – In second to fifth year | - | 6 | - | - |
| Capital expenditure | | | | |
| Capital expenditure already contracted but not provided for in respect of property, plant and equipment. The expenditure will be financed from operating cash flow and available bank facilities | - | 3 800 | - | - |
| 27. PRIOR PERIOD RESTATEMENT ON COMPLETION OF PROVISIONAL ACCOUNTING IN TERMS OF IFRS 3 | | | | |
| Adjustments made: | | | | |
| – Intangible assets (Brand names) | - | 15 622 | - | - |
| – Intangible assets (Customer lists) | - | 3 397 | - | - |
| – Intangible assets (Goodwill) | - | (13 503) | - | - |
| – Deferred tax liability | - | (5 516) | - | - |

Certain prior year numbers have been restated or reclassified as a result of the finalisation of at acquisition fair values in terms of IFRS 3 (refer note 5). The restatement had no impact on the prior year profit.

Notes to the financial statements continued

Year ended 31 December 2008

28. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

| | Held for trading (at fair value through profit and loss) | | Loans and receivables | | Financial liabilities at amortised cost | | Non-financial instruments | | Total | |
|---|---|-------|-----------------------|---------|---|---------|---------------------------|---------|---------|---------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| GROUP | | | | | | | | | | |
| Non-current assets | - | - | - | - | - | - | 210 676 | 196 244 | 210 676 | 196 244 |
| Property, plant and equipment | - | - | - | - | - | - | 15 041 | 12 968 | 15 041 | 12 968 |
| Intangible assets | - | - | - | - | - | - | 194 305 | 181 739 | 194 305 | 181 739 |
| Deferred taxation | - | - | - | - | - | - | 1 330 | 1 537 | 1 330 | 1 537 |
| Current assets | - | - | 287 712 | 164 468 | - | - | 98 349 | 75 168 | 386 061 | 239 636 |
| Inventories | - | - | - | - | - | - | 91 365 | 73 795 | 91 365 | 73 795 |
| Trade and other receivables | - | - | 152 136 | 114 996 | - | - | 1 291 | 1 345 | 153 427 | 116 341 |
| Taxation prepaid | - | - | - | - | - | - | 5 693 | 28 | 5 693 | 28 |
| Cash and cash equivalents | - | - | 135 576 | 49 472 | - | - | - | - | 135 576 | 49 472 |
| Total assets | - | - | 287 712 | 164 468 | - | - | 309 025 | 271 412 | 596 737 | 435 880 |
| Non-current liabilities | - | - | - | - | 82 843 | 60 647 | 4 499 | 4 909 | 87 342 | 65 556 |
| Interest bearing liabilities | - | - | - | - | 82 843 | 1 009 | - | - | 82 843 | 1 009 |
| Deferred taxation | - | - | - | - | - | - | 2 424 | 4 909 | 2 424 | 4 909 |
| Other financial liabilities | - | - | - | - | - | 59 638 | 2 075 | - | 2 075 | 59 638 |
| Current liabilities | 461 | 32 | - | - | 166 683 | 82 977 | 26 172 | 22 242 | 193 316 | 105 251 |
| Trade and other payables | - | - | - | - | 72 301 | 66 068 | 16 171 | 10 450 | 88 472 | 76 518 |
| Current portion of: | | | | | | | | | | |
| - interest bearing liabilities | - | - | - | - | 14 956 | 1 533 | - | - | 14 956 | 1 533 |
| - other financial liabilities | 461 | 32 | - | - | 79 426 | 15 376 | - | - | 79 887 | 15 408 |
| Taxation payable | - | - | - | - | - | - | 10 001 | 11 792 | 10 001 | 11 792 |
| Total liabilities | 461 | 32 | - | - | 249 526 | 143 624 | 30 671 | 27 151 | 280 658 | 170 807 |
| COMPANY | | | | | | | | | | |
| Non-current assets | - | - | 137 356 | 208 021 | - | - | 15 467 | 15 444 | 152 823 | 223 465 |
| Deferred taxation | - | - | - | - | - | - | 45 | 22 | 45 | 22 |
| Investment in and loans to subsidiaries | - | - | 137 356 | 208 021 | - | - | 15 422 | 15 422 | 152 778 | 223 443 |
| Current assets | - | - | 75 628 | 1 | - | - | - | 285 | 75 628 | 286 |
| Trade and other receivables | - | - | - | - | - | - | - | 285 | - | 285 |
| Cash and cash equivalents | - | - | 75 628 | 1 | - | - | - | - | 75 628 | 1 |
| Total assets | - | - | 212 984 | 208 022 | - | - | 15 467 | 15 729 | 228 451 | 223 751 |
| Non-current liabilities | - | - | - | - | 19 059 | 13 678 | - | - | 19 059 | 13 678 |
| Interest free liabilities | - | - | - | - | 19 059 | 13 678 | - | - | 19 059 | 13 678 |
| Current liabilities | - | - | - | - | 1 420 | 1 302 | 6 259 | 545 | 7 679 | 1 847 |
| Trade and other payables | - | - | - | - | 1 420 | 365 | - | - | 1 420 | 365 |
| Current portion of interest bearing liabilities | - | - | - | - | - | 937 | - | - | - | 937 |
| Taxation payable | - | - | - | - | - | - | 6 259 | 545 | 6 259 | 545 |
| Total liabilities | - | - | - | - | 20 479 | 14 980 | 6 259 | 545 | 26 738 | 15 525 |

Notes to the financial statements continued

Year ended 31 December 2008

29. FINANCIAL RISK MANAGEMENT

The group's operations expose it to a number of financial risks. A risk management programme has been established to protect the group against the potential adverse effects of these financial risks.

Foreign currency risk

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

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

Interest rate risk

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

Liquidity risk

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

Credit risk

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

The group limits its counterparty exposure arising from money market instruments by dealing only with well-established financial institutions of high credit standing.

Trade receivables consist mainly of a large widespread customer base. The financial position of customers is monitored on an ongoing basis. Credit guarantee insurance has been taken where considered advisable.

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

Capital risk management

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

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

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

| | 2008 R'000 | 2007 R'000 |
|---------------------------------|------------------|---------------|
| Interest bearing borrowings | 97 799 | 2 542 |
| Other financial liabilities | 81 962 | 75 046 |
| Less: Cash and cash equivalents | (135 576) | (49 472) |
| Net debt position | 44 185 | 28 116 |
| Total equity | 316 079 | 265 073 |
| Debt-to-adjusted capital ratios | 0,14:1 | 0,11:1 |

Notes to the financial statements continued

Year ended 31 December 2008

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

| | Carrying value R'000 | Foreign exchange risk Profit/(loss) should the Rand exchange rate change by 5% | | | Interest rate risk Profit/(loss) should the interest rate change by 2% | | |
|---|-------------------------|--|------------------------------------|------------------------------------|--|---------------------------|---------------------------|
| | | Amount exposed to risk R'000 | Rand apprecia- tion R'000 | Rand depre- ciation R'000 | Amount exposed to risk R'000 | Rate increase R'000 | Rate decrease R'000 |
| GROUP 2008 | | | | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 135 576 | 6 990 | (350) | 350 | 135 576 | 2 711 | (2 711) |
| Trade and other receivables | 153 427 | 6 938 | (347) | 347 | - | - | - |
| Impact of financial assets on: | | | | | | | |
| - profit before taxation | | | (697) | 697 | | 2 711 | (2 711) |
| - profit after taxation | | | (502) | 502 | | 1 952 | (1 952) |
| Financial liabilities | | | | | | | |
| Interest bearing liabilities | | | | | | | |
| - Fixed rate | - | - | - | - | - | - | - |
| - Variable rate | 97 799 | - | - | - | 97 799 | (1 956) | 1 956 |
| Trade and other payables | 88 472 | - | - | - | - | - | - |
| Impact of financial liabilities on: | | | | | | | |
| - profit before taxation | | | - | - | | (1 956) | 1 956 |
| - profit after taxation | | | - | - | | (1 408) | 1 408 |
| Overall impact on profit after taxation | | | (502) | 502 | | 544 | (544) |
| GROUP 2007 | | | | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalent | 49 472 | 2 429 | (121) | 121 | 49 472 | 989 | (989) |
| Trade and other receivables | 116 341 | 3 395 | (170) | 170 | - | - | - |
| Impact of financial assets on: | | | | | | | |
| - profit before taxation | | | (291) | 291 | | 989 | (989) |
| - profit after taxation | | | (207) | 207 | | 703 | (703) |
| Financial liabilities | | | | | | | |
| Interest bearing liabilities | | | | | | | |
| - Fixed rate | 937 | - | - | - | - | - | - |
| - Variable rate | 1 605 | - | - | - | 1 605 | (32) | 32 |
| Trade and other payables | 76 518 | - | - | - | - | - | - |
| Impact of financial liabilities on: | | | | | | | |
| - profit before taxation | | | - | - | | (32) | 32 |
| - profit after taxation | | | - | - | | (23) | 23 |
| Overall impact on profit after taxation | | | (207) | 207 | | 680 | (680) |

No company sensitivity analysis is presented as there were no balances exposed to foreign exchange risk and the only interest rate risk would relate to bank and call deposits of R76 million (2007: insignificant) at year-end on which the after tax impact on profit or loss would be R1 million (2007: insignificant) should the interest rate change by 2%.

Notes to the financial statements continued

Year ended 31 December 2008

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk – maturity analysis of financial liabilities

| | Carrying amount of financial liabilities R'000 | Expected settlement period of financial liabilities | | | | Total undiscounted value of financial liabilities R'000 |
|--------------------------------|---|---|-----------------------|------------------------|---------------------|--|
| | | < 3 months R'000 | 3 – 6 months R'000 | 6 – 12 months R'000 | 12+ months R'000 | |
| GROUP 2008 | | | | | | |
| Non-current liabilities | | | | | | |
| Interest bearing liabilities | 82 843 | – | – | – | 111 375 | 111 375 |
| Current liabilities | | | | | | |
| Trade and other payables | 72 301 | 72 301 | – | – | – | 72 301 |
| Interest bearing liabilities | 14 956 | 7 191 | 7 191 | 13 983 | – | 28 365 |
| Other financial liabilities | 79 887 | 15 461 | – | 70 000 | – | 85 461 |
| | 249 987 | 94 953 | 7 191 | 83 983 | 111 375 | 297 502 |
| GROUP 2007 | | | | | | |
| Non-current liabilities | | | | | | |
| Interest bearing liabilities | 1 009 | – | – | – | 1 066 | 1 066 |
| Other financial liabilities | 59 638 | – | – | – | 70 000 | 70 000 |
| Current liabilities | | | | | | |
| Trade and other payables | 66 068 | 66 068 | – | – | – | 66 068 |
| Interest bearing liabilities | 1 533 | 566 | 566 | 445 | – | 1 577 |
| Other financial liabilities | 15 408 | 15 408 | – | – | – | 15 408 |
| | 143 656 | 82 042 | 566 | 445 | 71 066 | 154 119 |
| COMPANY 2008 | | | | | | |
| Non-current liabilities | | | | | | |
| Interest free liabilities | 19 059 | – | – | – | 19 059 | 19 059 |
| Current liabilities | | | | | | |
| Trade and other payables | 1 420 | 1 420 | – | – | – | 1 420 |
| Interest bearing liabilities | – | – | – | – | – | – |
| | 20 479 | 1 420 | – | – | 19 059 | 20 479 |
| COMPANY 2007 | | | | | | |
| Non-current liabilities | | | | | | |
| Interest free liabilities | 13 678 | – | – | – | 13 678 | 13 678 |
| Current liabilities | | | | | | |
| Trade and other payables | 365 | 365 | – | – | – | 365 |
| Interest bearing liabilities | 937 | 412 | 412 | 137 | – | 961 |
| | 14 980 | 777 | 412 | 137 | 13 678 | 15 004 |

Notes to the financial statements continued

Year ended 31 December 2008

30. SEGMENT REPORTING

Business segments:

| | Refrigeration | | Baking Systems | | Group Total | |
|--|----------------|---------------|----------------|----------------------------|-----------------|----------------------------|
| | 2008 R'000 | 2007 R'000 | 2008 R'000 | 2007 R'000 Restated* | 2008 R'000 | 2007 R'000 Restated* |
| Revenue | | | | | | |
| External sales | 310 064 | 284 483 | 338 124 | 29 739 | 648 188 | 314 222 |
| Profitability | | | | | | |
| Segment profit from operations | 47 414 | 43 945 | 56 145 | 2 514 | 103 559 | 46 459 |
| Unallocated corporate net expense | | | | | (3 224) | (152) |
| Profit from operations | | | | | 100 335 | 46 307 |
| Interest received | | | | | 7 982 | 1 706 |
| Interest paid | | | | | (6 081) | (2 281) |
| Taxation | | | | | (28 600) | (16 753) |
| Profit for the year attributable to the equity holders of the parent | | | | | 73 636 | 28 979 |
| Assets | | | | | | |
| Segment assets | 130 536 | 99 389 | 330 551 | 284 486 | 461 087 | 383 875 |
| Cash and cash equivalents | | | | | 135 576 | 49 472 |
| Unallocated corporate assets | | | | | 74 | 2 533 |
| Total assets | | | | | 596 737 | 435 880 |
| Liabilities | | | | | | |
| Segment liabilities | 40 237 | 50 293 | 232 743 | 118 667 | 272 979 | 168 960 |
| Unallocated corporate liabilities | | | | | 7 679 | 1 847 |
| Total liabilities | | | | | 280 658 | 170 807 |
| Capital expenditure | 4 279 | 1 427 | 1 154 | – | 5 433 | 1 427 |
| Depreciation and amortisation | 1 422 | 1 298 | 4 173 | 152 | 5 595 | 1 450 |

* Restated as per note 27. The 2007 year reflects only six weeks of trading, as the acquisition of the Macadams International business was only effective from 15 November 2007.

Shareholder information

As at 31 December 2008

| | Number of share- holders | % of total number of shareholders | Number of shares | % of total issued share capital |
|--|--------------------------------|---|---------------------|---------------------------------------|
| SHAREHOLDERS | | | | |
| Analysis of shareholdings | | | | |
| 1 – 1 000 | 628 | 75,1 | 316 316 | 0,1 |
| 1 001 – 10 000 | 58 | 6,9 | 359 866 | 0,1 |
| 10 001 – 100 000 | 85 | 10,2 | 8 834 500 | 1,9 |
| 100 001 – 1000 000 | 35 | 4,2 | 13 465 156 | 3,0 |
| 1 000 001 and more | 30 | 3,6 | 425 936 124 | 94,9 |
| | 836 | 100,0 | 448 911 962 | 100,0 |
| Major shareholders (5% and more of the shares in issue) | | | | |
| LNP Trust | | | 86 827 625 | 19,3 |
| Wayne Brett Primary Trust | | | 70 832 324 | 15,8 |
| Jacob Levy Trust | | | 70 632 324 | 15,7 |
| James Martin Family Trust | | | 32 598 290 | 7,3 |
| The Wilkes Trust | | | 22 990 654 | 5,1 |
| Shareholder spread | | | | |
| Non-public: Directors and key management | 17 | 2,0 | 343 365 349 | 76,5 |
| Public | 819 | 98,0 | 105 546 613 | 23,5 |
| | 836 | 100,0 | 448 911 962 | 100,0 |
| Distribution of shareholders | | | | |
| Close corporations | 8 | 1,0 | 1 564 334 | 0,4 |
| Individuals | 784 | 93,8 | 66 911 322 | 14,9 |
| Trusts | 15 | 1,8 | 300 348 374 | 66,9 |
| Collective investment schemes and mutual funds | 29 | 3,4 | 80 087 932 | 17,8 |
| | 836 | 100,0 | 448 911 962 | 100,0 |
| SHAREHOLDERS' DIARY | | | | |
| Financial year-end | | | | 31 December |
| Annual financial statements distribution | | | | 31 March 2009 |
| Annual general meeting | | | | 28 April 2009 |
| Approval of distribution at annual general meeting | | | | 28 April 2009 |
| Announcement of results of annual general meeting | | | | 28 April 2009 |
| Last day to trade shares <i>cum</i> the distribution | | | | 15 May 2009 |
| Shares will commence trading <i>ex</i> the distribution | | | | 18 May 2009 |
| Record date | | | | 22 May 2009 |
| Distribution paid | | | | 25 May 2009 |
| JSE SHARE TRADES DURING THE YEAR | | | | |
| | | | 2008 | 2007 |
| ● Closing price | | | R0,75 | R1,50 |
| ● High | | | R1,50 | R1,60 |
| ● Low | | | R0,50 | R1,20 |
| ● Volume traded (number of shares) | | | 34 003 652 | 5 284 793 |



universal industries
CORPORATION LIMITED

UNIVERSAL INDUSTRIES CORPORATION LTD

(Incorporated in the Republic of South Africa)

(Registration number 1996/004343/06)

JSE CODE: UNI

ISIN: ZAE000110664

Notice of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of Universal Industries Corporation Limited ("the company") will be held at 2 Arnold Road, Rosebank 2196, Gauteng on Tuesday, 28 April 2009 at 10h00 for the following purposes:

- 1 To consider the annual financial statements for the year ended 31 December 2008;
- 2 To transact such other business as may be transacted at an annual general meeting of a company including the re-appointment of the auditors and re-election of retiring directors; and
- 3 To consider and, if deemed fit, to pass, with or without modification, the special and ordinary resolutions set out below, in the manner required by the South African Companies Act, 1973, as amended and the listings requirements of the JSE Limited ("JSE"):

SPECIAL RESOLUTION NUMBER 1: GENERAL AUTHORITY FOR SHARE REPURCHASES

"Resolved that the directors be authorised pursuant *inter alia* to the company's articles of association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company and provided that this authority shall not extend beyond 15 months from date of passing this special resolution, for the company or any subsidiary of the company to acquire shares of the company on the following bases:

1. Repurchases of shares must be effected through the order book operated by the JSE trading system, and done without any prior arrangement between the company and the counter-party;
2. The company (or its subsidiary) may only appoint one agent to effect repurchases on its behalf;
3. The company (or its subsidiary) must be authorised thereto by its articles of association;
4. The number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 January 2009) may not in the aggregate exceed 20% (twenty percent) or 10% where the acquisition is effected by a subsidiary, of the company's share capital as at the date of this notice of annual general meeting;
5. Repurchases of shares may not be made at a price more than 10% (ten percent) above the weighted average of the market value on the JSE of the shares in question for the five business days immediately preceding the repurchase;
6. Repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place and the dates and quantities of shares to be repurchased during the prohibited period have been determined and full details thereof announced on SENS prior to commencement of the prohibited period;
7. Repurchases may only take place if, after such repurchase, the shareholder spread of the company still complies with Listings Requirements of the JSE;
8. After the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement to such effect, or any other announcements that may be required in such regard; and
9. The company's sponsor shall confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase."

In accordance with the Listings Requirements of the JSE, the directors record that:

Although there is no immediate intention to effect a repurchase of securities of the company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

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

- the company and the group will in the ordinary course of business be able to pay their debts;
- the consolidated assets of the company and of the group fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company and of the group after the buyback;
- the working capital, share capital and reserves of the company and of the group will be adequate for the purposes of the business of the company and its subsidiaries.

Notice of annual general meeting continued

SPECIAL RESOLUTION NUMBER 1: GENERAL AUTHORITY FOR SHARE REPURCHASES (CONTINUED)

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of paragraph 11.26 of the Listings Requirements of the JSE for purposes of this general authority:

- Directors - page 19
- Major beneficial shareholders - page 44
- Directors' interests in ordinary shares - page 19
- Share capital of the company - page 33

Litigation statement

The directors, whose names appear on page 19 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 (twelve) months) a material effect on the group's financial position.

Directors' responsibility statement

Directors, whose names appear on page 19 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in terms of the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the year ended 31 December 2008 and up to the date of this notice.

Reasons for and effects of special resolution number 1

The reason for special resolution 1 is to afford directors of the company or a subsidiary of the company a general authority to effect a buyback of the company's shares on the JSE. The effect of the resolution will be that the directors will have the authority, subject to the Rules and Requirements of the JSE, to effect acquisitions of the company's shares on the JSE.

ORDINARY RESOLUTION NUMBER 1: ISSUE OF SHARES FOR CASH

"Resolved that the directors be authorised pursuant *inter alia* to the company's articles of association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company provided that it shall not extend beyond 15 months, to allot and issue ordinary shares for cash subject to the Rules and Requirements of the JSE Limited ("JSE") on the following bases:

1. The allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE and not to related parties;
2. The shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
3. The number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen percent) of the company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application;
4. The maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares;
5. After the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue, (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value, net tangible asset value, earnings, headline earnings and if applicable diluted earnings and headline earnings per share), or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time."

In terms of the Listings Requirements of the JSE a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of ordinary resolution number 1 for it to be approved.

Notice of annual general meeting continued

ORDINARY RESOLUTION NUMBER 2: UNISSUED ORDINARY SHARES

“Resolved that the authorised and unissued ordinary share capital of the company be and is hereby placed under the control of the directors of the company which directors are, subject to the rules and regulations of the JSE and the provisions of section 221 and section 222 of the Companies Act of 1973 as amended, authorised to allot and issue any of such shares at such time or times, to such person or persons, company or companies and upon such terms and conditions as they may determine, such authority to remain in force until the next annual general meeting of the company.”

ORDINARY RESOLUTION NUMBER 3: GENERAL PAYMENTS TO SHAREHOLDERS

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

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

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

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

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

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF DG PAYNTER AS A DIRECTOR OF THE COMPANY

“Resolved that DG Paynter be re-elected as a director of the company.”

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

ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF IG MORGAN AS A DIRECTOR OF THE COMPANY

“Resolved that IG Morgan be re-elected as a director of the company.”

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

ORDINARY RESOLUTION NUMBER 6: RE-ELECTION OF WL BRETT AS A DIRECTOR OF THE COMPANY

“Resolved that WL Brett be re-elected as a director of the company.”

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

ORDINARY RESOLUTION NUMBER 7: DIRECTORS’ REMUNERATION

“Resolved that the remuneration of the non-executive directors, as set out on page 14 of the annual report of which this notice forms part be, and is hereby confirmed and ratified.”

ORDINARY RESOLUTION NUMBER 8: RE-APPOINTMENT OF AUDITORS

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

ORDINARY RESOLUTION NUMBER 9: SIGNATURE OF DOCUMENTATION

“Resolved that any director or the Company Secretary of the company be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of special resolution number 1 and ordinary resolution numbers 1, 2, 3, 4, 5, 6, 7 and 8 which are passed by the members in accordance with and subject to the terms thereof.”

Notice of annual general meeting continued

VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

A form of proxy is attached for the convenience of any shareholder who cannot attend the annual general meeting. Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at or posted to the office of the transfer secretaries of the company, Link Market Services South Africa (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg 2000) to be received at least 48 hours prior to the meeting. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should the member subsequently decide to do so.

Shareholders who have already dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker rather than through own-name registration and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

Dematerialised shareholders, who have elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting, should complete and lodge the attached form of proxy with the transfer secretaries of the company.

Dematerialised shareholders who have not elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the shareholder and his CSDP or broker.

By order of the board

Probity Business Services (Proprietary) Limited

Company Secretary
6 March 2009

Registered address

16 Precision Street
Kya Sands
Randburg
2125

Transfer Secretaries

Link Market Services South Africa (Pty) Limited
5th Floor
11 Diagonal Street
Johannesburg
(PO Box 4844, Johannesburg 2000)

Administration

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



universal industries
CORPORATION LIMITED

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

Form of proxy

For use by the holders of the company's certificated ordinary shares ("certified shareholders") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("CSDP") or broker who have selected "own name" registration ("own-name dematerialised shareholders") at the annual general meeting of the company to be held at 10:00 on Tuesday, 28 April 2009, or at any adjournment thereof if required. Additional forms of proxy are available from the transfer secretaries of the company.

Not for use by holders of the company's dematerialised ordinary shares who have not selected "own-name" registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote in accordance with their instructions at the annual general meeting.

I/We _____ (Name in block letters)

of _____ (Address)

being the registered holder of ordinary shares in the capital of the company hereby appoint

1. _____ or failing him

2. _____ or failing him

3. the chairperson of the meeting

as my/our proxy to act for me/us on my/our behalf at the annual general meeting, or any adjournment thereof, which will be held for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary and special resolutions as detailed in the Notice of Annual General Meeting, and to vote for and/or against such resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

| | Number of votes | | |
|--|-----------------|---------|---------|
| | In favour of | Against | Abstain |
| To pass special resolution: 1. To effect share repurchases | | | |
| To pass ordinary resolutions: 1. To issue shares for cash | | | |
| 2. To place the unissued shares under the control of the directors | | | |
| 3. To approve general payments to shareholders | | | |
| 4. To re-elect DG Paynter as a director of the company | | | |
| 5. To re-elect IG Morgan as a director of the company | | | |
| 6. To re-elect WL Brett as a director of the company | | | |
| 7. To ratify non-executive directors' remuneration | | | |
| 8. To re-appoint PKF (Jhb) Inc as auditors of the company | | | |
| 9. To authorise the signature of documentation | | | |

(Indicate instructions to proxy in the spaces provided above.)
Unless otherwise instructed, my proxy may vote as he thinks fit.

Signed this _____ day of _____ 2009

Signature _____ Assisted by (if applicable)

Notes to form of proxy

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.
2. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of the resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at or posted to Link Market Services South Africa (Pty) Limited, 5th Floor, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg, 2000) to be received not less than 48 hours prior to the meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
7. The chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or the transfer secretaries or waived by the chairperson of the general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
11. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.



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