

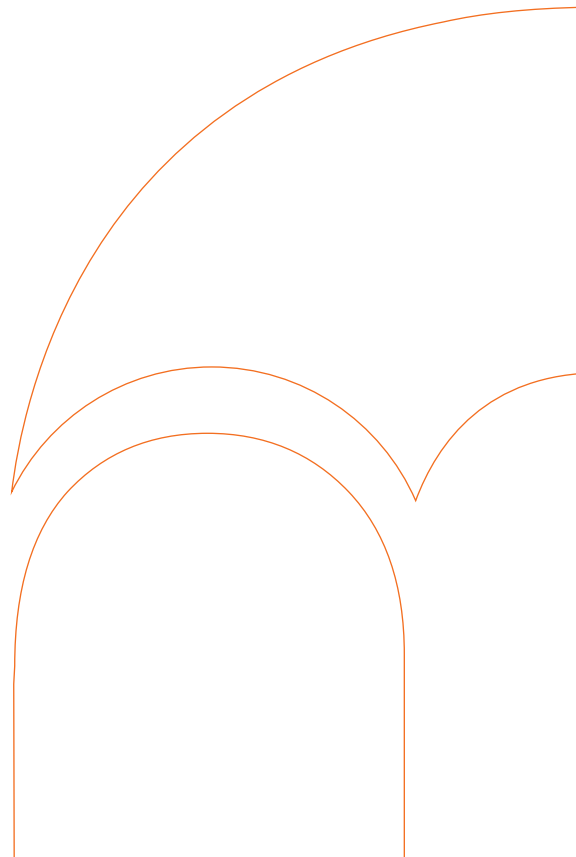


Annual Report

2010

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Forward looking statement

Going forward Universal will focus on maintaining the market leading position that its underlying operations have established in their chosen market segments. This will be achieved through strategies that *inter alia* 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 statements of financial position, to expand its activities, including acquiring other businesses, to other areas with the objective of becoming a diversified industrial group.

Annual Report | 2010

Universal Industries Corporation Ltd (“Universal”), which listed on the JSE on 29 November 2007, is the holding company for SA’s leading suppliers of:

Refrigerated display cases
Polyurethane insulated panels
Ovens and related baking equipment
Commercial catering and kitchen equipment.

The group comprises well established businesses supplying mainly to the food retail, wholesale, hospitality, manufacturing and related industries.



For more information about this report and investor information please visit

www.universalindustries.co.za

Group profile and operational structure



Profile

Colcab is Africa's largest and most innovative manufacturer of refrigerated supermarket display cases. In addition it produces a range of hot food display and service units. The company's head office and factory is based in Cape Town, in a modern facility of 19 400m², designed to optimise efficient and quality production, with sales offices in Durban and Johannesburg.

Insulated Structures is a leading SA manufacturer and supplier of supermarket refrigerated display cases, polyurethane insulated panels for cold and freezer rooms and other industrial applications, and a range of other related specialist equipment and accessories for refrigerated applications. The company is based in Kya Sands, Randburg but services clients nationally.

Glacier is a specialist glass and glass door supplier to the refrigeration industry. The company is based in Tulisa Park and manufactures glass doors under licence of Anthony International, a USA-based company.

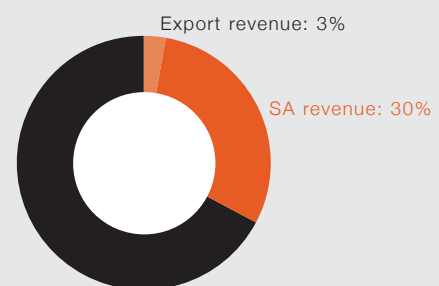
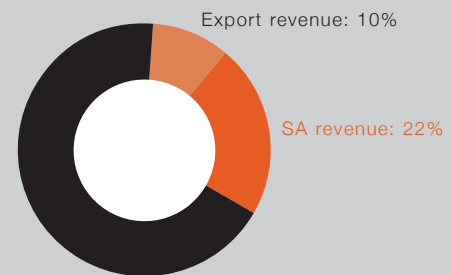
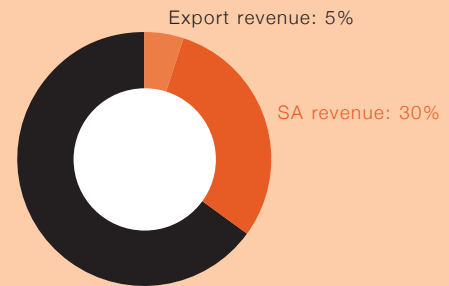
Macadams have over the last 100 years become a major force in the baking systems industry both in Africa and the rest of the world. As SA's leading supplier, the company offers a comprehensive range of baking related equipment (ovens, provers, mixers, moulders, food service equipment etc).

In May 2010 the business relocated to a new purpose built production facility of 17 000m² in Blackheath, Cape Town. It also has sales offices in Johannesburg, Durban and Cape Town.

BCE is an end to end wholesaler of commercial catering and kitchen equipment offering in excess of 3 000 products (local and international) and 10 000 spare items from its warehouses in Southdale, Johannesburg and Cape Town. Key product categories include heating, processing, refrigeration, washing, bakeware, utilities and spares.

Contribution to group revenue

(on a *pro-forma* basis assuming the acquisition of BCE had been effective for the full year)



CUSTOMER BASE

- Perishable food retailers and bakeries
- Convenience/Forecourt stores
- Fast foods, restaurants and hotels
- Wholesalers
- Institutional, industrial and government kitchens
- Refrigeration and catering contractors
- Industrial applications: warehousing, food processing factories, clean rooms, spray booths, modular housing panels etc.
- Bakeware to plant bakeries

Group four-year review

for the year ended 31 December







		2010 ^(a)	2009	2008	2007 ^(b)
Statement of comprehensive income					
Revenue	R'000	702 318	587 072	648 188	314 222
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	R'000	99 697	79 531	105 930	47 757
Profit from operations ("Operating income")	R'000	89 961	72 938	100 335	46 307
Headline earnings	R'000	60 921	51 074	73 636	28 979
Statement of financial position					
Cash and cash equivalents	R'000	44 241	110 349	135 576	49 472
Total assets	R'000	784 801	542 992	596 737	435 880
Equity attributable to the equity holders of the parent ("Shareholders' funds")	R'000	412 907	353 388	316 079	265 073
Statement of cash flows					
Cash generated by operations	R'000	79 448	111 785	65 245	55 853
Share statistics (per share)					
Headline earnings	Cents	13,6	11,4	15,6	8,0
Distribution to shareholders	Cents	3,5	3,0	3,0	7,8
Net asset value	Cents	90,2	78,8	70,4	55,2
Tangible net asset value	Cents	30,3	36,0	27,1	17,4
Other statistics					
Shares in issue at year end	'000	457 919	448 419	448 912	480 000
Weighted average number of shares in issue	'000	449 198	448 863	472 369	364 438
Number of employees	Number	790	641	686	688
JSE statistics					
Market capitalisation	R'000	686 879	403 577	336 684	720 000
Share price	Rand	1,50	0,90	0,75	1,50
Price earnings ratio	Times	11,1	7,9	4,8	18,8
Selected ratios					
Operating income as percentage of revenue	%	12,8	12,4	15,5	14,7
Effective tax rate (refer note 22 to the financial statements)	%	30,7	30,1	28,0	36,6
Current asset ratio (current assets/current liabilities)	Times	2,3	2,7	2,0	2,3
Quick asset ratio ((current assets – inventories)/current liabilities)	Times	1,4	2,0	1,5	1,6
Debt to equity (refer note 31 to the financial statements)	%	44,4	–	13,3	10,6
Return on equity (headline earnings/average shareholders' funds)	%	15,9	15,3	25,3	17,0

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

^(b) The 2010 year includes only two months of trading for BCE as the acquisition of the business was only effective from 1 November 2010, and only 10 months of trading for Glacier as the acquisition of the business was only effective from 1 March 2010.

Chairman and Chief Executive Officer's report

Salient features:

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

DEAR SHAREHOLDER

The board is pleased to report a good recovery in Universal's financial results in what remained a difficult trading environment. For the year under review basic and headline earnings per share increased by 19% to 13,6 cents compared to 11,4 cents per share reported in 2009.

During the year under review Universal completed the acquisition of:

- a 100% interest in BCE Foodservice Equipment ("BCE"), Southern Africa's leading supplier of catering equipment, kitchen utensils, industrial cookware and commercial kitchen appliances, effective from 1 November 2010; and
- a 51% interest in Glacier Door Systems (Pty) Limited ("Glacier"), effective from 1 March 2010. Glacier is a manufacturer of glass products, primarily glass doors and aligned products used in the refrigeration industry.

INDUSTRY OVERVIEW

The group operates as a major supplier of commercial refrigeration, baking, catering and kitchen equipment to the food industry encompassing the retail, wholesale, hospitality and manufacturing segments.

Trading has traditionally been primarily with the SA food retailers but following the acquisition of BCE, the hospitality industry (i.e. hotels, restaurants and fast food outlets) will become a significant revenue source for the group.

South African market

In the year under review the South African economy reflected modest growth linked to a slow recovering world economy. This resulted in continued tough trading conditions for the group's operations.

Notwithstanding weak economic conditions SA food retailers are still reporting satisfactory profitability which, coupled with strong statements of financial position, bodes well for continued investment in new outlets and the upgrading of existing stores. As cautioned last year the slowdown in property development continues to impact on the availability of new commercial shopping centres and new store roll-outs

will remain limited until the activity in the property market (and in particular retail developments) increases.

However, the group has a significant installed base of products that have limited useful lives which ensures a healthy component of annuity based revenue on an ongoing basis.

Export markets

The group's products and services conform to international standards and exports represent a significant source of future growth for the group. This potential is particularly exciting in the context of the African market which is increasingly being recognised internationally as a significant potential market. In this regard the group continues to benefit 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.

For the year under review export sales accounted for 21% (2009: 21%) of the group's turnover. Our objective is to grow our export businesses and the group will continue to invest in resources required to service these markets.

FINANCIAL RESULTS

Group revenue increased by 20% to R702 million (2009: R587 million) resulting in profit for the year increasing by 19% to R61 million (2009: R51 million).

The acquisitions of BCE and Glacier contributed R93 million revenue, R6 million operating profit and profit after tax of less than R1 million (after expensing R7 million of transaction related costs) to the group's results. Excluding the acquisitions the group increased revenue by 4% but increased operating profit by 15%. Operating profit margin improved as the businesses benefited from the relative strength of the exchange rate and from an improved sales mix with more internally manufactured products being sold.

Cash generated from operating activities was R79 million despite improved seasonal trading during the last quarter of 2010, which absorbed an additional R22 million into working capital. Although the group raised a term loan of R121 million to partly finance the acquisition of BCE, the group's statement

Chairman and Chief Executive Officer's report

continued

of financial position remains strong with a gearing ratio of 44% and with R44 million cash on hand at year end.

OPERATIONAL REVIEW

Refrigeration businesses

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

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

For the year under review the businesses invested R5 million in new plant and equipment. A key differentiating factor of the business is its ability to provide tailor-made solutions to its customers, which will be further enhanced through the continued upgrading of selected items of plant and equipment.

The businesses delivered operating income of R42 million (2009: R39 million), recording a slight decrease in its operating margin.

The international trend toward more environmentally friendly technology and the emphasis on improved energy efficient refrigeration products continues to gain momentum in SA. The refrigeration division has access to international technology and works closely with its customer base in this regard. In the past year a number of new installations utilising some of these technologies were successfully installed with considerable energy savings achieved.

For the year under review export sales were R47 million (2009: R42 million). The business unit employed additional staff in 2010 to better service the export markets and anticipate continued growth in export sales.

Baking systems business

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

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

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

Export sales has always been a significant component of the business, historically fluctuating between 25% and 35% of total turnover. For the year 2010 export sales amounted to 32% (2009: 29%).

Catering and kitchen equipment

As the acquisition of the BCE business became unconditional on 1 November 2010, the results only include eight weeks of trading. BCE reported satisfactory results for this limited period.

Going forward BCE will become a significant contributor to group earnings. The BCE business is synergistic with the group's other operations and will enhance the group's offering to its customers while offering significant opportunities through the group's export initiatives.

ACQUISITIONS

The group made the following acquisitions during the year under review:

BCE Food Service Equipment (Pty) Limited ("BCE")

Universal acquired BCE effective from 1 November 2010. BCE is Southern Africa's leading supplier of catering equipment, kitchen utensils, industrial cookware and commercial kitchen appliances, also conducting business throughout the rest of Africa and the Indian Ocean islands. Comprehensive information on BCE and the acquisition was provided in the circular to shareholders dated 29 July 2010 ("the acquisition circular").

Glacier Door Systems (Pty) Limited ("Glacier")

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

Financial details of the acquisitions

More details on the acquisitions are disclosed in the directors' report and in note 25 to the financial statements.

Contribution to revenue and profit

For the year the acquired businesses contributed revenue of R93 million, operating income of R6 million and profit after tax of less than R1 million, after taking into account transaction related expenses of some R7 million incurred during the current period. Had the acquisitions been effective from 1 January 2010 the businesses would have contributed

Chairman and Chief Executive Officer's report

continued

R367 million to revenue and R50 million to operating profit (based on information extracted from management accounts and excluding transaction related expenses), which would have resulted in group revenue being R976 million and operating profit being R134 million.

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

BORROWINGS

At 44% (2009: 0%) the group's gearing ratio has increased significantly. The increase in the group's borrowings is mainly attributable to a term loan of R121 million from Investec Bank Limited raised to partially fund the acquisition of BCE.

In evaluating the group's gearing shareholders should take into account that the group's operating income, including the acquisitions for the full year, would have been R139 million.

CAPITAL COMMITMENTS

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

CHANGES TO CAPITAL STRUCTURE

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

During the year the company issued 9 536 127 shares under the executive assisted share purchase scheme at R1,26 per share and granted 4 675 000 share options at R1,40 to selected executive directors and senior management. For more information on share options granted and the executive assisted share purchase scheme refer to the report of the remuneration and nomination committee.

BLACK ECONOMIC EMPOWERMENT

Universal remains committed to find a solution for our lack of BEE shareholding. The group's operations also continue to implement initiatives relating to the other aspects covered by the DTI scorecard to improve their overall BEE ratings.

OUTLOOK

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

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

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

DISTRIBUTION TO SHAREHOLDERS

The group has a dividend policy of distributing 25% of profits attributable to equity holders annually, subject to the operational cash requirement of the group. Approval was granted at the last annual general meeting for distributions by way of a capital reduction and accordingly, the board has declared a cash distribution by way of a capital reduction from share premium in *lieu* of an ordinary dividend, of 3,5 cents per share (2009: 3 cents per share).

The approval granted at the last annual general meeting is still in effect and the relevant dates for the distribution are:

Last day to trade <i>cum</i> the distribution	1 April 2011
Shares will commence trading <i>ex</i> the distribution on	4 April 2011
Record date	8 April 2011
Distribution paid on	11 April 2011

IN APPRECIATION

The continued satisfactory performance in difficult trading conditions is largely due to the quality and dedication of our senior management teams and staff.

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



Gaff Khan
Chairman



Daryl Paynter
CEO

10 March 2011

Directorate

Universal's code of ethics sets out high standards of honesty, integrity and mutual respect and the group is committed to creating a culture of the highest levels of professionalism and integrity in its business dealings with all stakeholders.

Non-executive Directors



Gaff Khan
(58)
Independent
Non-executive
Chairman

Member of the remuneration and nomination committee
Member of the audit and risk management committee
Appointed: As director on 29 November 2007 and Chairman on 25 June 2008
Gaff has more than 35 years' experience in the property development and construction industry. He joined Murray and Roberts in 1973 as quantity surveyor and later progressed through the ranks where he served on the board of directors as well as holding the post of managing director of the construction entity in the Western Cape. He also served on the board of the National Construction Company. He later joined Asrin Property Developers as a partner and Executive Director.



Colin Brayshaw
(75)
Independent
Non-executive
Director

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 an audit partner of firms that later became Deloitte. In his last years in practice he was the managing partner and Chairman of Deloitte & Touche. Previous directorships include AECI, AngloGold Ashanti, Anglo Platinum, Datatec, Freestone Property Holdings (Chairman) and Johnnic Holdings. Current directorships include Metmar Trading (Chairman), Buildmax, ElementOne and Highveld Steel and Vanadium Corporation.



Avram Levy
(41)
Non-executive
Director

Appointed: 20 September 2004
Avram completed a BSc (Finance) degree at the University of Cape Town. Thereafter he qualified as a Chartered Accountant in the United Kingdom and did mergers and acquisition advisory work before returning to South Africa in 1996. He was then operationally involved in various businesses including a large micro finance business, which was sold to African Bank Investments. In 2004 he co-founded Interactive Capital with Wayne Brett which has successfully concluded a number of equity transactions in various industries.



Ishmail Essa
(38)
Independent
Non-executive
Director
(Alternate to
Gaff Khan)

Appointed: 29 November 2007
Ishmail has 15 years' experience in the construction and property development sector, and holds a diploma in personnel management. He is currently the CEO of Asrin Property Developers and under his guidance the company has grown exponentially for the last 15 years to be one of the leading Black Empowerment players in the property development industry.



Wayne Brett
(40)
Non-executive
Director

Chairman of the remuneration and nomination committee
Appointed: 20 September 2004
Wayne qualified as a Chartered Accountant following his studies at the University of Cape Town. He then became operationally involved in a number of successful businesses including TCO, an IT business which was sold to Dimension Data. Wayne co-founded Interactive Capital with Avram Levy, which has successfully concluded a number of equity transactions in various industries including media, manufacturing, micro finance, retail, mining, sand and aggregates and buildware.



Executive Directors



Daryl Paynter
(43)

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 businesses that were part of Corpcapital's portfolio at that stage. In 2004 Daryl was appointed Managing Director of Universal following a private equity buyout of Universal.



Ivor Morgan
(60)

Group Financial Director and Managing Director of Colcab

BSocSc, BA Hons (UCT), CA (SA)

Ivor completed his studies at the University of Cape Town before becoming a teacher, and later Deputy Principal. He then served articles with auditors BDO Spencer Steward before becoming Financial Manager of Matador Refrigeration and Colcab, then divisions of Columbit Holdings. In 1988 he was part of a management buyout of these divisions and was appointed Financial Director. In 2003 he was appointed Managing Director of Colcab and became a shareholder in Universal following a private equity transaction in 2004.



Jimmy Martin
(61)

Executive Director and Technical Director for the refrigeration segment

BSc Eng, MBA

Jimmy obtained a BSc Mechanical Engineering degree at the University of the Witwatersrand and later an MBA at the University of Cape Town.

Past employment includes Anglovaal Group Mines, Delta Metal Holdings, James Howden and a stockbroking firm. He became a shareholder of Insulated Structures in 1994 and was appointed managing director of Universal when it acquired Insulated Structures and Colcab in 1996. In 2004 he was part of the management buyout of Universal and became the group's technical director.



Richard Wilkes*
(56)

Executive Director and Chief Executive Officer of Macadams

Dip Bus Man

Richard's past employment includes Holiday Inn (as qualified chef), Phillip Bros (general manager fast food and event catering) and Norbake (branch manager). In 1985 he joined Backon which later became part of Macadams. Richard then had his own supermarket and bakery business for seven years. He rejoined Macadams in 1992 as sales manager and was appointed CEO in 1998. Richard became the majority shareholder of Macadams in 2004 following management buyout transactions before selling the business to Universal in 2007.

*Resigned effective 31 December 2010.

Corporate governance report

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 directors endorse, and accept full responsibility for, the application of the principles necessary to ensure that effective corporate governance is practised consistently throughout the group. In discharging this responsibility, Universal complies in all material respects with the requirements of the Code of Corporate Practice and Conduct in the King 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 the group's business.

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

The directors are committed to a process whereby the new aspects introduced by King III will be reviewed and relevant recommendations applied where appropriate.

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 three executive directors and four non-executive directors (two 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 meetings of the board and its committees, thereby ensuring that no one director has unfettered powers of decision making.

The executive directors have employment agreements (the key terms are disclosed in the report of the remuneration and nomination committee) 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.

The board meets at least four times a year with additional meetings called if warranted. Information relevant to a meeting is supplied on a timely basis 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 board members and the company secretary is by way of a formal and transparent process, with the board being assisted by the remuneration



and nomination committee, and is decided by the board as a whole and not one individual director.

BOARD COMMITTEES

The responsibilities delegated to the committees are formally documented in terms of reference (“charter”) for that committee, which have been approved by the board and 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

Refer to the report of the audit and risk management committee on page 13 of the annual report. The members of the committee have been re-appointed by the board for the ensuing year.

Remuneration and nomination committee

Refer to the report of the remuneration and nomination committee on page 15 of the annual report. The members of the committee have been re-appointed by the board for the ensuing year.

Attendance at board meetings

For the year ended 31 December 2010:

	Number of meetings	Attendance
Independent non-executive directors:		
Gaff Khan/Ishmail Essa	4	4
Colin Brayshaw	4	4
Non-executive directors:		
Wayne Brett	4	4
Avram Levy	4	3
Executive directors:		
Daryl Paynter	4	4
Ivor Morgan	4	4
Jimmy Martin	4	4
Richard Wilkes ^①	4	3

^① Resigned with effect from 31 December 2010.

SHARE DEALING

The board has implemented a policy in respect of dealing in securities of the company by directors and senior management of the group 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, details of 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.

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.

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. Directors and 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.

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 encourages shareholder attendance at general meetings and where appropriate provides full and comprehensive 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 inevitably 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.

There are various initiatives across the group aimed at further improving the already limited environmental impact of our products (mainly focused on reducing electricity consumption), utilising more environmentally friendly inputs in our manufactured products (i.e. refrigerant gases) and manufacturing processes (i.e. installing tanks to collect rainwater for use in toilets and irrigation).

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.

Examples of our participation would include:

- Insulated supported a charity, MFJ Jam Kitchen, that assists the unemployed parents (mainly women) of some 400 children that are being fed through the SAID Foundation's feeding programme and soup kitchens, by providing training and employment. Our participation was through the donation of cold storage equipment;
- Insulated also donated a cold and freezer room for the training kitchen of the South African Chefs Association. The training facility will be used to improve the skills of all kitchen workers, from the executive chef down to the kitchen aid;

- Macadams operates a test kitchen utilised by them and their customers for testing of equipment and training of staff. Products from this kitchen are donated to a local crèche;
- BCE regularly donates repaired equipment, that is returned under warranty swop outs, to various charities such as Siphumelele Home for Aids Orphans and St Luke's Hospital;
- Colcab has through its procurement policies assisted with the establishment and continued sustainability of several businesses owned by previously disadvantaged individuals. This is an ongoing initiative;
- Macadams offers registered learnership enrolment; and
- unskilled staff are allowed time off to attend ABET (basic literacy) courses that are presented on-site.

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 zero 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 staff (i.e. first aid, fire fighting, fork lift and crane operators) that undergo certification on a regular basis. Where appropriate the operations offer outsourced on-site medical services.

Report of the audit and risk management committee

for the year ended 31 December 2010

The audit and risk management committee is a committee of the board and in addition has specific statutory responsibilities to the shareholders in terms of the Companies Act, it assists the board through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the company.

CHARTER

The audit and risk management committee has adopted a formal charter that has been approved by the board of directors, and has executed its duties during the past financial year in accordance with the charter.

COMPOSITION

The committee consists of two independent non-executive directors.

At 31 December 2010 the audit committee comprised:

Name	Date appointed
Mr Colin Brayshaw (Chairman) (CA (SA), FCA)	29 November 2007
Mr Gaff Khan	25 June 2008
Mr Wayne Brett (CA (SA)) (alternate member for Gaff Khan)	25 June 2008

The Chief Executive Officer, the Financial Director, senior financial executives of the group and representatives from the external auditors attend the committee meetings by invitation only. The external auditors have unrestricted access to the audit and risk management committee.

The company's secretary provides the committee with secretarial services.

MEETINGS

During the year the audit and risk management committee met twice at which all committee members were present.

STATUTORY DUTIES

In execution of its statutory duties during the past financial year, the audit and risk management committee:

- nominated for reappointment as auditor, PKF (Jhb) Inc who, in its opinion, is independent of the company;
- determined the fees to be paid to PKF (Jhb) Inc as disclosed in the paragraph "external audit" of this report;
- determined PKF (Jhb) Inc's terms of engagement;

- believes that the appointment of PKF (Jhb) Inc complies with the relevant provisions of the Companies Act, the JSE listing requirements and King III;
- developed and implemented a policy setting out the categories of non-audit services that the external auditors may and may not provide, split between permitted, permissible and prohibited services;
- pre-approved all non-audit service contracts with PKF (Jhb) Inc;
- received no significant complaints relating to the accounting practices of the company, the content or auditing of its financial statements, the internal financial controls of the company, and any other related matters;
- as required by the JSE rules the committee concluded that the Financial Director had the necessary experience and expertise; and
- made the following submissions to the board on matters concerning the company's accounting policies, financial controls, records and reporting:
 - approved the interim and year-end financial results and the annual report; and
 - concurred that the adoption of the going concern premise in the preparation of the financial statements is appropriate.

DELEGATED DUTIES

Oversight of risk management

The committee has:

- also fulfilled the role of the risk management committee and reviewed management's assessment of risks to ensure that financial, operational and industry general risks are identified and monitored. In doing so the committee periodically reviews the risk management processes in place to ensure their continued effectiveness as well as to assess any new risks that may be identified;
- satisfied itself that the following areas have been appropriately addressed:
 - Financial reporting risks
 - Internal financial controls
 - Fraud risks as it relates to financial reporting
 - IT risks as it related to financial reporting
- reviewed tax and technology risks, in particular how they are managed;
- reviewed the effectiveness of the company's system of internal financial controls including receiving assurance from management and external audit; and
- reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, the committee believes that significant internal financial controls are effective, and risk is properly assessed and managed.

Report of the audit and risk management committee

continued

for the year ended 31 December 2010

REGULATORY COMPLIANCE

The committee has complied with all applicable legal and regulatory responsibilities.

EXTERNAL AUDIT

Based on processes followed and assurances received, nothing has come to the attention of the committee with regards to the external auditor's independence.

The following table reflects amounts paid to external auditors during the year:

	2010		2009	
	Fees paid R'000	% of total fees paid	Fees paid R'000	% of total fees paid
Audit services	1 292	74,5	798	95,3
Non-audit services – tax compliance	8	0,5	39	4,7
Non-audit services – corporate finance	435	25,0	–	–
Total	1 735	100,0	837	100,0

Based on its satisfaction with the results of the activities outlined above, the committee has recommended to the board and shareholders that PKF (Jhb) Inc should be reappointed as external auditors for 2011.

INTERNAL AUDIT

None of the businesses within the group has a dedicated internal audit function. The committee considered the requirement for an internal audit function but concluded that an internal audit function is not currently feasible considering the:

- feedback from the external auditors on the general control environment in the operations;
- relatively small size of the group's businesses; and
- daily involvement of senior management in the underlying operations, including ensuring that internal financial controls function effectively.

The need for an internal audit function is continuously being re-evaluated.

FINANCE FUNCTION

The committee is of the view that Mr Ivor Morgan, the group Financial Director, possesses the appropriate expertise and experience to meet his responsibilities in that position as required by the JSE.

The committee is satisfied with the:

- expertise and adequacy of resources within the finance function; and
- experience of the financial managers.

In making these assessments, feedback was obtained from the external auditors.

Based on the processes and assurances obtained, the committee believes that the accounting practices are effective.

On behalf of the audit and risk management committee



Mr Colin Brayshaw

Chairman

10 March 2011

Report of the remuneration and nomination committee

for the year ended 31 December 2010

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 Gaff Khan and Colin Brayshaw, both independent non-executive directors, and Wayne Brett (Chairman), a non-executive director who took over the chairmanship from Gaff Khan with effect from 27 May 2010.

Although Wayne Brett is not an independent director it was felt that he is best suited for the position of chairman due to his intimate knowledge of the business and the role played by the individual management team members.

During 2010 the committee met three times with full attendance. To assist the committee with its work the Chief Executive Officer attends the meetings but is recused when matters pertaining to his remuneration or other benefits are discussed.

The company's secretary provides the committee with secretarial services.

The main responsibilities of the committee are to:

- set the group's overall remuneration policies;
- annually 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; and
- consider any nominations for additional directors for recommendation to the board.

REMUNERATION POLICY

Broadly the company's remuneration policy is to ensure the executive directors and other employees receive packages which are market related and sufficient for retention purposes but not excessive.

Specifically the remuneration of the executive directors and other key members of management comprises a fixed annual salary plus a bonus, which is dependent on both the performance of the group as well as each person's contribution to achieving this performance.

The group enables directors and staff to become members of both a defined contribution retirement plan and a medical aid scheme. Executive directors and certain key management also receive motor vehicle allowances.

SHARE OPTIONS

During the year under review the group for the first time issued share options to selected senior management members in terms of the share option scheme as approved by the shareholders and the JSE Limited. All options granted are approved by the Remco.

Date of grant	Number of options granted	Grant price
1 November 2010	4 675 000	R1,40

The options were granted at the 20 day volume weighted average market price preceding the option grant date. The share options may be taken up in four tranches as follows:

- up to 25% at any time after the second anniversary of the option grant date;
- up to 50% at any time after the third anniversary of the option grant date;
- up to 75% at any time after the fourth anniversary of the option grant date; and
- up to 100% at any time after the fifth anniversary of the option grant date.

The value of options awarded to individual management was based *inter alia* on their level of seniority and the influence they may have over group performance and strategy implementation.

The maximum number of options that may be granted to any particular participant is 4,8 million shares and in total a maximum of 48 million shares may be issued under the scheme.

Share options held by directors are as listed below:

Name	Number of options	Grant price	Date of grant
Ivor Morgan	200 000	R1,40	1 November 2010
Jimmy Martin	200 000	R1,40	1 November 2010

Refer note 15 of the group annual financial statements for disclosure of the share based payment expense incurred.

ASSISTED SHARE PURCHASE SCHEME

During the year under review the group for the first time issued shares to selected senior management members in terms of the assisted share purchase scheme as approved by the shareholders and the JSE Limited. Refer to the circular to shareholders dated 29 July 2010. The Remco approves any offer or participation under the scheme.

Under the scheme selected senior management members are offered the opportunity to purchase shares in the company at a 10% discount to the 20 day volume weighted average market price preceding the grant date.

The staff member has to contribute at least 50% of the total subscription price in cash on taking up the offer, with the company financing the balance (up to a maximum of 50% of the subscription price) on a loan bearing interest at the prime overdraft rate. The loan may not be repaid until the third anniversary date, other than all proceeds (distributions or the proceeds on disposal of the shares) must first be applied to discharge the loan, including interest, and the loan balance must be settled within five years. The shares acquired under the scheme are pledged as security for the loan and held by a nominee entity.

Report of the remuneration and nomination committee continued

for the year ended 31 December 2010

The maximum number of shares that may be offered to any particular participant is 4,5 million shares and in total a maximum of 45 million shares may be issued under the scheme.

Date of issue	Number of shares	Share price
1 December 2010	12 264 794	R1,26

Refer note 8 of the group annual financial statements for disclosure of the balance due under loans advanced in terms of this scheme.

Shares held and loans due by directors under the scheme are as listed below:

Name	Number of shares	Share price	Date of issue	Loan balance at 31 December '10
Daryl Paynter	3 000 000	R1,26	1 December 2010	R1 903 981
Jimmy Martin	2 500 000	R1,26	1 December 2010	R1 586 651

SALIENT TERMS OF SERVICE AGREEMENTS

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 fees for serving on the board committees.

The annual remuneration approved for 2010 and that proposed for 2011 is as set out below:

Universal board	2011	2010
– Chairperson	R372 000	R348 000
– Non-executive directors	R150 000	R140 000
Audit and risk management committee		
– Chairperson	R124 000	R116 000
– Members	R62 000	R58 000
Remuneration and nomination committee		
– Chairperson	R75 000	R70 000
– Members	R37 000	R35 000

DISCLOSURE OF DIRECTORS' REMUNERATION

The following table fully discloses the remuneration received by directors for 2010 as well as in the prior year.

R'000	Fees		Salary		Bonus		Group total	
	2010	2009	2010	2009	2010	2009	2010	2009
Non-executive								
Gaff Khan*	459	444	–	–	–	–	459	444
Colin Brayshaw	291	271	–	–	–	–	291	271
Wayne Brett	193	163	–	–	–	–	193	163
Avram Levy	140	130	–	–	–	–	140	130
Executive								
Daryl Paynter	–	–	1 637	1 546	2 000	1 000	3 637	2 546
Ivor Morgan	–	–	1 159	1 086	850	650	2 009	1 736
Jimmy Martin**	–	–	1 100	522	700	325	1 800	847
Richard Wilkes**	–	–	1 487	701	2 244	2 400	3 731	3 101
Total	1 083	1 008	5 383	3 855	5 794	4 375	12 260	9 238

* Alternate director: Ishmail Essa.

** Appointed 18 June 2009 and accordingly the 2009 year does not reflect remuneration for a full 12 month period.



Group annual financial statements

for the year ended 31 December 2010

Registration number

1996/004343/06

Incorporated in the Republic of South Africa

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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

10 March 2011

Directors' responsibility for financial reporting

for the year ended 31 December 2010

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 year 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 2011 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 19.

The financial statements set out on pages 20 to 58, which have been prepared on the going concern basis, were approved by the board on 10 March 2011 and were signed on its behalf by:



Director



Director

Independent auditors' report

to the shareholders of Universal Industries Corporation Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Universal Industries Corporation Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2010, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 20 to 58.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these 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 are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 directors, as well as evaluating the overall presentation of the 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 present fairly, in all material respects, the consolidated and separate financial position of Universal Industries Corporation Limited as of 31 December 2010, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PKF (Jhb) Inc

PKF (Jhb) Inc

Registered Auditors

Chartered Accountants (SA)

Registration number 1994/001166/21

Per R M Huiskamp

Johannesburg

10 March 2011

Directors' report

for the year ended 31 December 2010

Your directors have pleasure in presenting the company and the group financial statements for the year ended 31 December 2010.

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 commercial refrigerated display cabinets, insulated structures and industrial and commercial bakery, catering and kitchen equipment and machinery as well as equipment and utensils of all descriptions applicable to those industries.

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.

SUBSEQUENT EVENTS

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.

SPECIAL RESOLUTIONS

Authority to buy back shares

On 31 May 2010 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 Listings Requirements of the JSE.

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

Approval of the executive assisted share purchase scheme and the granting of financial assistance to group executives in terms of this scheme

On 20 August 2010 shareholders approved the implementation of an executive assisted share purchase scheme intended to assist selected executives and senior management to acquire shares in the company. Refer to note 8 to the financial statements and the report of the remuneration and nomination committee for more information.

AUTHORISED AND ISSUED SHARE CAPITAL

Details are contained in note 13 to the financial statements.

During the year under review the company bought back 36 000 of its own shares at an average price of R1,26 per share.

The company issued 9 536 127 shares under the executive assisted share purchase scheme at R1,26 per share and granted 4 675 000 share options at R1,40 to selected executive directors and senior management. Refer to notes 8 and 15 to the financial statements and the report of the remuneration and nomination committee for more information.

BORROWING POWERS

The company has unlimited borrowing powers.

Directors' report continued

for the year ended 31 December 2010

ACQUISITIONS

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

BCE Food Service Equipment (Pty) Limited ("BCE")

Universal acquired a 100% interest in BCE effective from 1 November 2010. BCE is Southern Africa's leading supplier of catering equipment, kitchen utensils, industrial cookware and commercial kitchen appliances, also conducting business throughout the rest of Africa and the Indian Ocean islands. Comprehensive information on BCE and the acquisition was provided in the circular to shareholders dated 29 July 2010 ("the acquisition circular").

Glacier Door Systems (Pty) Limited ("Glacier")

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

Contribution to revenue and profit

The acquired businesses contributed revenue of R93 million, operating income of R6 million and profit after tax of less than R1 million (after taking into account transaction related expenses of R7 million incurred during the current period). Had the acquisitions been effective from 1 January 2010 the businesses would have contributed R367 million to revenue and R50 million to operating profit (based on information extracted from management accounts and excluding transaction related expenses).

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

Details of the acquisitions are set out in note 25 to the financial statements.

SUBSIDIARIES

The following companies, all incorporated in the Republic of South Africa, are subsidiaries:

	Effective interest	
	2010 %	2009 %
Colcab (Pty) Limited ("Colcab") Manufacturer of refrigerated and non-refrigerated display cases and related parts and services.	100	100
Independent Commercial Refrigeration Testing Laboratory (SA) (Pty) Limited ("Test Lab") Dormant company. Name changed from Colcab Manufacturing (Pty) Limited during 2010 in anticipation of housing an accredited refrigeration test laboratory.	100	100
Insulated Structures (1989) (Pty) Limited ("Insulated Structures") Manufacturer and distributor of refrigerated display cases, insulated panels and related items.	100	100
Macadams International (Pty) Limited ("Macadams International") Manufacturer and distributor of baking equipment and related items.	100	100
Northern Lights 350 (Pty) Limited trading as Glacier Door Systems ("Glacier") Name change to Glacier Door Systems (Pty) Limited in process. Manufacturer and distributor of glass doors for refrigerated applications and other speciality glass.	51	–
Brevilite (Pty) Limited trading as BCE Foodservice Equipment ("BCE") Name change to BCE Foodservice Equipment (Pty) Limited in process. Distributor of commercial and industrial kitchen and catering equipment.	100	–
THH Properties (Pty) Limited ("THH Properties") Property owning company that owns the property BCE operates from in Johannesburg. Wholly owned by BCE.	100	–
BCE Foodservice Equipment (Pty) Limited trading as BCE Oldco Name change to BCE Oldco trf to UNI (2010) (Pty) Limited in process. Currently dormant.	100	–

Details of the company's investment in subsidiaries are set out in note 9 to the financial statements.

Directors' report continued

for the year ended 31 December 2010

SECRETARY

Probity Business Services (Pty) Limited
3rd Floor, The Mall Offices, 11 Cradock Avenue, Rosebank, Johannesburg

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 AND RISK MANAGEMENT COMMITTEE REPORT

The audit and risk management committee has fulfilled its responsibilities during the year as more fully detailed in the report of the audit and risk management committee on page 13 of the annual report. 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 only change from the last report was the resignation of Richard Wilkes as executive director effective from 31 December 2010.

DIRECTORATE AS AT DATE OF THIS REPORT

Independent non-executive directors

Gaff Khan (Chairman)
Colin Brayshaw
Ishmail Essa (alternate to Gaff Khan)

Non-executive directors

Wayne Brett
Avram Levy

Executive directors

Daryl Paynter (CEO)
Ivor Morgan (CFO)
Jimmy Martin

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 by either party. 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 (with the exception of Richard Wilkes who has a five year restraint) after termination of their employment with the group. There were no changes from the prior year.

Directors' report continued

for the year ended 31 December 2010

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

	Direct		Indirect beneficial		Total	
	2010	2009	2010	2009	2010	2009
Gaff Khan	-	-	-	-	-	-
Colin Brayshaw	250 000	250 000	-	-	250 000	250 000
Wayne Brett	-	-	77 398 784	70 923 217	77 398 784	70 923 217
Ishmail Essa	-	-	-	-	-	-
Avram Levy	-	-	72 632 324	70 632 324	72 632 324	70 632 324
Daryl Paynter	-	-	91 327 625	86 827 625	91 327 625	86 827 625
Ivor Morgan	6 419 658	6 419 658	-	-	6 419 658	6 419 658
Jimmy Martin	-	-	31 772 290	32 598 290	31 772 290	32 598 290
Richard Wilkes	-	-	17 990 654	22 990 654	17 990 654	22 990 654
	6 669 658	6 669 658	291 121 677	283 972 110	297 791 335	290 641 768

There has been no change in the directors' shareholding from year end to the date of this report.

Details of share options first awarded in 2010 are contained in the report of the remuneration and nomination committee. As at 31 December the following directors had share options:

	Number of options	Grant price	Date of grant
Ivor Morgan	200 000	R1,40	1 November 2010
Jimmy Martin	200 000	R1,40	1 November 2010

DISTRIBUTION

At listing the group adopted a dividend policy of distributing 25% of profits attributable to equity holders annually, subject to the operational cash requirements of the group. Accordingly the board has declared a cash distribution by way of a capital reduction from share premium, in lieu of an ordinary dividend, of 3,5 cents per share (2009: 3,0 cents per share).

The relevant dates are:

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

Statements of financial position

As at 31 December 2010

	Notes	Group		Company	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
ASSETS					
Non-current assets		361 312	211 946	300 371	193 089
Property, plant and equipment	4	57 593	18 563	-	-
Intangible assets	5	285 771	192 064	-	-
Restraint of trade prepayment	6	8 700	-	-	-
Deferred taxation assets	7	1 475	1 319	45	45
Loans receivable	8	7 773	-	7 773	-
Investment in and loans to subsidiaries	9	-	-	292 553	193 044
Current assets		423 489	331 046	3 882	77 483
Inventories	10	169 340	87 047	-	-
Trade and other receivables	11	207 299	133 622	514	452
Taxation receivable		2 609	28	-	-
Cash and cash equivalents	12	44 241	110 349	3 368	77 031
Total assets		784 801	542 992	304 253	270 572
EQUITY AND LIABILITIES					
Capital and reserves		413 609	353 388	279 498	194 954
Share capital	13	5	4	5	4
Share premium	14	151 952	153 435	151 952	153 435
Accumulated profits		260 950	199 949	127 541	41 515
Equity attributable to the equity holders of the parent		412 907	353 388	279 498	194 954
Non-controlling interests		702	-	-	-
Non-current liabilities		187 063	68 803	21 248	72 025
Interest bearing liabilities	16	159 669	65 316	-	-
Loans from subsidiaries	9	-	-	21 248	72 025
Deferred taxation liabilities	7	9 536	1 008	-	-
Other financial liabilities	17	14 406	-	-	-
Operating lease liabilities		3 452	2 479	-	-
Current liabilities		184 129	120 801	3 507	3 593
Trade and other payables	18	124 686	96 257	3 221	3 046
Current portion of:					
- interest bearing liabilities	16	43 753	20 714	-	-
- other financial liabilities	17	9 977	350	-	-
Taxation payable		5 713	3 480	286	547
Total equity and liabilities		784 801	542 992	304 253	270 572
Asset value per share (cents):					
- Net asset value		90,2	78,8		
- Tangible net asset value		30,3	36,0		

Statements of comprehensive income

Year ended 31 December 2010

	Notes	Group		Company	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
Revenue	19	702 318	587 072	1 856	1 440
Cost of goods sold		(496 482)	(421 309)	-	-
Gross profit		205 836	165 763	1 856	1 440
Other income		1 776	323	75 800	-
Operating expenses		(117 651)	(93 148)	(4 600)	(7 005)
Profit/(loss) from operations	20	89 961	72 938	73 056	(5 565)
Interest received	21	9 677	16 863	17 107	16 872
Interest paid	21	(10 750)	(16 693)	(3)	(1 577)
Profit before taxation		88 888	73 108	90 160	9 730
Taxation	22	(27 265)	(22 034)	(4 214)	(2 724)
Profit for the year		61 623	51 074	85 946	7 006
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		61 623	51 074	85 946	7 006
Attributable to:					
Equity holders of the parent		60 921	51 074	85 946	7 006
Non-controlling interests		702	-	-	-
		61 623	51 074	85 946	7 006
Basic and headline earnings per share (cents)	23	13,6	11,4		
Diluted basic and headline earnings per share (cents)	23	13,6	11,4		
Distribution per share (cents)					
- capital reduction paid from share premium		3,5	3,0		

Statements of changes in equity

Year ended 31 December 2010

	Notes	Share capital R'000	Share premium R'000	Accumulated profits R'000	Total equity attributable to the equity holders of the parent R'000	Non-controlling interests R'000	Total equity R'000
GROUP							
Balances at 31 December 2008		4	167 200	148 875	316 079	–	316 079
Share buyback and expenses		–	(298)	–	(298)	–	(298)
Capital distribution to shareholders		–	(13 467)	–	(13 467)	–	(13 467)
Total comprehensive income for the year		–	–	51 074	51 074	–	51 074
Balances at 31 December 2009		4	153 435	199 949	353 388	–	353 388
Share buyback and expenses		–	(46)	–	(46)	–	(46)
Issue of shares		1	12 016	–	12 017	–	12 017
Capital distribution to shareholders		–	(13 453)	–	(13 453)	–	(13 453)
Total comprehensive income for the year		–	–	60 921	60 921	702	61 623
Share based payments	15	–	–	80	80	–	80
Balances at 31 December 2010		5	151 952	260 950	412 907	702	413 609
COMPANY							
Balances at 31 December 2008		4	167 200	34 509	201 713		
Share buyback and expenses		–	(298)	–	(298)		
Capital distribution to shareholders		–	(13 467)	–	(13 467)		
Total comprehensive income for the year		–	–	7 006	7 006		
Balances at 31 December 2009		4	153 435	41 515	194 954		
Share buyback and expenses		–	(46)	–	(46)		
Issue of shares		1	12 016	–	12 017		
Capital distribution to shareholders		–	(13 453)	–	(13 453)		
Total comprehensive income for the year		–	–	85 946	85 946		
Share based payments	15	–	–	80	80		
Balances at 31 December 2010		5	151 952	127 541	279 498		

Statements of cash flows

Year ended 31 December 2010

	Notes	Group		Company	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
Cash flows from operating activities		36 989	93 234	10 078	2 468
Cash generated/(utilised) by operations	24.1	79 448	111 785	(2 551)	(4 391)
Interest received	21	9 677	16 863	17 107	16 872
Interest paid	24.2	(10 626)	(11 119)	(3)	(1 577)
Taxation paid	24.3	(41 510)	(24 295)	(4 475)	(8 436)
Cash flows from investing activities		(84 937)	(7 816)	(6)	-
Acquisition of subsidiaries		-	-	(6)	-
Restraint of trade payment		(10 800)	-	-	-
Acquisition of businesses	25	(59 205)	-	-	-
Additions to property, plant and equipment		(15 070)	(8 010)	-	-
Proceeds on disposal of property, plant and equipment		138	194	-	-
Cash flows from financing activities		(18 160)	(110 645)	(83 735)	(1 065)
Net loans (advanced)/repaid by subsidiaries		-	-	(74 480)	12 700
Net interest bearing liabilities repaid		(10 297)	(11 769)	-	-
Net increase/(decrease) in other financial liabilities		1 392	(85 111)	-	-
Proceeds from issue of shares net of loans advanced to executives under the assisted share purchase scheme		4 244	-	4 244	-
Payment on buyback of shares		(46)	(298)	(46)	(298)
Capital distribution paid to shareholders from share premium		(13 453)	(13 467)	(13 453)	(13 467)
(Decrease)/increase in cash and cash equivalents		(66 108)	(25 227)	(73 663)	1 403
Cash and cash equivalents at beginning of year		110 349	135 576	77 031	75 628
Cash and cash equivalents at end of year	24.4	44 241	110 349	3 368	77 031

Notes to the financial statements

Year ended 31 December 2010

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the AC500 series of interpretations, the Companies Act, 1973, as amended, and the Listings Requirements of the JSE Limited. The consolidated financial statements have been prepared under the historical cost convention, except in the case of financial instruments which are measured using the fair value and amortised cost models. The accounting policies are consistent with those applied in the previous year.

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. New/revised standards applied for the first time in 2010

IFRS 3 (revised): Business Combinations

IAS 27 (revised): Consolidated and Separate Financial Statements

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 (effective from the annual periods beginning on or after the date shown in brackets):

IFRS 3: Business Combinations

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS (1 January 2011);
- Measurement of non-controlling interests (1 January 2011);
- Un-replaced and voluntarily replaced share based payment awards (1 January 2011);
- Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period (1 July 2011)

IFRS 7: Financial Instruments: Disclosures

- Clarification of disclosures (1 January 2011);
- Additional disclosure on transfer transactions of financial assets (1 July 2011)

IFRS 9: Financial Instruments

- New standard that forms the first part of a three part project to replace IAS 39: Financial Instruments: Recognition and Measurement (1 January 2013)

IAS 1: Presentation of Financial Statements

- Clarification of statement of changes in equity (1 January 2011)

IAS 12: Income Taxes

- Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale (1 July 2012)

IAS 21: The Effects of Changes in Foreign Exchange Rates

- Consequential amendments from changes to IAS 27: Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation) (1 July 2010)

Notes to the financial statements continued

Year ended 31 December 2010

1. BASIS OF PREPARATION (continued)

1.2. Standards in issue, not yet effective (continued)

IAS 24: Related Party Disclosure

- Simplification of the disclosure requirements for government related entities (1 January 2011)
- Clarification of the definition of related party (1 January 2011)

IAS 27: Consolidated and Separate Financial Statements

- Transition requirement for amendments arising as a result of IAS 27 (1 July 2010)

IAS 28: Investments in Associates

- Consequential amendments from changes to IAS 27: Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation) (1 July 2010)

IAS 31: Interests in Joint Ventures

- Consequential amendments from changes to IAS 27: Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation) (1 July 2010)

IAS 32: Financial Instruments: Presentation

- Accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the Issuer (1 February 2010)

IAS 34: Interim Financial Reporting

- Significant events and transactions (1 January 2011)

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 or the group.

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 after which the residual value is considered to be insignificant.

2.2 Goodwill

Goodwill is tested for impairment at each reporting 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.

Notes to the financial statements continued

Year ended 31 December 2010

2. SIGNIFICANT JUDGEMENTS (continued)

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.

2.4 Impairment of trade and other receivables

The group assesses its trade and other receivables for impairment at the end of each reporting date. In determining whether an impairment should be recognised in the statement of comprehensive income, 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 borrowing rate the group 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 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 statement of financial position 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 (comprising land and buildings) owned by the group is classified as owner-occupied property and is shown at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. Subsequently, property, plant and equipment is carried at cost less accumulated depreciation and impairment. Useful lives and residual values are reassessed at the end of each financial period. The useful life applicable to each category of plant and equipment is estimated as follows:

Buildings	30 years	Plant and equipment	8 years
Motor vehicles	5 years	Furniture and fittings	6 years
Office equipment	6 years	Leasehold improvements	5 years
Computer software	2 years	Computer equipment	3 years

The profit or loss arising on the disposal or scrapping of an asset is 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 of whether or not the relevant asset is impaired. If any such indication exists, and where the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Notes to the financial statements continued

Year ended 31 December 2010

3. ACCOUNTING POLICIES (continued)

3.3 Impairment of assets (continued)

Impairment losses and reversals are recognised directly in the statement of comprehensive income under the line item "other operating expenses". Reversals of impairments are limited to the carrying amount of the asset had no impairment been recognised previously.

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 statement of comprehensive income 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.

3.5 Intangible assets

Goodwill

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

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

Other intangible assets

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income 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 the end of each financial period. 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 that are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted at the reporting date.

Deferred tax

Deferred taxation is provided on the comprehensive liability basis computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax is recognised on all temporary differences other than on initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting or taxable profit or loss.

Notes to the financial statements continued

Year ended 31 December 2010

3. ACCOUNTING POLICIES (continued)

3.6 Taxation (continued)

Deferred tax (continued)

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 at the reporting 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 costs. 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.

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 reporting 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 group 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 group 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 from rendering of services is recognised by reference to the stage of completion of the service.

Notes to the financial statements continued

Year ended 31 December 2010

3. ACCOUNTING POLICIES (continued)

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 as they fall due. The group has no further payment obligations once the contributions have been made.

3.13 Share based payment transactions

The share ownership programme allows group employees to acquire shares in the company.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is due to share prices not achieving the threshold for vesting.

A vested share options is “taken up” when the group delivers the share to the employee on receipt of payment of the grant (strike) price.

3.14 Borrowing costs

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

3.15 Financial instruments

Initial recognition and measurement

All financial instruments are recognised on the statement of financial position. 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 amortised cost using the effective interest rate method less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the present value of future estimated cash flows, discounted at the original effective interest rate. The carrying amount of trade receivables is reduced through the use of an allowance account. Movements in the allowance account are recognised in profit or loss. When a receivable is uncollectable it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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.

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.

Notes to the financial statements continued

Year ended 31 December 2010

3. ACCOUNTING POLICIES (continued)

3.15 Financial instruments (continued)

Interest bearing liabilities

Interest bearing liabilities are recognised at amortised cost using the effective interest rate method.

Non-interest bearing liabilities

Non-interest bearing liabilities are recognised at amortised cost using the effective interest rate method.

Trade and other payables

Trade and other payables are recognised at amortised cost using the effective interest rate method.

Other financial liabilities

Other financial liabilities comprises vendor loans and foreign exchange contracts. Vendor loans are recognised at amortised cost using the effective interest rate method. Foreign exchange contracts are recognised at fair value through profit or loss.

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 statement of comprehensive income.

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 statement of comprehensive income.

Fair value methods and assumptions

The fair value of instruments traded in an active market is based on current bid prices. 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 year end, 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.

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.

3.16 Related party transactions

All subsidiaries of the group are related parties. Details of subsidiaries are contained in note 9. 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 26. 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.

Notes to the financial statements continued

Year ended 31 December 2010

3. ACCOUNTING POLICIES (continued)

3.17 Segment reporting

In accordance with IFRS 8 the group discloses segment financial information which is being used by the Chief Operating Decision Maker (“CODM”) to manage the business.

Operating segments are individual components of an entity that engage in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity’s CODM and for which discrete financial information is available.

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.

Operating segments which display similar economic characteristics are aggregated for reporting purposes.

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
4. PROPERTY, PLANT AND EQUIPMENT				
Cost	82 043	37 478	-	-
Land and building	17 800	-	-	-
Plant and equipment	47 723	29 580	-	-
Furniture and fittings	4 204	726	-	-
Motor vehicles	4 024	1 511	-	-
Leasehold improvements	670	995	-	-
Office equipment	751	627	-	-
Computer equipment	5 356	3 732	-	-
Computer software	1 515	307	-	-
Accumulated depreciation	(24 450)	(18 915)	-	-
Land and building	-	-	-	-
Plant and equipment	(17 518)	(13 704)	-	-
Furniture and fittings	(920)	(381)	-	-
Motor vehicles	(1 248)	(948)	-	-
Leasehold improvements	(393)	(372)	-	-
Office equipment	(558)	(464)	-	-
Computer equipment	(3 353)	(2 750)	-	-
Computer software	(460)	(296)	-	-
Carrying amount at end of year	57 593	18 563	-	-
Land and building	17 800	-	-	-
Plant and equipment	30 205	15 876	-	-
Furniture and fittings	3 284	345	-	-
Motor vehicles	2 776	563	-	-
Leasehold improvements	277	623	-	-
Office equipment	193	163	-	-
Computer equipment	2 003	982	-	-
Computer software	1 055	11	-	-

Encumbrances:

- Property, plant and equipment has been encumbered by mortgage, general and special notarial bonds as detailed in notes 12 and 16; and
- Certain items of plant and equipment were acquired under instalment sale agreements as detailed in note 16.

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
4. PROPERTY, PLANT AND EQUIPMENT (continued)				
Movements for the year:				
<i>Carrying amount at beginning of year</i>	18 563	15 041	-	-
<i>Additions[Ⓐ]</i>	45 174	8 010	-	-
Land and building	17 800	-	-	-
Plant and equipment	18 181	6 877	-	-
Furniture and fittings	3 201	22	-	-
Motor vehicles	2 562	134	-	-
Leasehold improvements	212	447	-	-
Office equipment	146	11	-	-
Computer equipment	1 865	501	-	-
Computer software	1 207	18	-	-
<i>Book value of disposals and adjustments</i>	(72)	(136)	-	-
Plant and equipment	447	(50)	-	-
Furniture and fittings	(72)	8	-	-
Motor vehicles	-	(89)	-	-
Leasehold improvements	(447)	(2)	-	-
Office equipment	-	(1)	-	-
Computer equipment	-	(2)	-	-
<i>Depreciation for the year</i>	(6 072)	(4 352)	-	-
Plant and equipment	(4 299)	(2 758)	-	-
Furniture and fittings	(190)	(70)	-	-
Motor vehicles	(349)	(273)	-	-
Leasehold improvements	(111)	(133)	-	-
Office equipment	(116)	(203)	-	-
Computer equipment	(844)	(884)	-	-
Computer software	(163)	(31)	-	-
<i>Carrying amount at end of year</i>	57 593	18 563	-	-

[Ⓐ] Includes R30,1 million of assets acquired through business combinations (refer note 25).

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
5. INTANGIBLE ASSETS				
Cost				
Goodwill	244 152	177 527	-	-
Arising on acquisition of:				
- Insulated Structures	7 037	7 037	-	-
- Macadams	170 490	170 490	-	-
- BCE	59 452	-	-	-
- Glacier	7 173	-	-	-
Brand names	30 958	15 622		
Customer lists	18 507	3 397		
	293 617	196 546	-	-
Accumulated amortisation				
Brand names	(5 106)	(3 124)	-	-
Customer lists	(2 740)	(1 358)	-	-
	(7 846)	(4 482)	-	-
Carrying value				
- Goodwill	244 152	177 527	-	-
- Brand names	25 852	12 498	-	-
- Customer lists	15 767	2 039	-	-
	285 771	192 064	-	-
Movements for the year				
Carrying value at beginning of year	192 064	194 305	-	-
Additions (business combinations, refer note 25)	97 071	-	-	-
- Goodwill	66 625	-	-	-
- Brand names	15 336	-	-	-
- Customer lists	15 110	-	-	-
Amortisation for the year	(3 364)	(2 241)	-	-
- Brand names	(1 982)	(1 562)	-	-
- Customer lists	(1 382)	(679)	-	-
Carrying value at end of year	285 771	192 064	-	-

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 covering a five year period. The cash flows have been discounted at a rate of 17,5% (2009: 17,5%) and a terminal growth rate of 6% (2009: 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.

The remaining useful life for brand names is seven to nine years and for customer lists is two to four years.

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
6. RESTRAINT OF TRADE PREPAYMENT				
Disclosed as:				
Non-current portion	8 700	-	-	-
Current portion included in trade and other receivables (refer note 11)	1 800	-	-	-
	10 500	-	-	-
Payments made to subsidiary directors at the acquisition of a business, to be amortised over the 72 month period of the restraints	10 800	-	-	-
Expensed (2 months)	(300)	-	-	-
	10 500	-	-	-
7. DEFERRED TAXATION				
Disclosed as:				
Deferred taxation assets	1 475	1 319	45	45
Deferred taxation liabilities	(9 536)	(1 008)	-	-
	(8 061)	311	45	45
Movements for the year:				
Balance at beginning of the year	311	(1 094)	45	45
Movements during the year attributable to:				
- Acquisition of business (refer note 25)	(6 686)	-	-	-
- Temporary differences	(1 686)	1 405	-	-
Balance at end of year	(8 061)	311	45	45
The balance comprises:				
- Revaluation of land and building ⁽ⁱ⁾	(2 004)	-	-	-
- Provisions	7 360	5 072	45	45
- Intangible assets	(11 653)	(4 070)	-	-
- Income received in advance	967	1 073	-	-
- Operating lease liabilities	831	694	-	-
- Accelerated capital allowances	(3 562)	(2 458)	-	-
	(8 061)	311	45	45
⁽ⁱ⁾ The deferred tax on the owner-occupied property has been recognised at the capital gains tax ("CGT") rate as that reflects the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset.				
8. LOANS RECEIVABLE				
Advanced under the executive assisted share purchase scheme	7 773	-	7 773	-

The loans bear interest at the prime overdraft rate and must be repaid on or before 1 December 2015

The participants have pledged 12 246 794 company shares as security.

The participants are not permitted to effect repayment of the loan until the third anniversary date, other than all income derived from the shares must first be applied to settle the loan.

Notes to the financial statements continued

Year ended 31 December 2010

	Company	
	2010 R'000	2009 R'000
9. INVESTMENT IN AND LOANS TO/(FROM) SUBSIDIARIES		
Disclosed as:		
Investment in and loans to subsidiaries	292 553	193 044
– Shares at cost ⁽ⁱ⁾	15 428	15 422
– Interest bearing loan receivable ⁽ⁱⁱ⁾	262 354	177 622
– Interest free loan receivable ⁽ⁱⁱⁱ⁾	14 771	–
Loans from subsidiaries ^(iv)	(21 248)	(72 025)
	271 305	121 019
Unlisted shares at cost⁽ⁱ⁾	15 428	15 422
– BCE Oldco*	–	–
– BCE (Brevilite)	3	–
– Colcab*	–	–
– Test Lab (Colcab Manufacturing)	8 313	8 313
– Glacier (Northern Lights)	3	–
– Insulated Structures	7 108	7 108
– Macadams International	1	1
	262 354	177 622
Interest bearing loans receivable⁽ⁱⁱ⁾	262 354	177 622
– BCE (Brevilite)	94 607	–
– Colcab	14 898	14 898
– Insulated Structures	7 392	7 392
– Macadams International	145 457	155 332
	14 771	–
Interest free loan receivable⁽ⁱⁱⁱ⁾	14 771	–
– Glacier (Northern Lights)	14 771	–
	(21 248)	(72 025)
Interest free loans payable^(iv)	(21 248)	(72 025)
– Colcab	(152)	(36 060)
– Test Lab (Colcab Manufacturing)	(10 018)	(10 018)
– Insulated Structures	(11 078)	(25 947)
	271 305	121 019
Profit and losses of consolidated subsidiary companies attributable to the company:		
– Aggregate profits after tax	51 976	44 068
– Aggregate losses after tax	(1 202)	–

⁽ⁱ⁾ The company's effective shareholding interest is as disclosed in the directors' report. Shares have been ceded to the banks as detailed in note 12.

⁽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 2010 no notice for repayment had been given. The loans have been ceded to the banks as detailed in note 12.

⁽ⁱⁱⁱ⁾ Unsecured interest free loan with no fixed terms of payment. The loan is repayable by mutual agreement between the shareholders and the company, subject to a twelve month notice period or earlier by mutual agreement. At 31 December 2010 no notice for repayment had been given. The loans must be repaid prior to any dividend being declared by Glacier.

^(iv) The loans are unsecured, interest free and are repayable subject to a twelve-month notice period or earlier by mutual agreement. At 31 December 2010 no notice for repayment had been given or received. The loans have been ceded to the bank as detailed in note 12.

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
10. INVENTORIES				
These comprise:				
– Raw materials	41 136	32 606	–	–
– Work in progress	11 340	13 603	–	–
– Manufactured finished goods	24 164	20 315	–	–
– Merchandise finished goods	105 561	30 231	–	–
	182 201	96 755	–	–
– Less allowances for impairment ^①	(12 861)	(9 708)	–	–
	169 340	87 047	–	–
<i>① Includes R2,6 million acquired through business combinations during the current year.</i>				
Inventories have been ceded to the banks as security for facilities granted (refer note 12).				
11. TRADE AND OTHER RECEIVABLES				
These comprise:				
– Trade receivables net of allowances for impairment	201 227	131 923	–	–
– Prepayments	3 510	249	–	–
– Deposits	980	98	–	–
– Other receivables	1 582	1 352	514	452
	207 299	133 622	514	452
Trade receivables have been ceded to the bank as security for facilities granted (refer note 12).				
Allowances for impairment				
Opening balance	17 045	15 607	–	–
Acquired through business combinations	8 685	–	–	–
Impairments recognised for year	153	1 438	–	–
Closing balance	25 883	17 045	–	–
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 and other receivables past due but not impaired				
Amounts in 30 to 60 days	59 239	17 351	–	–
Amounts in 60 to 90 days	13 598	7 001	–	–
Amounts in 90 days plus	9 129	4 144	–	–
	81 966	28 496	–	–
Related credit exposure and enhancements				
Maximum exposure to credit losses of trade and other receivables	206 319	133 622	514	452
Credit risk mitigated through credit guarantee insurance for the event of liquidation of selected debtors	(14 122)	(7 687)	–	–
Residual exposure	192 197	125 935	514	452

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
12. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of bank and call deposits	44 241	110 349	3 368	77 031

Banking facilities

The group has overdraft and other short-term bank facilities of R55 million. At year end these facilities were unutilised. The long-term facilities that were utilised are disclosed in note 16.

The company, Colcab, Insulated Structures and Macadams International share R40 million banking facilities 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 and short-term insurance policies;
- unlimited cross suretyship in favour of the bank provided by all the entities sharing the facility; and
- the company has ceded to the bank its shares and loan accounts in Colcab, Insulated Structures and Macadams International (refer note 9).

BCE has R15 million short-term banking facilities, secured as per note 16.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
13. SHARE CAPITAL				
Authorised				
2 000 000 000 ordinary shares of R0,00001 each	20	20	20	20
Issued				
Ordinary shares of R0,00001 in issue at the beginning of the year	4	4	4	4
Issue of shares	1	–	1	–
Share buyback	*	*	*	*
Ordinary shares of R0,00001 in issue at the end of the year	5	4	5	4

* less than R1 000.

	Number of shares	Number of shares	Number of shares	Number of shares
Ordinary shares in issue at beginning of year	448 418 999	448 911 962	448 418 999	448 911 962
Issued during the year	9 536 127	–	9 536 127	–
Share buyback	(36 000)	(492 963)	(36 000)	(492 963)
Ordinary shares in issue at end of year	457 919 126	448 418 999	457 919 126	448 418 999
Unissued ordinary shares under the control of the directors until the next annual general meeting	1 542 080 874	1 551 581 001	1 542 080 874	1 551 581 001

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
14. SHARE PREMIUM				
Arising on issue of shares	151 952	153 435	151 952	153 435
Refer to the statement of changes in equity for an analysis of movements during the year.				
15. SHARE BASED PAYMENTS				
The group operates a share option scheme as more fully detailed in the report of the remuneration and nomination committee.				
Share option expense for the year	80	–	80	–
Share option expense to be recognised in future financial years, in respect of all options granted, are:				
– within 1 year	480	–	480	–
– within 2 to 5 years	1 024	–	1 024	–
	1 504	–	1 504	–
	Number of share options	Number of share options	Number of share options	Number of share options
Options available for granting at beginning of year	48 000 000	48 000 000	48 000 000	48 000 000
Share options granted during the year	(4 675 000)	–	(4 675 000)	–
Options available for granting under current authorisation	43 325 000	48 000 000	43 325 000	48 000 000

The group accounts for share option expenses in accordance with IFRS 2: Share-based Payments, which requires the fair value of share options granted to employees to be valued at the grant date and expensed through the statement of comprehensive income over the vesting period of the option.

The fair value of options granted has been estimated using the Black-Scholes option pricing model using the following assumptions:

Financial year of grant	Number of options granted	Expected life of options	Share price at grant date	Grant price	Expected volatility	Expected dividend yield	Risk free rate
2010	4 675 000	2 – 5 years	R1,40	R1,40	30%	2%	5,05%

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
16. INTEREST BEARING LIABILITIES				
Disclosed as:				
Non-current portion	159 669	65 316	-	-
Current portion	43 753	20 714	-	-
	203 422	86 030	-	-
These comprise:				
Nedbank term loan ⁽ⁱ⁾	43 983	61 681	-	-
Capital outstanding	63 805	81 521	-	-
Less: Current portion	(19 822)	(19 840)	-	-
Investec term loan ⁽ⁱⁱ⁾	105 967	-	-	-
Capital outstanding	121 840	-	-	-
Less: Current portion	(15 873)	-	-	-
Vendors of the BCE business ⁽ⁱⁱⁱ⁾	-	-	-	-
Capital outstanding	5 075	-	-	-
Less: Current portion	(5 075)	-	-	-
Instalment sale creditors ^(iv)	9 719	3 635	-	-
Capital outstanding	12 702	4 509	-	-
Less: Current portion	(2 983)	(874)	-	-

⁽ⁱ⁾ The Nedbank term loan bears interest at the prime overdraft rate plus 0,25% and is repayable in 35 (2009: 47) equal monthly instalments of R2 086 805 (2009: R2 136 550) inclusive of finance charges. Secured as follows:

- Cession of trade and other receivables of Macadams International;
- Unlimited suretyships, including cession of loan accounts, from Insulated Structures, Colcab, Macadams International and the company;
- Joint special and general notarial bond over moveable assets of Macadams totalling R70 million;
- Cession of Macadams' short-term insurance policy; and
- Cession of all loan accounts and ordinary shares held by the company in Macadams.

⁽ⁱⁱ⁾ The Investec term loan bears interest at JIBAR plus 3,35% and is repayable in 24 equal quarterly instalments of R6 630 297 inclusive of finance charges. Secured as follows:

- Guarantee of R45 million from the company;
- Guarantee from THH Properties supported by a first covering mortgage bond of R20 million over the property owned by THH Properties;
- Cession of the shares and claims held by the company in BCE (Brevilite);
- Cession of BCE's:
 - Bank accounts;
 - Shares and claims in subsidiaries;
 - Trade and other receivables; and
 - Short-term insurance policies
- General notarial bond of R120 million over all moveable assets of BCE.

⁽ⁱⁱⁱ⁾ The Vendor loans bear interest at JIBAR plus 3,35% and are repayable on 2 November 2011. The company has guaranteed payment.

^(iv) Instalment sale creditors relate to financing for various items of plant and equipment and motor vehicles. They bear interest at rates linked to the prime overdraft rate, on average prime less 0,5% (2009: prime less 0,5%). The liabilities are repayable in monthly instalments totalling R331 235 (2009: R99 023). The instalment sale agreements are secured by plant and equipment and motor vehicles with a carrying value of R15,1 million (2009: R5,2 million).

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
16. INTEREST BEARING LIABILITIES (continued)				
Present value of repayments				
Due within 1 year	43 753	20 714	-	-
Total repayments	60 885	26 827	-	-
Unearned finance charges	(17 132)	(6 113)	-	-
Due 2 to 5 years	159 669	65 316	-	-
Total repayments	193 782	79 136	-	-
Unearned finance charges	(34 113)	(13 820)	-	-
Total	203 422	86 030	-	-
Total repayments	254 667	105 963	-	-
Unearned finance charges	(51 245)	(19 933)	-	-
17. OTHER FINANCIAL LIABILITIES				
Disclosed as:				
Non-current portion	14 406	-	-	-
Current portion	9 977	350	-	-
	24 383	350	-	-
These comprise:				
Foreign exchange contracts ⁽ⁱ⁾	593	350	-	-
Vendor loans : present value of payment of purchase price ⁽ⁱⁱ⁾	9 384	-	-	-
Non-controlling shareholder loans ⁽ⁱⁱⁱ⁾	14 406	-	-	-
	24 383	350	-	-

⁽ⁱ⁾ All outstanding foreign exchange contracts ("FEC") were re-valued using the FEC rate ruling at year end for similar contracts.

⁽ⁱⁱ⁾ R10 million final unconditional payment of the purchase price due to the vendors of the BCE business. The amount is interest free and payable on 2 November 2011.

⁽ⁱⁱⁱ⁾ Non-controlling shareholders' loans in Glacier. The loan terms are the same as that disclosed for the company's loan to Glacier (refer note 9 (iii)).

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
18. TRADE AND OTHER PAYABLES				
These comprise:				
– Trade payables	88 845	61 357	721	546
– Payroll and statutory accruals	24 682	19 915	2 500	2 500
– Income received in advance	11 159	14 985	–	–
	124 686	96 257	3 221	3 046
19. REVENUE				
Gross revenue comprises the invoiced value of goods and services supplied, which excludes value added tax.				
Major classes of revenue comprise:				
– Sale of goods and services	702 318	587 072	–	–
– Management fees received	–	–	1 856	1 440
	702 318	587 072	1 856	1 440
20. PROFIT FROM OPERATIONS				
Profit from operations is stated after taking into account the following items:				
Income				
Dividends received	–	–	75 800	–
Management fees received	–	–	1 856	1 440
Profit on disposal of property, plant and equipment	65	58	–	–
Profit on foreign exchange	1 670	–	–	–
Expenditure				
Amortisation of:				
– intangible assets	3 364	2 241	–	–
– restraint of trade prepayment	300	–	–	–
Auditors' remuneration	1 735	837	278	233
Audit fee				
– Current year	1 289	821	278	226
– (Over)/under provision prior year	3	(23)	–	(3)
Other services	443	39	–	10
Business acquisition expenses	7 242	–	561	–
Consulting fees	527	257	49	38
Depreciation	6 072	4 352	–	–
Impairment of inventories	603	388	–	–
Impairment of trade receivables	153	1 438	–	–
Loss on foreign exchange	–	2 196	–	–
Management fees paid	–	–	360	2 569
Operating lease charge	19 885	17 939	–	–
– Property: rent paid	18 590	17 463	–	–
– Property: charge on straight-lining of leases	973	404	–	–
– Plant and equipment	322	72	–	–
Remuneration:				
– Directors	12 260	9 238	2 082	1 008
– Key management	15 815	14 623	–	–
– Other staff costs	95 954	75 178	–	–

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
21. INTEREST RECEIVED AND PAID				
Interest received	9 677	16 863	17 107	16 872
– Bank and call deposits	6 171	13 132	3 876	9 221
– Loans and advances	504	–	57	–
– Loans to subsidiaries	–	–	13 174	7 651
– Notional interest charged on trade and other receivables	3 002	3 731	–	–
Interest paid	(10 750)	(16 693)	(3)	(1 577)
– Bank loans and instalment sales	(10 566)	(11 119)	(3)	–
– Loans from subsidiaries	–	–	–	(1 577)
– Notional interest paid on other financial liabilities	(124)	(5 574)	–	–
– Other	(60)	–	–	–
22. TAXATION				
Normal tax	25 579	23 439	4 214	2 724
– Current year	25 571	23 439	4 214	2 724
– Prior year under provision	8	–	–	–
Deferred tax				
– Current year	1 686	(1 405)	–	–
	27 265	22 034	4 214	2 724
Reconciliation of rate of taxation:	%	%	%	%
South African normal tax rate	28,0	28,0	28,0	28,0
Adjusted for:				
– Exempt income	–	–	(23,3)	–
– Disallowable expenditure	2,7	2,1	–	–
Effective tax rate	30,7	30,1	4,7	28,0
23. BASIC AND HEADLINE EARNINGS PER SHARE				
Reconciliation of net profit to basic earnings:				
Net profit for the year attributable to equity holders of the parent	60 921	51 074		
Basic and headline earnings	60 921	51 074		
Basic earnings per share (cents)	13,6	11,4		
Headline earnings per share (cents)	13,6	11,4		
Diluted basic and headline earnings per share (cents)	13,6	11,4		
Weighted average number of shares in issue used to calculate earnings per share	449 197 661	448 863 048		
Dilutive effect of share options	26 868	–		
Weighted average number of shares in issue used to calculate diluted earnings per share	449 224 529	448 863 048		
Shares in issue at year end	457 919 126	448 418 999		
Refer note 13 for the movement in issued shares.				

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
24. NOTES TO THE STATEMENT OF CASH FLOWS				
24.1 Cash generated/(utilised) by operations				
Profit before taxation	88 888	73 108	90 160	9 730
Adjusted for:				
Amortisation of intangibles and restraint of trade prepayment	3 664	2 241	-	-
Depreciation	6 072	4 352	-	-
Dividend received	-	-	(75 800)	-
Interest paid	10 750	16 693	3	1 577
Interest received	(9 677)	(16 863)	(17 107)	(16 872)
Movement in:				
- FEC revaluation	243	-	-	-
- impairment of trade receivables and inventories	756	1 826	-	-
- operating lease accruals	973	404	-	-
Profit on disposal of property, plant and equipment	(65)	(58)	-	-
Share option expense	80	-	80	-
	101 684	81 703	(2 664)	(5 565)
Working capital changes	(22 236)	30 082	113	1 174
Decrease in inventories	3 483	3 930	-	-
(Increase)/decrease in trade and other receivables	(14 546)	18 367	(62)	(452)
(Decrease)/increase in trade and other payables	(11 173)	7 785	175	1 626
Cash generated/(utilised) by operations	79 448	111 785	(2 551)	(4 391)
24.2 Interest paid				
Interest expense per statement of comprehensive income	(10 750)	(16 693)	(3)	(1 577)
Adjusted for:				
Notional interest on vendor loans	124	5 574	-	-
	(10 626)	(11 119)	(3)	(1 577)
24.3 Taxation paid				
Net payable at beginning of year	(3 452)	(4 308)	(547)	(6 259)
Acquired through business combinations	(15 583)	-	-	-
Taxation charge per statement of comprehensive income	(25 579)	(23 439)	(4 214)	(2 724)
Net payable at end of year	3 104	3 452	286	547
Payments made	(41 510)	(24 295)	(4 475)	(8 436)
24.4 Cash and cash equivalents				
Consist of bank and call deposits (refer to note 12)	44 241	110 349	3 368	77 031

Notes to the financial statements continued

Year ended 31 December 2010

	Group	
	2010 R'000	2009 R'000
25. ACQUISITION OF GLACIER (51% INTEREST) AND BCE (100% INTEREST)		
Fair value of net assets acquired		
Property, plant and equipment	30 104	–
Brand names	15 336	–
Customer lists	15 110	–
Inventories	86 379	–
Trade and other receivables	57 484	–
Bank and call deposits	37 718	–
Trade and other payables	(39 602)	–
Interest bearing liabilities	(2 689)	–
Non-controlling shareholder loans	(13 014)	–
Taxation payable	(15 583)	–
Deferred tax liabilities	(6 686)	–
Total net assets acquired	164 557	–
Surplus recognised as goodwill ^⓪	66 625	–
Purchase consideration	231 182	–
Consideration paid		
Cash paid by the company	(96 923)	–
Interest bearing bank loan raised	(120 000)	–
Interest bearing vendor loan raised	(5 000)	–
Present value of R10 million interest free vendor loans raised	(9 259)	–
Consideration paid	(231 182)	–
Net cash outflow on acquisition		
Cash consideration paid	(96 923)	–
Cash acquired	37 718	–
Net cash outflow on acquisition	(59 205)	–

^⓪ The purchase price of the businesses acquired includes amounts in relation to the benefit of expected synergies, revenue growth and the assembled workforce of these businesses. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
26. RELATED PARTY TRANSACTIONS				
Transactions with subsidiaries (as identified in note 9)				
– Dividends received			75 800	–
– Interest received			13 174	7 651
– Interest paid			–	(1 577)
– Management fees received			1 856	1 440
– Management fees paid			–	(2 569)
– Net loans advanced (note 9)			255 877	105 597
Transactions with directors and key management or entities where directors or key management have an interest				
– Loans advanced to executives under the executive assisted share purchase scheme (refer note 8)	7 773	–	7 773	–
– Restraint of trade payments (refer note 6)	10 800	–	–	–
– Corporate finance and advisory fees paid	3 180	180	360	180
– Directors' fees paid (refer disclosure in report from the remuneration and nomination committee)	12 260	9 238	2 082	1 008
– Rent paid	12 117	8 118	–	–

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.

27. 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. The total company contribution to such schemes in 2010 was R6,9 million (2009: R5,2 million).

28. 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 notes 12 and 16).

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.

The company provided a guarantee of R45 million to Investec for the loan granted to BCE (see note 16).

The company provided a guarantee to the vendors of the BCE for the vendor loans due on 2 November 2011 (see notes 16 and 17).

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.

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. 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 R12,8 million (2009: R4,2 million) and R26,1 million (2009: R20,0 million) respectively.

Notes to the financial statements continued

Year ended 31 December 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
29. COMMITMENTS				
Operating leases				
Future operating lease charges for premises:	96 081	83 810	-	-
– Due within one year	22 670	16 373	-	-
– In second to fifth year	70 631	53 409	-	-
– Later than five years	2 780	14 028	-	-
Future operating lease charges for equipment:	125	-	-	-
– Due within one year	85	-	-	-
– In second to fifth year	40	-	-	-
Capital expenditure				
Capital expenditure already contracted but not provided for in respect of property, plant and equipment	2 100	3 358	-	-
Capital expenditure not yet contracted for but authorised by directors.	9 500	2 000	-	-

The expenditure will be financed from operating cash flow and available bank facilities.

Notes to the financial statements continued

Year ended 31 December 2010

30. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

Group	Held for trading (at fair value through profit and loss)		Loans and receivables		Financial liabilities at amortised cost		Non-financial instruments		Total	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Non-current assets	-	-	7 773	-	-	-	353 539	211 946	361 312	211 946
Property, plant and equipment	-	-	-	-	-	-	57 593	18 563	57 593	18 563
Intangible assets	-	-	-	-	-	-	285 771	192 064	285 771	192 064
Restraint of trade prepayment	-	-	-	-	-	-	8 700	-	8 700	-
Deferred taxation	-	-	-	-	-	-	1 475	1 319	1 475	1 319
Loans receivable	-	-	7 773	-	-	-	-	-	7 773	-
Current assets	-	-	246 027	242 731	-	-	177 462	88 315	423 489	331 046
Inventories	-	-	-	-	-	-	169 340	87 047	169 340	87 047
Trade and other receivables	-	-	201 786	132 382	-	-	5 513	1 240	207 299	133 622
Taxation receivable	-	-	-	-	-	-	2 609	28	2 609	28
Cash and cash equivalents	-	-	44 241	110 349	-	-	-	-	44 241	110 349
Total assets	-	-	253 800	242 731	-	-	531 001	300 261	784 801	542 992
Non-current liabilities	-	-	-	-	174 075	65 316	12 988	3 487	187 063	68 803
Interest bearing liabilities	-	-	-	-	159 669	65 316	-	-	159 669	65 316
Deferred taxation	-	-	-	-	-	-	9 536	1 008	9 536	1 008
Other financial liabilities	-	-	-	-	14 406	-	-	-	14 406	-
Operating lease liabilities	-	-	-	-	-	-	3 452	2 479	3 452	2 479
Current liabilities	593	350	-	-	158 965	98 903	24 571	21 548	184 129	120 801
Trade and other payables	-	-	-	-	105 828	78 189	18 858	18 068	124 686	96 257
Current portion of:										
- interest bearing liabilities	-	-	-	-	43 753	20 714	-	-	43 753	20 714
- other financial liabilities	593	350	-	-	9 384	-	-	-	9 977	350
Taxation payable	-	-	-	-	-	-	5 713	3 480	5 713	3 480
Total liabilities	593	350	-	-	333 040	164 219	37 559	25 035	371 192	189 604

Notes to the financial statements continued

Year ended 31 December 2010

30. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (continued)

Company	Loans and receivables		Financial liabilities at amortised cost		Non-financial instruments		Total	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Non-current assets	284 898	177 622	-	-	15 473	15 467	300 371	193 089
Deferred taxation	-	-	-	-	45	45	45	45
Loans receivable	7 773	-	-	-	-	-	7 773	-
Investment in and loans to subsidiaries	277 125	177 622	-	-	15 428	15 422	292 553	193 044
Current assets	3 368	77 031	-	-	514	452	3 882	77 483
Trade and other receivables	-	-	-	-	514	452	514	452
Cash and cash equivalents	3 368	77 031	-	-	-	-	3 368	77 031
Total assets	288 266	254 653	-	-	15 987	15 919	304 253	270 572
Non-current liabilities								
Loans from subsidiaries	-	-	21 248	72 025	-	-	21 248	72 025
Current liabilities	-	-	3 221	3 046	286	547	3 507	3 593
Trade and other payables	-	-	3 221	3 046	-	-	3 221	3 046
Taxation payable	-	-	-	-	286	547	286	547
Total liabilities	-	-	24 469	75 071	286	547	24 755	75 618

Notes to the financial statements continued

Year ended 31 December 2010

31. 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 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 the reporting date the group had unutilised overdraft and short-term borrowing facilities of R55 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 reporting 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 this 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:

	2010 R'000	2009 R'000
Interest bearing borrowings	203 422	86 030
Other financial liabilities	24 383	350
Less: Cash and cash equivalents	(44 241)	(110 349)
Net debt/(cash) position	183 564	(23 969)
Total equity	413 609	353 388
Debt-to-adjusted capital ratios	0,44:1	–

The change in the group's gearing ratio is mainly attributable to the loans raised in acquiring BCE as more fully disclosed in note 25.

Notes to the financial statements continued

Year ended 31 December 2010

31. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis

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 R3,4 million (2009: R77,0 million);
- loans advanced to subsidiaries of R262,4 million (2009: R177,6 million); and
- loan receivable of R7,8 million (2009: Rnil)

at year end, on which the after tax impact on profit or loss would be R3,8 million (2009: R1,1 million) should the interest rate change by 2%.

The **group sensitivity analysis** is presented below:

	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 appre- ciation R'000	Rand depre- ciation R'000	Amount exposed to risk R'000	Rate increase R'000	Rate decrease R'000
Group 2010							
Financial assets							
Loans receivable	7 773	–	–	–	7 773	155	(155)
Trade and other receivables	201 786	2 224	(111)	111	–	–	–
Cash and cash equivalents	44 241	3 104	(155)	155	44 241	885	(885)
Impact of financial assets on:							
– profit before taxation			(266)	266		1 040	(1 040)
– profit after taxation			(192)	192		749	(749)
Financial liabilities							
Interest bearing liabilities	203 422	–	–	–	203 422	(4 069)	4 069
Other financial liabilities	9 384	–	–	–	–	–	–
Trade and other payables	105 828	14 207	710	(710)	–	–	–
Impact of financial liabilities on:							
– profit before taxation			710	(710)		(4 069)	4 069
– profit after taxation			511	(511)		(2 930)	2 930
Overall impact on profit after taxation			319	(319)		(2 181)	2 181

Notes to the financial statements continued

Year ended 31 December 2010

31. FINANCIAL RISK MANAGEMENT (continued)

	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 appre- ciation R'000	Rand depre- ciation R'000	Amount exposed to risk R'000	Rate increase R'000	Rate decrease R'000
Group 2009							
Financial assets							
Trade and other receivables	133 622	4 336	(217)	217	-	-	-
Cash and cash equivalents	110 349	4 069	(203)	203	110 349	2 207	(2 207)
Impact of financial assets on:							
- profit before taxation			(420)	420		2 207	(2 207)
- profit after taxation			(302)	302		1 589	(1 589)
Financial liabilities							
Interest bearing liabilities	86 030	-	-	-	86 030	(1 721)	1 721
Trade and other payables	96 257	9 089	454	(454)	-	-	-
Impact of financial liabilities on:							
- profit before taxation			454	(454)		(1 721)	1 721
- profit after taxation			327	(327)		(1 239)	1 239
Overall impact on profit after taxation							
			25	(25)		350	(350)

Notes to the financial statements continued

Year ended 31 December 2010

31. 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 undis- counted 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 2010						
Non-current liabilities						
Interest bearing liabilities	159 669	–	–	–	193 782	193 782
Other financial liabilities	14 406	–	–	–	14 406	14 406
Current liabilities						
Trade and other payables	105 828	105 828	–	–	–	105 828
Interest bearing liabilities	43 753	13 884	13 884	33 117	–	60 885
Other financial liabilities	9 977	593	–	10 000	–	10 593
	333 633	120 305	13 884	43 117	208 188	385 494
Group 2009						
Non-current liabilities						
Interest bearing liabilities	65 316	–	–	–	79 136	79 136
Current liabilities						
Trade and other payables	78 189	78 189	–	–	–	78 189
Interest bearing liabilities	20 714	6 707	6 707	13 413	–	26 827
Other financial liabilities	350	350	–	–	–	350
	164 569	85 246	6 707	13 413	79 136	184 502
Company 2010						
Non-current liabilities						
Loans from subsidiaries	21 248	–	–	–	21 248	21 248
Current liabilities						
Trade and other payables	3 221	3 221	–	–	–	3 221
	24 469	3 221	–	–	21 248	24 469
Company 2009						
Non-current liabilities						
Loans from subsidiaries	72 025	–	–	–	72 025	72 025
Current liabilities						
Trade and other payables	3 046	3 046	–	–	–	3 046
	75 071	3 046	–	–	72 025	75 071

Notes to the financial statements continued

Year ended 31 December 2010

32. SEGMENTAL REPORTING

Business segment ⁽ⁱ⁾	Refrigeration Systems		Baking Systems		Catering and kitchen equipment		Total	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Revenue ⁽ⁱⁱ⁾								
External revenue – SA	289 006	250 348	210 441	210 559	52 168	–	551 615	460 907
External revenue – Exports	46 798	41 522	97 571	84 643	6 334	–	150 703	126 165
Inter segment revenue ⁽ⁱⁱⁱ⁾	670	–	–	–	965	–	–	–
Total revenue	336 474	291 870	308 012	295 202	59 467	–	702 318	587 072
Profitability								
Segment profit from operations	42 422	38 778	48 132	41 164	10 688	–	101 242	79 942
Business acquisition expenses							(7 242)	–
Unallocated corporate net expense							(4 039)	(7 004)
Profit from operations							89 961	72 938
Interest received							9 677	16 863
Interest paid							(10 750)	(16 693)
Taxation							(27 265)	(22 034)
Profit for the year							61 623	51 074
Assets								
Segment assets	162 247	113 624	326 712	318 491	243 269	–	732 228	432 115
Cash and cash equivalents							44 241	110 349
Unallocated corporate assets							8 332	528
Total assets							784 801	542 992
Liabilities								
Segment liabilities	65 972	46 604	118 843	139 407	182 869	–	367 684	186 011
Unallocated corporate liabilities							3 508	3 593
Total liabilities							371 192	189 604
Capital expenditure	5 303	5 807	9 317	2 203	450	–	15 070	8 010
Depreciation and amortisation	4 778	2 536	4 356	4 057	602	–	9 736	6 593

⁽ⁱ⁾ Refer to the group profile and operational structure in the Annual Report for an overview and background on the business segments.

⁽ⁱⁱ⁾ The Group has 1 customer (2009: 2) that comprises more than 10% of group revenue. Revenue for the year was R98 million (2009: R162 million).

⁽ⁱⁱⁱ⁾ Inter segment revenue eliminated on consolidation.

Shareholder information

	Number of share-holders	% of total of share-holders	Number of shares	% of total issued share capital
Analysis of shareholdings				
1 – 1 000	638	76,7	429 503	0,1
1 001 – 10 000	59	7,1	341 615	0,1
10 001 – 100 000	65	7,8	2 769 049	0,6
100 001 – 1 000 000	37	4,5	16 652 622	3,6
1 000 001 and more	32	3,9	437 726 337	95,6
	831	100,0	457 919 126	100,0
Major shareholders (5% and more of the shares in issue)				
LNP Trust			91 327 625	19,9
Wayne Brett Primary Trust			77 398 784	16,9
Jacob Levy Trust			72 632 324	15,9
The James Martin Family Trust			31 772 290	6,9
Shareholder spread				
Non-public: Directors and key management	17	2,0	357 352 603	78,0
Public	814	98,0	100 566 523	22,0
	831	100,0	457 919 126	100,0
Distribution of shareholders				
Companies and close corporations	8	1,0	484 500	0,1
Individuals	776	93,4	63 656 356	13,9
Trusts	25	3,0	313 558 381	68,5
Collective investment schemes and mutual funds	22	2,6	80 219 889	17,5
	831	100,0	457 919 126	100,0

SHAREHOLDERS' DIARY

Financial year end	31 December
Annual financial statements distribution	31 March 2011
Annual general meeting	2 June 2011
Proposed capital distribution:	
– Last day to trade shares <i>cum</i> distribution	1 April 2011
– Shares will commence trading <i>ex</i> distribution	4 April 2011
– Record date	8 April 2011
– Distribution paid	11 April 2011

JSE SHARE TRADES DURING THE YEAR

	2010	2009
• Closing price	R1,50	R0,90
• High	R1,50	R0,90
• Low	R0,70	R0,57
• Volume traded (number of shares)	14 849 771	9 590 036

Notice of annual general meeting



UNIVERSAL INDUSTRIES CORPORATION LTD

(Incorporated in the Republic of South Africa)

(Registration number 1996/004343/06)

JSE CODE: UNI ISIN: ZAE000110664

Notice is hereby given that the annual general meeting of shareholders of Universal Industries Corporation Limited (“the company”) will be held at Main Boardroom, PKF Inc Limited, 42 Wierda Road West, Wierda Valley, Sandton, Gauteng on Thursday, 2 June 2011 at 10h00 for the following purposes:

1. To consider the annual financial statements for the year ended 31 December 2010;
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:

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, subject to the Listings Requirements of the JSE Limited (“JSE”) 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. At any point in time 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 2011) may not in the aggregate exceed 20% (twenty percent) or 10% (ten percent) 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. 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 in terms of the Listings Requirements of the JSE which may be applicable from time to time; and
8. 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 the company 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.

Notice of annual general meeting continued

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

The directors undertake that, 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, 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 International Financial Reporting Standards, will exceed the consolidated liabilities of the company and of the group after the buyback; and
- 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.

Reasons for and effects of special resolution number 1

The reason for special resolution number 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 and not to related parties as defined in the Listings Requirements of the JSE;
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 are 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 subject to the Companies Act (“the Act”), the Listings Requirements of the JSE and the restrictions set out below, the directors are authorised at their discretion to pay, 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 on the basis that:

1. This authority is not required in respect of cash dividends paid out of retained income, script dividends or capitalisation issues which may, subject to the provisions of the Act, be made by the company without this authority;
2. 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;
3. Any general payment(s) in terms of this authority:
 - must be made pro rata to all shareholders; and
 - may not in any one financial year exceed 20% of the company’s issued share capital at the beginning of such financial year, including reserves but excluding minority interest, and revaluations of assets and intangible assets (not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months).”

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

Although there is no immediate intention to make general payments, the directors would use the authority to make payments to shareholders by way of capital distributions to shareholders if appropriate, but subject to the provisions of the Listings Requirements of the JSE and Section 90 of the Act.

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.

In the case of a general payment being made an announcement will be published in accordance with Schedule 24 of the Listings Requirements of the JSE containing the terms of the payment, the date of the general meeting at which the general authority was obtained, the date on which payment is to be made and the effect of the payment on the company’s earnings per share, headline earnings per share, net asset value per share and net tangible asset value per share and if applicable, diluted earnings and headline earnings per share.

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF A G KHAN AS A DIRECTOR OF THE COMPANY

“Resolved that A G Khan 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.

Notice of annual general meeting continued

ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF C B BRAYSHAW AS A DIRECTOR OF THE COMPANY

“Resolved that C B Brayshaw 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 W L BRETT AS A DIRECTOR OF THE COMPANY

“Resolved that W L 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: 2011

“Resolved that the remuneration of the non-executive directors for the year ending 31 December 2011, as set out on page 16 of the annual report, be and is hereby approved.”

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.”

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 and 11.30 of the Listings Requirements of the JSE for purposes of the special resolution number 1 (general authority for the repurchase of shares) and ordinary resolution number 3 (general authority to make payments to shareholders):

- Directors and management – pages 8 and 9
- Major beneficial shareholders – page 59
- Directors’ interests in ordinary shares – page 23
- Share capital of the company – page 42

Litigation statement

The directors, whose names appear on pages 8 and 9 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 pages 8 and 9 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution number 1 and ordinary resolution number 3 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 number 1 and ordinary resolution number 3 contain 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 2010 and up to the date of this notice.

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

10 March 2011

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)

Form of proxy



UNIVERSAL INDUSTRIES CORPORATION LTD

(Registration number 1996/004343/06)
 JSE CODE: UNI ISIN: ZAE000110664

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 Main Boardroom, PKF Inc Limited, 42 Wierda Road West, Wierda Valley, Sandton at 10h00 on Thursday, 2 June 2011, 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 A G Khan as a director of the company			
5. To re-elect C B Brayshaw as a director of the company			
6. To re-elect W L Brett as a director of the company			
7. To approve non-executive directors' remuneration: 2011			
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 _____ 2011

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) (Fax: 086 674 4381) 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.

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) Limited 3rd Floor, The Mall Offices, 11 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 11 Diagonal Street, Johannesburg PO 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

www.universalindustries.co.za