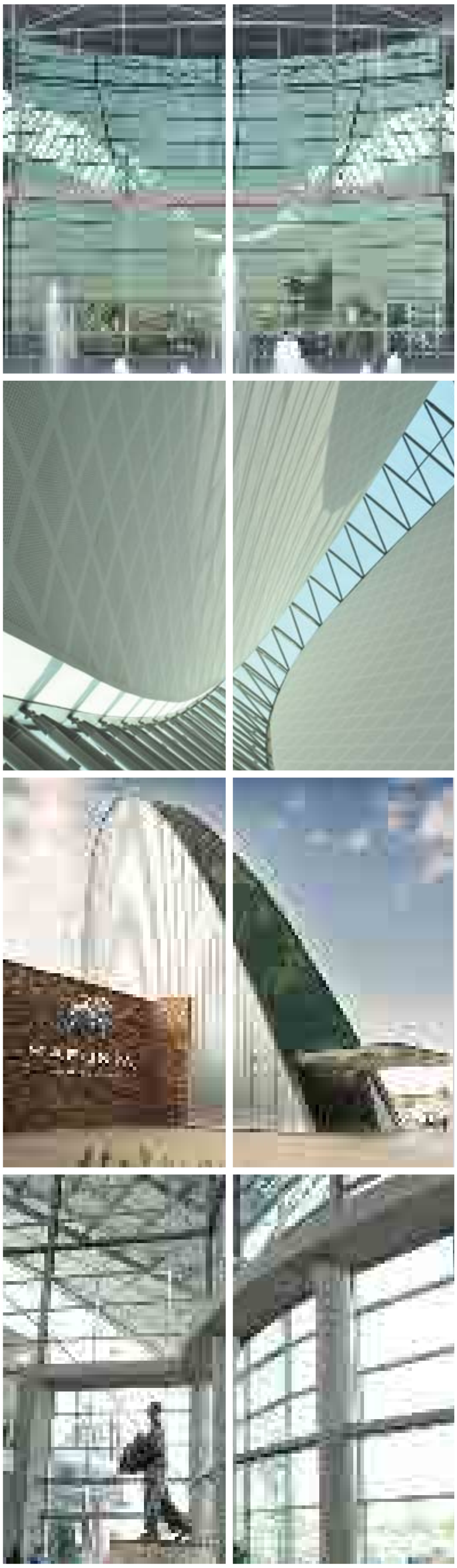
AGI

AG INDUSTRIES LIMITED

glass and aluminium...
infinite innovative applications

annual report 2008



profile

AGI is an innovative group that has created a distinctive merger of glass and aluminium systems and fabrication.

The Group is South Africa's leading distributor of glass and aluminium fabrication used in construction as diverse as skyscrapers and modern homes.

Our aim is to be a global value added specialist in the glass and aluminium products industry.

Our global competitive advantage resides in our ability to identify specific needs around the globe and to satisfy those needs with our technical, design and engineering innovations. Moreover, we are able to do so from a low-cost producer position.

With our knowledge and experience, our product has many properties – it can be an effective barrier to heat, cold or urban noise pollution, it can span metres in size and retain its strength, it has the great look of wood …in aluminium, and can add considerably to the aesthetic range of modern architecture.

AGI assists in design, mass produces, custom produces, assembles and distributes for installation on demand anywhere in the world.

Our design and technical competence allows us to define our markets by weather conditions and by lifestyles, meeting the most outlandish challenges.

AGI's rich pool of design and engineering intellect, combined with our production capacity makes anything possible.

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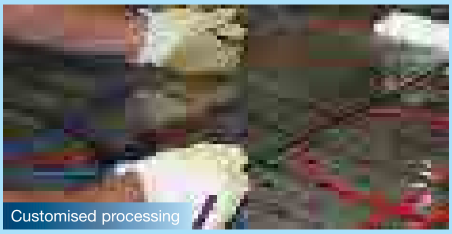
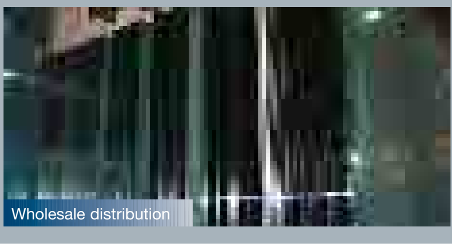
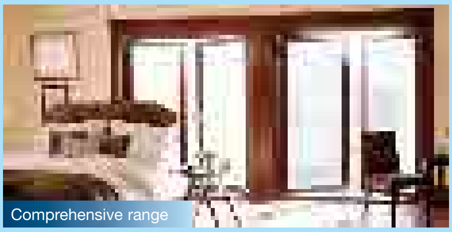
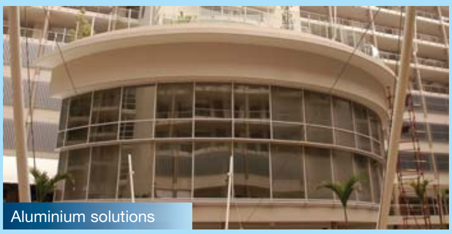
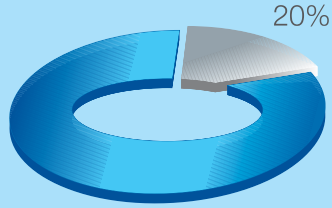
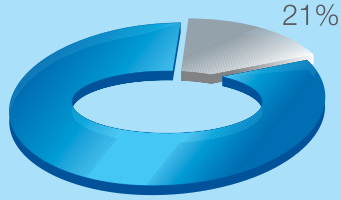
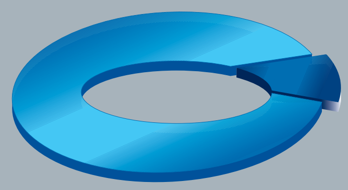
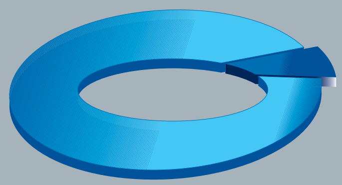
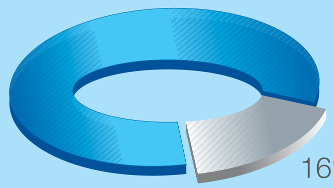
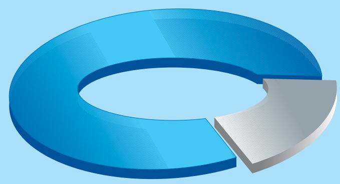
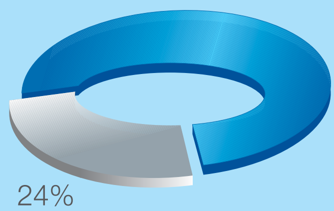
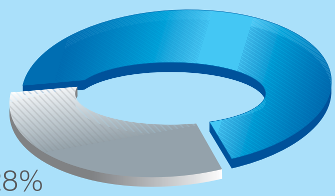
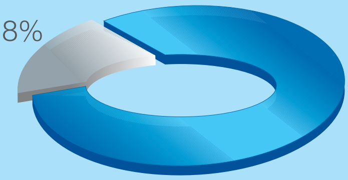
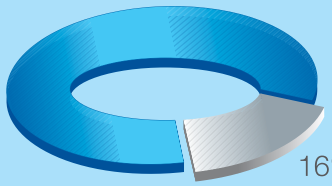
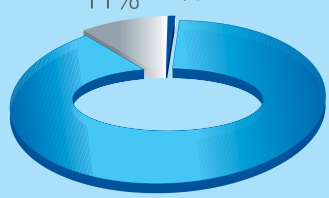
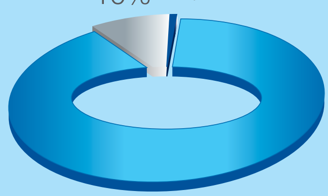
For more information on our Company and our products, contact AG Industries Limited:
Tel: +27 11 607 4500 | Fax: +27 11 615 7050 | www.ag-industries.com

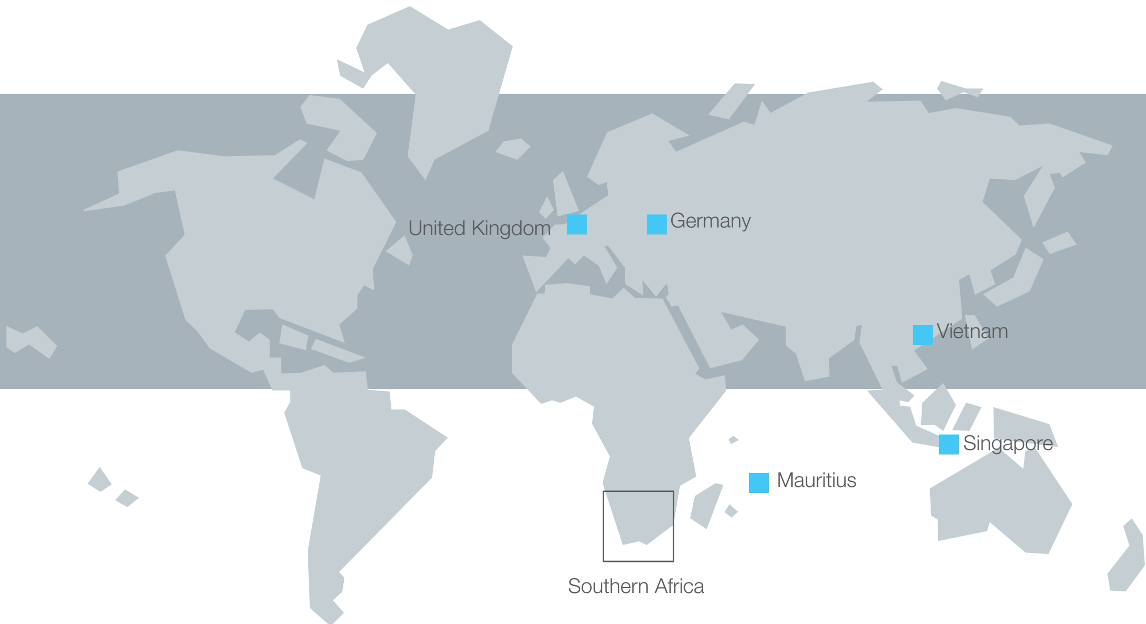
group at a glance

segment	region	companies
Unbeneficiated Glass (Local)  Customised processing	South Africa Botswana Namibia	AGI Glass (Pty) Limited Africa Glass Botswana (Pty) Limited Africa Glass Namibia (Pty) Limited
Unbeneficiated Glass (International)  Wholesale distribution	South Africa (Exports) Germany United Kingdom Mauritius Asia-Pacific	Africa Glass Export (Pty) Limited KAB Allglass GmbH Uniglass Limited Aluminium and Glass Industries (Mauritius) Limited AG International Trading Inc. AG Industries Asia Pacific (Private) Limited AG Industries Vietnam Company Limited
Value Added Glass  Toughened glass	South Africa	AGI Glass (Pty) Limited West Cape Safety Glass (Pty) Limited Ralph's Mirror and Glass (Pty) Limited
Finished Goods  Comprehensive range	South Africa Namibia	AGI Aluminium (Pty) Limited Allglass Gauteng (Pty) Limited t/a Commercial Aluminium Contracts Anso Aluminium East London (Pty) Limited Africa Glass Namibia (Pty) Limited
Roodekop  Coated extrusions	South Africa	AGI Manufacturing (Pty) Limited Showerlux SA (Pty) Limited Coralux Retail (Pty) Limited
Sheerline (Local)  Aluminium solutions	South Africa Botswana	AGI Solutions (Pty) Limited (t/a Sheerline) Africa Glass Botswana (Pty) Limited

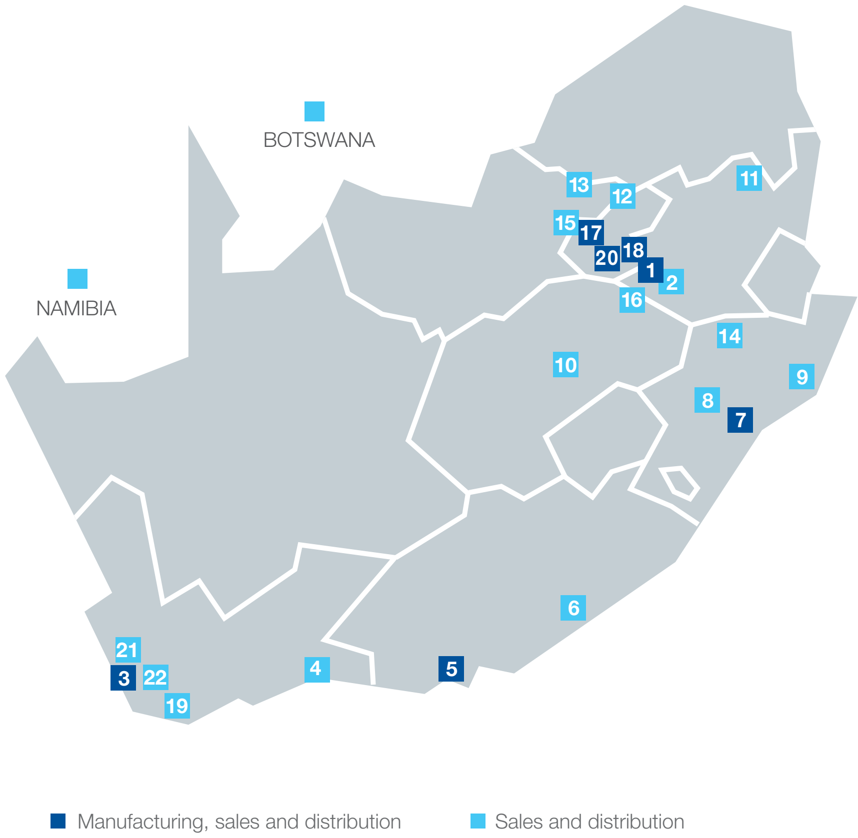
nature of business	contribution to revenue 2008	contribution to revenue 2007
A network of distribution outlets involved in wholesale distribution and processing of customised orders which include cutting, edge working (polishing and bevelling) and drilling.	 20%	 21%
Companies involved in wholesale distribution of bulk and cut to size glass either in their local market or as a sourcing agent, exporter or indent trader.	 10%	 7%
Businesses that manufacture and/or process toughened safety glass, vinyl laminated safety glass, sealed insulated glass units ("SIG"), Glass-Kote and mirrors.	 16%	 17%
The fabrication and distribution of aluminium and glass doors, showers, windows and shop fronts.	 24%	 28%
A mass manufacturer and distributor of extruded aluminium products. The facility includes extrusion presses, powder coating and Kal-Kote finishing plants, a die-cutting shop and finished product fabrication lines.	 18%	 16%
The design and distribution of extruded aluminium products (window, door, curtain walling and shop front systems) and related hardware.	 11% 1%	 10% 1%

Southern Africa International

global presence



1. Roodekop
2. Germiston
3. Cape Town
4. George
5. Port Elizabeth
6. East London
7. Durban
8. Pietermaritzburg
9. Richards Bay
10. Bloemfontein
11. Nelspruit
12. Pretoria
13. Rustenburg
14. Newcastle
15. Chamdor
16. Vereeniging
17. Roodepoort
18. Denver
19. Somerset West
20. Alrode
21. Montague Gardens
22. Brackenfell



six-year financial review

at 30 June 2008

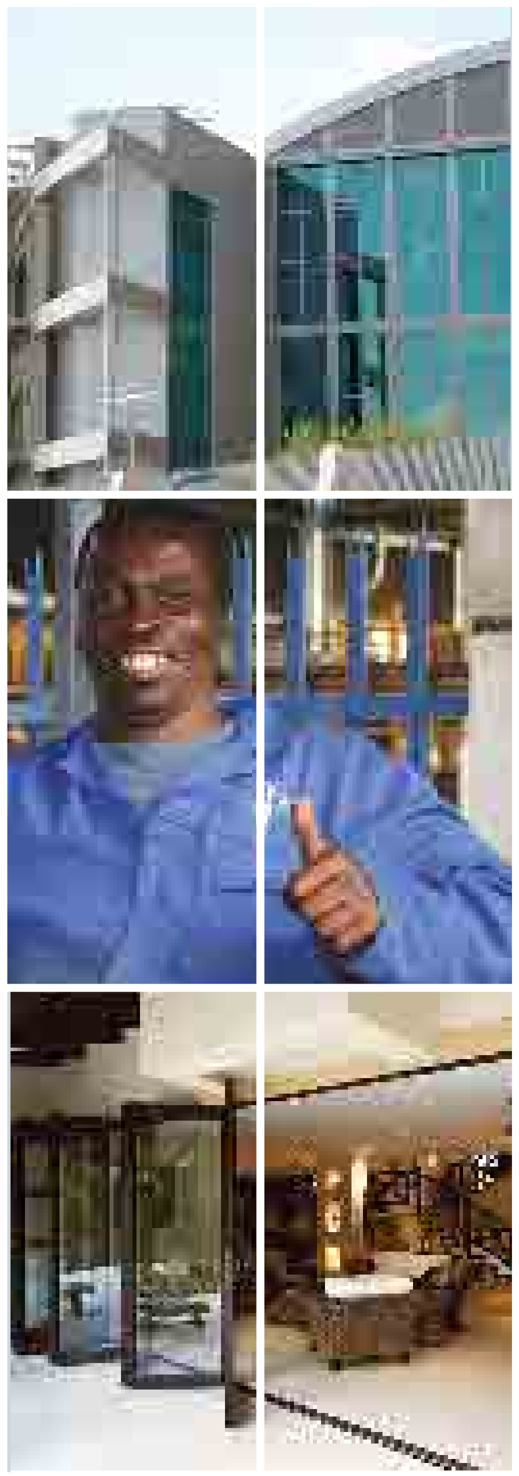
	2008 R'000	2007 R'000	2006 R'000	2005 R'000	2004 R'000	2003 R'000
Abridged income statement						
Continuing operations						
Revenue	1 222 588	1 151 084	1 086 076	901 270	829 438	793 220
Profit before net financing costs and share of profit of associates	25 521	101 037	129 858	93 525	78 612	72 635
Net finance costs	(47 416)	(33 676)	(16 135)	(16 275)	(16 695)	(21 612)
Share of profit of associates	2 932	1 395	3 269	1 943	2 309	2 251
Taxation	(13 290)	299	(33 651)	(21 696)	(22 275)	(20 491)
(Loss)/profit for the year	(32 253)	69 055	83 341	57 497	41 951	32 783
Headline (loss)/earnings for the year	(31 423)	22 029	83 282	57 899	48 139	40 103
Abridged balance sheet						
Non-current assets	365 039	356 091	353 859	218 752	227 177	237 468
Current assets	542 008	509 950	441 754	357 652	371 240	349 910
Proceeds on disposal of property	–	163 000	–	–	–	–
Total assets	907 047	1 029 041	795 613	576 404	598 417	587 378
Equity attributable to equity holders of the parent	388 537	412 374	346 168	269 781	293 437	294 472
Minority interest	3 145	4 511	4 858	4 406	5 109	2 551
Non-current liabilities	99 888	102 470	128 143	103 166	93 122	54 389
Current liabilities	415 477	509 686	316 444	199 051	206 749	235 966
Total equity and liabilities	907 047	1 029 041	795 613	576 404	598 417	587 378
Abridged cash flow						
Changes in working capital	(38 175)	(9 098)	(82 672)	(38 756)	1 172	(27 749)
Cash flow from operating activities	(52 942)	(5 159)	27 679	23 701	67 171	(5 079)
Cash flow from investing activities	127 612	(106 480)	(124 829)	(40 658)	(21 282)	(18 508)
Cash flow from financing activities	(56 394)	29 826	20 808	(2 205)	12 737	(2 197)
Net increase/(decrease) in cash and cash equivalents	18 276	(81 813)	(76 342)	(19 162)	58 626	(25 784)

segmental review and ratios

at 30 June 2008

	2008 R'000	2007 R'000	2006 R'000	2005 R'000	2004 R'000	2003 R'000
Geographical						
Revenue						
– Southern Africa	1 073 522	1 050 333	1 030 863	822 129	744 131	677 495
– International – continuing	149 066	100 751	55 213	79 141	85 307	115 725
– discontinued	–	–	–	63 890	80 912	97 602
	1 222 588	1 151 084	1 086 076	965 160	910 350	890 822
Profit/(loss) before net finance costs and share of profit of associates						
– Southern Africa	13 659	92 104	125 963	93 429	84 152	70 417
– International – continuing	11 862	8 933	3 895	96	(5 540)	2 218
– discontinued	–	–	(950)	(35 305)	(6 438)	(15 895)
	25 521	101 037	128 908	58 220	72 174	56 740
Number of employees						
– Southern Africa	2 102	1 989	1 871	1 684	1 563	1 458
– International	54	44	51	56	67	76
	2 156	2 033	1 922	1 740	1 630	1 534
Business segments						
Revenue						
External and intersegment sales						
Unbeneficiated glass – continuing	483 885	439 338	449 227	417 474	352 976	363 980
– discontinued	–	–	–	63 890	80 912	97 602
Value added products – Glass	266 308	254 146	214 584	149 470	133 727	165 170
– Aluminium	385 032	420 992	502 704	404 763	377 201	367 986
– Roodekop	300 548	240 462	98 954	93 452	77 762	85 505
– Sheerline	197 696	163 486	142 862	100 509	100 318	92 278
Services	–	–	–	–	–	10 400
Gross revenue	1 633 469	1 518 424	1 408 331	1 229 558	1 122 896	1 182 921
Intersegment sales eliminated	(410 881)	(367 340)	(322 255)	(264 398)	(212 546)	(292 099)
	1 222 588	1 151 084	1 086 076	965 160	910 350	890 822

	2008	2007	2006	2005	2004	2003
Statistics and ratios						
Share statistics						
Shares in issue ('000)	205 626	205 626	197,045	195 478	195 478	195 478
Weighted average number of ordinary shares in issue ('000)	204 149	201 216	196,062	194 312	194 178	194 178
Basic (loss)/earnings per ordinary share (cents)	(16,3)	33,5	41,1	9,1	16,5	10,8
Headline (loss)/earnings per ordinary share (cents)	(15,4)	10,9	41,1	21,3	21,3	15,6
Capital distribution/dividend paid per ordinary share (cents)	–	–	9,0	6,5	6,5	5,0
Net asset value per ordinary share (cents)	189	201	176	138	150	151
Number of employees	2 156	2 033	1,922	1 740	1 630	1 534
Selected ratios						
Interest-bearing borrowings to shareholders' equity (%)	66,9	81,4	63,1	43,1	29,3	41,7
Return on shareholders' equity (%)	(8,6)	16,6	23,5	7,0	10,9	7,1
Return on shareholders' equity (%) (excluding intangibles)	(12,4)	22,5	35,1	10,2	17,3	12,4
Headline earnings return on shareholders' equity (continuing operations) (%)	(8,1)	5,7	23,7	21,1	16,4	13,6
Return on total assets (%)	(3,7)	6,7	10,4	3,3	5,4	3,6
Revenue per employee (R'000)	564	566	565	555	559	581
Total assets per employee (R'000)	421	506	414	331	367	383
Operating margin (%) (continuing operations)	2,1	4,0	12,0	10,4	9,5	9,2
Current ratio (times)	1,3	1,3	1,4	1,8	1,8	1,5
Quick ratio (times)	0,7	0,9	0,7	1,1	1,1	0,9



mission and vision

our mission is to:

- be the **preferred supplier** of glass and aluminium solutions and;
- through our **innovative and entrepreneurial** approach;
- supply a **quality** product;
- **on time** every time;
- at the **right price**;
- at the right location **convenient** to the customer;
- displaying commitment to **conserving the environment**; and
- **respecting and nurturing** all our employees.

In doing so:

we endeavour to deliver sustainable returns to our shareholders

to achieve the above, AGI has a clear vision:

Through its service to an international customer base, AGI has developed a **world-class design and technical skill set** as well as **significant production capacity**.

It has a **unique combination of glass and aluminium** that services needs as diverse as climate control, design style and good old fashioned practicality.

With this skill set it has an opportunity to harness and understand these needs on a global basis and to be a **market leader** in the supply of **innovative, quality solutions from an efficient and low-cost producer base**

... this is our goal.

building a common culture:

integrity	honest and fair in all our dealings
successful teamwork	unified team performance
passion	passionate about achievement
innovation	continuous innovation in all areas of our business
respect	all stakeholders and employees treated respectfully
excellence	trustworthy quality, value, service and safety
diligence/ accountability	responsibility and ownership

aspiring to have an "inspired" culture – brilliant, creative and motivated by the pursuit of excellence.

directorate

Alex Anthony Barrell (57)
Group Chief Executive Officer

Years in the industry: 32
Years with AGI: 28

Member of:
Audit Committee
Remuneration Committee

Alex's entire working career has been in the glass industry. Alex has led the Group from modest beginnings in 1980 at 80 m^2 premises in Johannesburg to its current global form. He has travelled the world extensively and forged valuable relationships with manufacturers throughout the glass and aluminium industries. He employs an entrepreneurial management style and his in-depth knowledge of the markets in which the business operates makes him an incisive strategic thinker.

Jackie Martingano (41)
Executive Director, Managing Director: Southern African Operations
B.Compt (Hons)

Years in the industry: 19
Years with AGI: 19

Jackie joined the Group in 1989 after four years in commerce. She qualified while employed by the Group and served as Financial Director of the Glass Division until moving into the role as Group Commercial Director. In this role she was extensively involved in all operational matters and was responsible for Group internal control. In 2002, she was appointed as Group Financial Director and Company Secretary, a position which she held until early 2007. Until late 2007, she was involved in the Aluminium Division with commercial projects to improve productivity in that division and also headed up the retail unit of that division. From late 2007 she was appointed Managing Director – Southern Africa and assumed full responsibility for South African Operations.

Michael John Edward Geldenhuys (47)
Acting Group Financial Director
B.Comm (Hons)

Years in the industry: 12
Years with AGI: 12

Mike's business career until he joined the group in 1997 was in banking where he achieved a senior management position and obtained commercial experience and specialised knowledge of risk and treasury management. During his career in AGI, he has been responsible for risk and treasury management as well as fulfilling the role of Public Officer for the Group. In July 2007, he was appointed as Company Secretary. In addition to these responsibilities he was appointed as acting Group Financial Director, a position for which he is suited due to his many years of involvement in risk, internal control and compliance and his broader knowledge of the Group's strategy and operations.

Jeffrey Charles Saville (61)
Executive Director

Years in the industry: 39
Years with AGI: 23

Jeff's entire business career has been in the South African glass industry where he has served as a managing director for more than 30 years both prior to and during his time with the Group. He has in-depth knowledge of value added glass manufacturing and is the chairman of the South African Glass and Glazing Association ("SAGGA"). He is a leading figure in the glass industry and through his association with SAGGA has been instrumental in having legislation passed to ensure that glass is safely used in all commercial applications.

Clive Paul Kalil (53)
Executive Director

Years in the industry: 33
Years associated with AGI: 22

Clive was co-founder and managing director of the Group's wholly owned subsidiary AGI Aluminium (Pty) Limited (trading as Kal Aluminium since its inception in 1983) and has spent his entire working career in the aluminium market. He has managed the Finished Goods Division as well as the Group extrusion business since becoming part of the AGI Group in 1999. He has in-depth technical knowledge of aluminium products and legislation applying to the market as well a strong entrepreneurial flair.

Hymie Reuvin Levin (63)
Non-Executive Chairman
B.Comm, LLB, LLM, H.Dip.Co.Law, H.Dip.Tax

Years associated with AGI: 26

Member of:
Audit Committee (Chairman)
Remuneration Committee

Hymie is a commercial and tax attorney and a director of several listed companies. He is a valuable contributor both from a legal perspective as well as a result of his vast experience in terms of audit and remuneration committees and high levels of corporate governance in listed entities. He has been non-executive chairman of the Group since 2003.

Bryan Eric Danoher (79)
Independent Non-Executive Director

Years in the industry: 53
Years associated with AGI: 23

Member of:
Audit Committee
Remuneration Committee (Chairman)

Bryan's entire working career has been in the international glass industry, for many years as a managing director of a float glass manufacturing organisation, where he has had extensive experience and exposure to large local and global projects and human capital management. As a result he has a high level of technical and human resources skill. His experience in large corporate organisations adds a further dimension to the Board.

Hymie Levin
Non-Executive Chairman

"building a solid foundation to effect market leadership"

Overview

Early in the year, AGI operated in a global market which was relatively buoyant. South Africa had seen exceptional growth, although there were definite signs of the residential sector slowing, with increased interest rates and the National Credit Act taking effect.

In January 2008, the global market was impacted by uncertainty fuelled by fears of a global shortage in certain commodities, which was exacerbated by power outages in both South Africa and China. This resulted in higher and more volatile commodity prices. As a result, pressure was placed on AGI as input costs increased and the supply chain was affected as government placed restrictions on primary producers in South Africa. This coupled with an increased inflation outlook and possible further interest rate hikes resulted in a further slowdown in consumer spending, particularly in the residential market.

Despite difficult trading conditions, the Group experienced an increase in revenues on both infrastructural and other related commercial projects in the latter half of the year. Whilst the outlook in the international markets was weaker suggesting a contraction in activity, the Group's International Operations were less affected as they operate in niche markets.

Vision

The Group strives to be a market leader in the supply of quality and innovative glass and aluminium solutions from an efficient producer base. The Group's strategy of vertical integration and extracting of efficiencies in the value added (beneficiated) glass and aluminium markets remains a key driver with considerable resources and capital having been committed to in the past two years, as historically manufacturing capacity hampered growth in the Group. This investment has impacted on profitability in the short term through higher gearing and finance costs, but with a focus on productivity and extracting efficiencies from increased capacity, profitability should normalise in the medium term.

Review

The core focus during the first half of the year was to resolve the operational problems at Roodekop which have now largely been resolved. In November 2007, the Group was focused into distinct divisions in line with the geographical segmentation of the business. The Board consequently took a decision to appoint Mrs J Martingano as the Managing Director of its Southern African Operations, thus allowing the Group CEO to focus on Group strategy and its International Operations.

This two-tiered approach, focusing on the Southern African and the International Operations, resulted in two new executive committees being formed during the second half of the year under review. The Group adopted a theme of "back to basics" which started in earnest in early February 2008.

Each operation within the Group was aligned to achieve the Group's vision of aspiring to be market leaders by focusing on the Group's strategic objectives of:

- Increasing volume by supplying into existing markets and exploiting the non-residential upturn;
- Matching costs with revenues;
- Addressing productivity at all levels; and
- Addressing efficiencies by focusing on the supply chain.

Despite operational issues, the Group delivered a 6% increase in revenue but as a result of the continued problems experienced at Roodekop and the knock-on effects on the rest of the Group, a loss of R32,3 million (2007: R69,1 million after profit on disposal of property of R72 million) was reported.

Dividend

In light of the Group's performance for the year under review, the Board has decided not to declare or pay a dividend in the current year.

Outlook

In the South African economy, inflation and interest rates will influence consumer spending, whilst weakness in the Rand will favour exporters.This should bode well for the Group as imports will slow and new export opportunities should arise as South Africa will be seen as a low-cost producer as the Rand weakens.This coupled with the increase in non-residential and infrastructural spend should result in improved capital expenditure utilisation, resulting in enhanced margins.

Global economies are showing evidence of a general slowdown, with the focus on the demand side of the economies in which the Group operates and a downward trend in commodity prices. Fortunately the Group's International Operations in the UK, Germany, South East Asia and Mauritius are niche businesses and are not expected to be impacted to any great extent by tighter monetary policies and the hampering of global liquidity in the short term.

Although the last two years have been both tumultuous and a considerable learning curve for the Group, having expanded our production capacity and our geographic footprint in Southern Africa, the Group is confident that its carefully constructed business model will be capable of meeting future demand.

The foundation laid during the year together with the Group's technical ability should see the Group return to profit within the next 18 months.

Changes in directorate and appreciation

Mrs J Martingano has, in addition to her role as Executive Director, assumed the role of Managing Director of Africa Glass SA Holdings (Proprietary) Limited, effective from 1 November 2007. She is directly responsible for all Southern African business operations.

Mr R K Braithwaite, the Group Financial Director, resigned with effect from 31 January 2008 and Mr M J E Geldenhuys, the Group Risk Director and Company Secretary, assumed the role of acting Group Financial Director effective from 1 February 2008.

Mr G F D Twigg, a Non-Executive Director, resigned with effect from 30 June 2008.

The year under review was a particularly challenging one for the Group, being one which required an extra-ordinary effort by all. In this regard I wish to thank the Executive team and the employees of AGI for their dedication and commitment during this challenging period as the Group shifts to a more sustainable platform for the future.

To the Group's customers, suppliers and investors, I extend my appreciation for the support they have given over the past year.

Hymie Levin
Non-Executive Chairman

31 October 2008

Alex Barrell
Group Chief Executive Officer

"striving for excellence in quality and service"

Market overview

In South Africa, the slowdown in the residential building sector accelerated throughout the year under review. Commercial development and infrastructural spend continued to be buoyant, albeit with delays in certain projects. Eskom power outages in January and February 2008 materially impacted the Group as a result of the negative sentiment leading to reduced sales. Our businesses in Europe and Asia benefited from strong demand in these areas.

Business strategic initiatives

Given the problems experienced in the South African Operations and in line with the Group's vision to be the market leader in the supply of innovative glass and aluminium solutions from an efficient base, the Group adopted a theme of "back to basics" involving a few key initiatives undertaken in the year under review to ensure that core competencies were in place to achieve the South African Operations' objectives. As a result of these initiatives the following was achieved in the year under review:

- The Group's vision, mission and strategies were reinforced;
- Quality standards were addressed at most manufacturing facilities, ensuring that either SABS, ISO 9001 or in-house quality standards are operational or implemented at every site. These quality systems are expected to be fully functional throughout the Group by December 2009;
- From a maintenance perspective all systems were reviewed. As a result of this initiative, a proactive preventative maintenance system was introduced during the year. This has already yielded significant savings in maintenance costs. In addition, a technical committee was formed in the second half of the financial year with one of its main functions being the monitoring of maintenance of all major equipment within the Group;
- The entire health and safety system in the South African Operation was enhanced; and
- Productivity, efficiency, and overhead target measurements were set.

All these initiatives formed the basis of the three-year plan which was implemented during the current year. This plan includes key objectives to be attained which will be measured by means of a balanced scorecard.

SOUTHERN AFRICAN OPERATIONS

Unbeneficiated and Value Added Glass

This division contributes around 35% (2007: 38%) of the Group's revenue. Approximately 57% (2007: 60%) of the revenue of this division is derived from the residential sector, which has been impacted by a slowdown in consumer spending, while the remainder of the revenue is generated from the commercial building and construction sector. This division, which derives its revenue from the sale of unbeneficiated and value added glass

products, traded profitably despite the knock on effect of the lower volumes through the Aluminium Division, and delivered satisfactory operating results for the year under review. Although volumes fell 4%, mostly as a result of lower volumes of unbeneficiated glass to the residential sector, a more favourable mix together with inflationary price increases, (9% in February 2008) resulted in a 3% growth in revenue for the year under review. Despite the more favourable mix, gross profits came under pressure and decreased marginally (1%). The overhead to revenue ratio increased by 3% as a result of the Glass Division absorbing the costs of the tempering furnace operated at Roodekop.

The focus in the division is to reduce the overhead to revenue ratio to more acceptable levels over the next 18 months and to improve productivity.

Unbeneficiated Glass

Revenues in Unbeneficiated Glass (wholesale distribution of bulk and cut to size glass) increased by 1% to R321 million (2007: R318 million), while volumes decreased by 6% predominantly in the float glass market as a result of the residential slowdown. Improved gross margins, due to a more favourable product mix (even though price increases introduced in February 2008 were not fully passed through to the market) and a constant overhead to revenue ratio, delivered an improved operating margin in the year under review.

The strategy in this division remains to maintain market share.

Value Added Glass

Revenues in Value Added Glass increased by 5% to R266 million (2007: R254 million) as a result of strong growth into the non-residential market, however, this was somewhat offset by a drop in off-take from the Aluminium Division as a result of the residential slowdown. Although operating margins decreased due to an increase in the overhead to revenue ratio brought about by double digit inflation in the current year, as well as the lower volumes mentioned above resulting in higher unit costs, this division continued to trade profitably.

The strategy for this division is to focus on the non-residential sector of the market, thereby improving the mix in value added glass products.

Divisional objectives for the year ahead in line with the three-year business plan are:

- Reduce the overhead to revenue ratio by 10%;
- Grow the commercial market by maintaining the current tender hit rate which should improve value added margins;
- Increase productivity on all toughening furnaces and PVB laminate lines;
- Improve the working capital cycle, resulting in improved cash flows; and
- Reduce waste and improve efficiencies through more effective management of resources, including people and assets.

Value Added Aluminium

This division contributes around 42% (2007: 43%) of the Group's revenue. It consists of Finished Goods (aluminium doors, windows and showers) and the Roodekop aluminium manufacturing facility (extrusions). Revenues in this division increased by 4% with operating margins improving, particularly in the second half of the year, as the production problems at Roodekop were largely resolved.

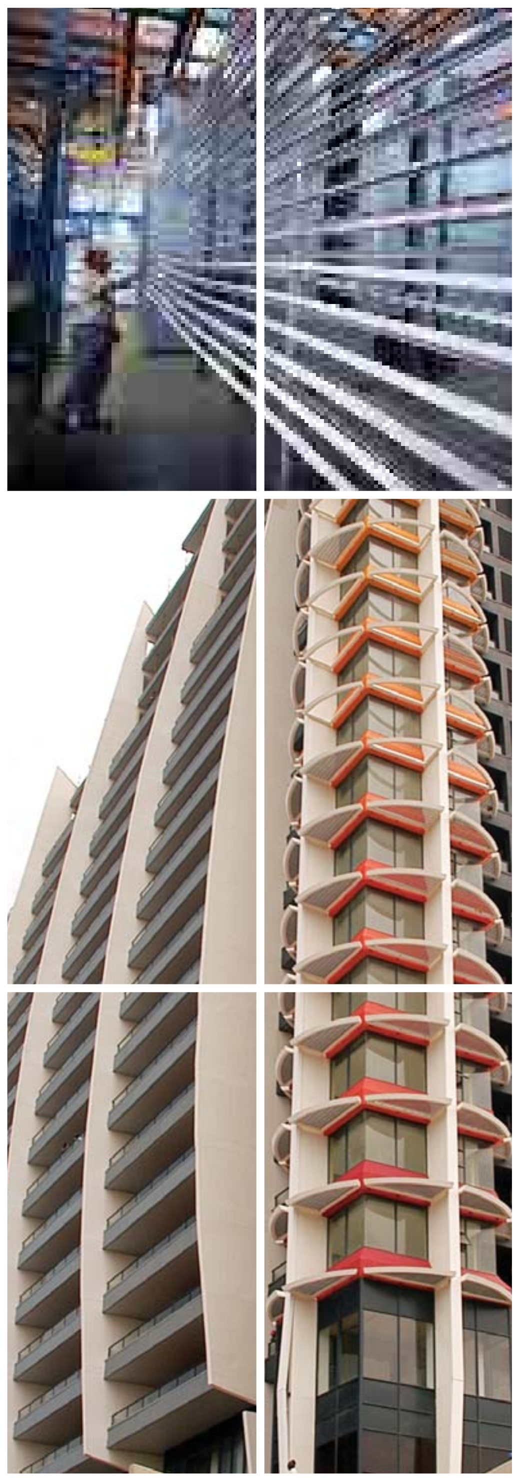
Finished Goods

Revenues decreased by 9% to R385 million (2007: R421 million) as a result of increased competition and the knock-on effects of the difficulties experienced at the Roodekop facility. This, coupled with the lower volumes as a result of the reduction in consumer spending, particularly in the residential market, has led to pricing pressure in the year under review. Operating margins remained constant as overheads were trimmed by R13 million in the current year to match the decreased revenue. This division remains profitable.

The division was focused into two units, namely Retail and Merchants, to align the Finished Goods business with its channels to market.

Retail market

The strategy in this division has been clarified and a new and focused team has been employed to regain lost market share. The division has introduced a new product range and has reassessed its market offering with regards to pricing, product and service levels. Exciting new initiatives are in the pipeline to significantly improve service quality and innovation. There has been a marked slowdown in this sector. The biggest loss was in



shower doors, which is attributed to imports of chrome doors from China. The Group now has its own chrome offering which will be introduced into the market in early 2009. The Group is able to offer a comprehensive product range, at competitive prices from many locations across the country.

Merchant market
The strategy in this market is to increase market share by providing quality products, correctly priced, with excellent service and delivery times. The focus in this division is "back to basics'" with service, productivity and cost control being the main objectives for the business.

Divisional objectives for the year ahead in line with the three-year business plan are:

- Reduce overhead to revenue ratio by 9%;
- Regain market share through the introduction of new and innovative products and unique services, as well as competitive pricing;
- Increase productivity at all sites; and
- Improve the working capital cycle, resulting in improved cash flows.

Roodekop (Extrusions)
The entire Roodekop site has been focused down into two separate business units, namely the extrusions and powder coating unit and the glass unit. The glass unit now reports directly into the Glass Division. Over the past year, revenue at Roodekop increased by 25% whilst the increased productivity produced gross profit for the year compared to a gross loss in the previous year. Despite significant maintenance expenses, overheads were reduced by R10 million year on year. This resulted in a reduction of R9 million in operating losses. On the extrusion presses, production tonnages have increased consistently from the July 2007 production of 299 tons to a consistent average of 549 tons from March to June 2008. This resulted in significant operating losses in the first half of the financial year being converted to operating profits from March until June. Maintenance downtime has reduced from an average of 23% in the first half to 8% in the second half of the year, resulting in a significant decrease in maintenance costs. Scrap has also decreased to an average of 23% in the second half of the year from 29% in the first half. The division reported a loss of R37 million most of which was incurred between July and February.

Divisional objectives for the year ahead in line with the three-year business plan are:

- Achieve production of 600 tons per month;
- Achieve an average scrap rate of 22%;
- Achieve maintenance downtime of 4%; and
- Maintain current overhead levels.

"cost reduction by improving productivity as well as efficiencies"

Sheerline
This division contributes 12% (2007: 11%) of the Group's revenue and consists of aluminium extruded lengths and hardware. Approximately 40% of this business' revenue is generated from the commercial building sector, while 60% is from the residential sector. The division traded satisfactorily as volumes of aluminium extrusions increased by 15%, with hardware volumes increasing by 4%. This together with the increases in the commodity price of aluminium resulted in an increase in revenues of 21% to R198 million (2007: R163 million). However, increased competition in the local market due to a softer market and extreme price volatility on the London Metal Exchange for Aluminium, created a difficult trading environment resulting in price lags. As a result, gross margins came under pressure and fell by 4% and this together with an increase in overhead to revenue ratio resulted in a reduction of 6% in operating margins.

Divisional objectives for the year ahead in line with the three-year business plan are:

- Reduce overhead to revenue ratio by 20%;
- Reduce stock days;

- Achieve double digit top line growth through a focus on commercial contracts, particularly exports; and
- Improve the working capital cycle, resulting in improved cash flows.

INTERNATIONAL OPERATIONS

International Operations accounts for all businesses generating hard currency earnings and includes both South African export earnings and earnings of businesses located outside of Southern Africa. This segment accounts for 11% (2007: 8%) of Group revenue and 43% (2007: 19%) of the Group's profit from operations.

The International Operations had a record year with every division exceeding budget. Revenue for the division grew by 43% due to growth in volumes, a more favourable mix of value added products and a more favourable currency conversion. Due to the set-up costs and initial operating costs on the establishment of the Singapore business, which was set up in the first quarter of the financial year, the overhead to revenue ratio increased resulting in a slightly lower operating margin for the year compared to the prior year.

Germany

The German operation is based in Hamburg. It focused on processing, increasing volumes by 20%.It secured project work in Germany and Denmark which resulted in overall revenue growing by 45%. Gross margins grew by 2%, while the overhead to revenue ratio remained constant. This resulted in record profitability for the business in the year under review.

United Kingdom

The UK business based at Northampton services a specific glass customer base across the country and increased its revenues by 8%. Operating margins increased as the overhead to revenue ratio improved through efficient cost control, and this business returned a record profit for the year.

Mauritius

Mauritius increased revenue by 53%, due to a far more favourable mix of value added revenue. This, together with a significant improvement in the overhead to revenue ratio resulted in the operating margin increasing to 15% (2007: 2%), resulting in record profits for this business unit.

Singapore

This business has been established as a global trader with the purpose of gaining access to primary suppliers of products and trading them to a wide-ranging customer base, and is expected to be profitable in the coming year.

Outlook

Despite signs of recession, management remains confident that the International Division will at least maintain results for the coming year due to the fact that they are niche businesses servicing specific segments of the market and all hold a small share of the markets in which they operate. In Germany, the multi-billion Euro development of the Hamburg waterfront is expected to result in continuing demand for glass products in the medium term.

Divisional objectives for the year ahead in line with the three-year business plan are:

- Increase volumes into niche markets;
- Increase range of products; and
- Maintain overhead structure in line with future growth.

FINANCIAL RESULTS

Consolidated income statement

Group revenue increased by 6% to R1 223 million (2007: R1 151 million) with the Value Added Glass, Sheerline and International Divisions all experiencing above inflationary growth for the year while the Aluminium and Unbeneficiated Glass Divisions felt the effects of a softer domestic residential market.

Profit before depreciation decreased by 20% to R54,8 million (2007: R68,7 million) after once-off costs of around R12 million relating to retrenchments, impairment of unproductive assets and abnormal maintenance costs, mainly at the Roodekop facility. In addition, margins were further impacted by an increased overhead to revenue ratio due to lower production volumes in the first eight months of the year.

Depreciation increased by 22% to R27,3 million (2007: R22,4 million) and net financing costs increased by 41% to R47,4 million (2007: R33,7 million), as the capital expenditure in the prior year of R107 million was included for the full year under review. As expected, net financing costs decreased 19% in the second half of the current year compared to the first half due to the lower level of gearing during that period.

Headline profit before net financing costs and share of profits of associates decreased by 41% to R27,5 million (2007: R46,3 million) as a result of lower operating margins and increased depreciation and finance costs.

Associate companies involved in the business of flat and auto glass fabrication and distribution contributed an increased share of profit of R2,9 million (2007: R1,4 million).

In light of the trading results of certain businesses, management deemed it prudent to defer the raising of deferred taxation assets for the current year of R15,3 million until the trading entities involved return to profitability, expected within 18 months. This resulted in a substantial increase in the effective tax rate, details of which are covered more fully on page 48 in the notes to the financial statements.

All of the above factors resulted in a loss for the year of R32,3 million (2007: profit R69,1 million after a profit on disposal of property of R72 million). Basic and headline earnings per share decreased to a loss of 16,3 cps and 15,4 cps respectively (2007: earnings of 33,5 cps and 10,9 cps respectively).

"achieving growth through a focus on channels to market"

Consolidated balance sheet and cash flow

Capital expenditure on property, plant and equipment reduced substantially to R34 million (2007: R99 million) for the year under review of which 73% (2007: 22%) related to replacement capital expenditure. Of the R34 million capital expenditure in the current year, R21 million was incurred in the first half of the year under review. Capital expenditure is expected to remain at current levels.

Additional investments in subsidiaries of approximately R14 million (2007: R8 million) were made during the year under review. (See Directors' report on page 32 for further details).

The working capital to revenue ratio deteriorated to 25% (2007: 23%) as a result of increased stock holding due to higher aluminium and glass input costs along with the opening of additional branches in Sheerline. Trade receivables and payables increased in line with revenue and cost of sales year on year.

Gearing improved to 67% (2007: 81%) as net movements in cash equivalents and bank borrowings improved R100 million to an inflow of R18 million (2007: outflow R82 million) in the current year.

Human Resources

During the year under review the Human Resources Department was bolstered with the appointment of a Human Resources Manager for the Group. This being a people intensive business, the need for sound human resource policies and procedures is of paramount importance to the Group.

Another key focus of this function is around the attraction and retention of skills within the Group and in so doing adopting a best practice approach with emphasis given to the following areas:

- Recruitment practices;
- Retention policies and programmes;
- Succession planning;
- Performance management;
- Training and development
- Employment equity and affirmative action; and
- Labour relations.

This is in line with our vision to become an employer of choice.

Appreciation

I would like to thank our Chairman, Hymie Levin, for his ongoing wise counsel and contribution to the Group.

To the Executive team, management and staff throughout our organisation, my sincere thanks for your enormous commitment and dedication. Specifically, I would like to extend my appreciation to Jackie Martingano for her dedication and fine leadership of the South African team in a difficult year.

To our customers and trade unions, my appreciation for their continued support. In particular, I would like to record our gratitude to our supplier base for their understanding and support during the year.

Alex Barrell
Group Chief Executive Officer

31 October 2008

corporate sustainability report

AGI is committed to being a responsible corporate citizen and strives to improve and measure progress made, and to adhere to guidelines set out in the King II report.

Our stakeholders include amongst others customers, shareowners, suppliers and employees.

Customers

AGI strives to be supplier of choice to its customer base by offering quality products and expertise at competitive prices and by relentless efforts to improve and be the market leader in service levels.

As competition from importers increases based on price, our goal is to provide the market with innovative new products and technical expertise with an unsurpassed level of service.

Black economic empowerment (BEE)

AGI is committed to supporting the success of BEE and is in the process of developing a scorecard against which goals will be set and progress tracked.

The focus areas are as follows:

Shareholder empowerment

AGI recognises shareholder empowerment as a future challenge and seeks opportunities which would result in an enhancement of shareholder value.

Human resource development and employment equity

To operate at high levels in a skills shortage environment, it is critical to develop a business focused on people. To this end AGI is committed to create an organisational culture where staff strive towards continuous improvement, both personally and professionally, and where an environment of growth and transformation is created.

The Group aims to transform employee profiles to reflect the diversity of the South African demographic profile and almost 80% of the total staff complement is drawn from historically disadvantaged groups. In addition, historically disadvantaged groups represent 37% of the managerial group.

The Group has budgeted a substantial increase in employee training spend for the next financial year focusing specifically on the development of technical skills at the manufacturing facilities. Talented individuals, irrespective of background, are identified and developed to their full potential where they are empowered to apply their new found skills.

Employee statistics

Total number of employees at the beginning of the year	2 033
Add: Recruitments	841
Less: Resignations, retirements, etc	(718)
Total number of employees at the end of the year	**2 156**

Indirect empowerment

AGI welcomes and supports BBBEE as a source of potential sustainable growth for the Company as the implementation is an opportunity to address the skills crisis, to create nationbuilding and facilitate leadership and entrepreneurial development. BEE is promoted by assessing all companies within the Group and developing action plans to increase the BEE status of the different companies, vetting the credentials of the supply chain and assessing ventures where black partners can be enabled.

Environmental

AGI acknowledges it has a role to play in the preservation of the environment and has established an environmental, health and safety committee to monitor goals and progress. Careful consideration is given to the handling of AGI waste. Safety standards are strictly adhered to and the health and wellbeing of AGI's workforce, its customers and the ultimate users of its products are a commitment of the Group. The Group is in the process of completing environmental impact assessments from which a measurement system with targets for minimising the use of natural resources will be implemented. Quality is an important strategic focus of AGI. AGI has implemented a programme so that ISO 9001 quality management accreditation will be achieved at major manufacturing sites throughout the Group. The Glass Manufacturing Division in Denver was awarded ISO 9001 status in 2006, while Roodekop and the Glass Manufacturing Division in Durban are in the process of implementing ISO 9001. The implementations are expected to be completed by December 2009.

Social

Employees

The Group strives to be an employer of choice. Efforts are under way that will ensure that each employee knows what his/her unique contribution is and in addition where an environment is created where the employees can develop to their full potential. The Group has also launched a values programme where all employees participate in the establishment of the core values of the Group. These values will serve as the criteria for making decisions and setting priorities within the Group.

Long service is valued in the Group and the proportion of employees who have been with AGI for longer than five years is 33% (2007: 35%).

Long service employees

Length of service	Number of employees 2008	2007	% of total employees 2008	2007
Longer than five years	428	434	20	21
Longer than 10 years	226	251	10	12
Longer than 20 years	72	38	3	2

Community

The Group strives to uplift the community in which it operates wherever possible. To this end in the year under review Sheerline designed and manufactured a respiration mask for a little girl who was born with an extremely rare lung disease since the large adult masks were dysfunctional due to their size. Additionally, the retail division of AGI Aluminium partnered with their customer, Build It, to sponsor soccer kits for disadvantaged schools. The Group will continue to distribute obsolete stock to needy communities.

"aiming to be an employer of choice"

Labour and management relations

As a result of diversified operations, AGI observes various unions' organisational rights. A healthy relationship is maintained between management and various union members and other employees. Consultations are held on a regular basis and the input from all stakeholder are sought in the drive to create a healthy organisation.

HIV/AIDS

The Group recognises the reality of the HIV/AIDS epidemic in the world and recognises that AIDS does not discriminate against culture, race or gender. The Group commits itself to providing resources and leadership to implement an HIV/AIDS and STD programme. As part of the initiative to improve the knowledge about HIV and AIDS, employees at the Alrode facility attended an introductory talk on the subject. A formal HIV/AIDS committee has been established. This initiative will be rolled out to all other South African facilities within the Group.

Health and safety

AGI focused on the rollout of its health and safety policy on all levels within the organisation during the year under review, to ensure a safe and healthy work environment for all of its staff members and service providers. The Group has developed and implemented a strategy pertaining to the legal compliance, implementation and rollout of the system at all levels in the organisation. A health and safety manual has been compiled in line with the international standard BS OHSAS 18001 – 1999: Guidelines Pertaining to Health and Safety Management Systems.

The health and safety system is in the process of being re-evaluated throughout the Group. Baseline audits have been completed at seven of the Group's major sites and will be used to monitor and measure risk profile improvements subsequent to the these audits. Audits of the rest of the Group's 49 sites have been prioritised for completion by the second quarter of 2009/2010 financial year.

Summary of employment equity progress report

	Southern Africa			
	2008	% of total	2007	% of total
Workforce as at 30 June: Namibia and Botswana	56		55	
Workforce as at 30 June: South Africa	2 046		1 934	
Total Southern Africa	2 102		1 989	
Racial and gender profile				
Non-designated group	228	11	199	10
White females	204	10	175	9
Indian males	55	3	51	3
Indian females	21	1	20	1
Coloured males	298	14	271	14
Coloured females	84	4	79	4
African males	1 103	52	1 034	54
African females	109	5	105	5
Occupational level profile				
Management	302	14	267	14
Non-management	1 800	86	1 667	86
Management profile by gender				
Female	64	21	57	21
Male	238	79	210	79
Management profile by race				
Whites	190	63	128	48
Designated groups	112	37	139	52
Non-management profile by gender				
Female	354	20	326	20
Male	1 446	80	1 341	80
Non-management profile by race				
Whites	242	13	205	12
Designated groups	1 558	87	1 462	88
People with disabilities by occupational level				
People with disabilities in management	–		–	
People with disabilities in non-management	1		–	
People with disabilities by gender				
Female	1		–	
Male	–		–	
Workforce movement				
Resignations	206		131	
Non-renewal of contracts (determined by workload)	198		76	
Deaths	16		14	
Dismissals	112		42	
Retirements	8		12	
Retrenchments	178		149	
Appointments (including inter-group transfers)	797		535	
Acquisitions	44		–	

value added statement

at 30 June 2008

	2008 R'000	2008 %	2007 R'000	2007 %
Wealth created				
Revenue	1 222 588		1 151 084	
Cost of goods and services net of other income	877 246		719 000	
Value added	345 342		432 084	
Investment revenues	6 529		4 246	
	351 871	100	436 330	100
Wealth distributed				
To employees as salaries, wages and other benefits	294 481		266 788	
To providers of capital as interest	53 945		37 922	
To shareholders as capital distribution	–		3 462	
To outside shareholders	989		1 551	
To government as taxation	8 392		27 718	
	357 807	102	337 441	77
Retained to develop future growth				
Depreciation	27 306		22 367	
Goodwill reassessed	–		12 480	
Retained (loss)/earnings after capital distribution	(33 242)		64 042	
	(5 936)	(2)	98 889	23
	351 871	100	436 330	100

Note: The above amounts exclude the effects of value added taxation.

Money exchanges with government

	2008 R'000	2007 R'000
Taxation		
Paid to governments (direct taxes on income)	8 392	27 718
Collected on behalf of, and paid over to governments:		
– Employees' taxation	39 898	36 738
– Unemployment fund, workmen's compensation and skills development levy	8 735	6 660
– Withholding taxes	–	14
– CIPRO fees	57	48
– Net value added taxation (VAT)	34 507	35 571
	91 589	106 749

annual financial statements

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Application of governance codes

AGI is a company with securities listed on the JSE Limited. The Company subscribes in the main to the principles established in the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance in South Africa ("the King II Report").

AGI is committed to provide its shareholders and other stakeholders with the assurance that the Group is being managed ethically and in compliance with best practices. As suggested in the King II Report, items that require consideration have been grouped together by responsibility area to provide a practical view of these considerations.

The commencement date of the amendments to the Companies Act of 2006 was gazetted on 14 December 2007. As these amendments apply to the financial year commencing after 14 December 2007 (year commencing 1 July 2008 for AGI), the Group has taken steps to comply with the additional governance requirements introduced by the Amendments to the Companies Act of 2006.

Board and directors

The Board

The Board is accountable and responsible for the performance of the Group. The Board has appointed various sub-committees which help to advance the business of the Board efficiently. Delegating authority to Board committees or management does not in any way mitigate or dissipate the discharge by the Board of its duties and responsibilities.

AGI has a *unitary* Board structure with appropriate interaction between executive and non-executive directors. The Board members have varied skills, experience and backgrounds. The executive directors are well experienced in the industry in which AGI operates. The Board has five executive and two non-executive directors. Their names and credentials appear on pages 6 and 7.

The Board fulfils the following functions:

- gives strategic direction to the Group;
- retains full and effective control over the Group;
- monitors the implementation of Board plans and strategies by management;
- endeavours to ensure that the Group complies with all relevant laws, regulations and codes of business practice;
- communicates with its shareowners and relevant stakeholders openly and promptly;
- identifies key risks and key performance indicators of the Group and monitors these with particular attention given to technology and systems;
- also considers non-financial aspects relevant to the business of the Group; and
- defines levels of materiality, reserving specific powers to itself and delegating other matters to management.

The Board has unrestricted access to all Group information, records, documents, and property. The information needs of the Board are well defined and regularly monitored. The Board gives careful consideration, and records the facts and assumptions on which it relies, to conclude that the Group will continue as a going concern for the ensuing year. The Board is responsible for the adoption of strategic plans, monitoring of operational performance and management, determination of policy and processes and endeavours to ensure the integrity of the Group's risk management and internal controls, communications policy, and director selection, orientation and evaluation. The Board balances the need for entrepreneurial performance and conformance with governance constraints.

Board composition

Despite the balance between executive and non-executive directors erring in the favour of executive directors, the Board believes that it maintains effective leadership and control of the Group. Procedures for the appointment of directors to the Board are formal and the rotation of directors staggered in accordance with the provisions of the Company's articles of association.

Chairman and Group Chief Executive Officer

The roles of Chairman and Group Chief Executive Officer are separate with responsibilities divided between them for matters affecting the Board and executive management.

The non-executive Chairman appraises the performance of the Group Chief Executive Officer. The second non-executive director plays an important role in the evaluation of the Chairman.

Directors

The Board's deliberations are free from the domination of any individual director. Executive directors have the appropriate knowledge and experience necessary to effect their governance duties, and are involved in the full-time, day-to-day management of the Group. Non-executive directors are individuals of high calibre and have skill and experience sufficient to judge issues of strategy, performance, resources, transformation, diversity, employment equity, and standards of conduct. They are free from involvement in full-time, day-to-day management of the Group.

The independent non-executive director is free from material shareowner representation, has no family, advisory or business ties with the Group, and has not been employed by the Group in an executive capacity for the preceding three financial years.

The Board is free from the involvement of any 'shadow director'.

Literature is provided on duties, responsibilities, powers and potential liabilities to all executive and incoming directors. Background checks, including enquiries into possible disqualifications, are done prior to the appointment of new directors.

Board and committee meetings

The Board meets at least twice annually and during this financial year the Board met three times. The committees of the Board meet as and when required. Additional meetings are arranged as required. Directors and committee members are briefed in a timely and complete manner in advance of these meetings, and are supplied with sufficient information to enable them to discharge their responsibilities. Meetings are conducted in accordance with a formal agenda, ensuring that all substantive matters are properly addressed.

Board and director evaluation

The remuneration committee is currently responsible for, inter alia, the assessment of directors.

Board committees

The Board has established the committees listed below. Responsibilities that have been established for these committees have been approved by the Board.

Audit committee

AGI's audit committee is mandated by a charter approved by the Board. The Group Chief Executive Officer is the only executive member of the committee which also comprises two non-executive directors. The external and internal auditors have direct access to the audit committee. The audit committee meets to discuss and review:

- the independence, effectiveness and performance of the external auditors;
- review and appoint auditors, and ensure that appointment of the auditors complies with the Companies Act 1973, as amended or any other legislation relating to the appointment of auditors;
- the terms, scope and fee for the audit;
- key matters in the management letter and that they are being properly addressed;
- the adequacy of financial records;
- the appropriateness of accounting records;
- the adequacy of the internal control procedures;
- that the going-concern premise is appropriate; and
- annual financial statements, interim reports and any other announcement to be made public.

One meeting was held in the current financial year and was attended by the Group Chief Executive Officer and one non-executive director who are members, as well as the external auditors. This year, apologies were made by one non-executive director and the internal auditor did not attend the audit committee meeting as he had resigned during the year under review. The position of internal auditor will be filled in November 2008.

AGI has approached candidates for appointment to AGI's Board and as an additional independent non-executive on the audit committee. As soon as this is achieved, the Group Chief Executive Officer will attend audit committee meetings by invitation and not as a committee member of the audit committee.

Remuneration committee

The remuneration committee is subject to the direction and control of the Board. The committee comprises two non-executive directors and the Group Chief Executive Officer under the chairmanship of Mr B E Danoher, an independent non-executive director. The purpose of the remuneration committee is to endeavour to ensure that the Group's executive directors and senior management are fairly rewarded for their individual contribution to the Group's performance. The remuneration committee also addresses matters of policy relating to terms of employment, thereby endeavouring to ensure that the Group is able to suitably motivate and retain the executives required to manage the Group.

The Group follows a policy of benchmarking to senior executive remuneration surveys of similar sized entities in order to determine the specific remuneration packages for executive directors of the Group.

Two meetings were held in the current financial year which was attended by all remuneration committee members.

Technical committee

In order to bring an added dimension of comfort to the Board given the operational problems experienced at Roodekop, a technical committee was constituted during the latter part of the year under review. The primary objective of the committee is to ensure that the correct structures and processes are implemented to ensure a thorough technical analysis is completed on all potential asset acquisitions as well as evaluating existing plant and equipment in order to mitigate or minimise the risk to the Group. The committee consists of not less than three members two of which should be executives and all of which are required to be appointed by the Board. The committee meets at least four times a year. The inaugural meeting was held on 9 March 2008 and one further meeting was held on the 22 July 2008, under the chairmanship of Mr B E Danoher.

Occupational Health and Safety committee ("OHS")
AGI's OHS committee is mandated by a charter, approved by the Board, on 28 February 2008 appointing the MD Southern African Operations as the Group's Chief Executive Officer of OHS Act. The charter is based on the ISO 18001 guidelines. The members comprise various operational executive and managers within the Group's South African Operations. The objective of the OHS committee is to ensure that all business units comply with OHS Act and to migrate to an internationally acceptable risk standard in line with ISO 18001. The OHS committee is required to meet at least four times a year.

Two meetings were held in the current financial year.

Executive committees
With effect from 1 November 2007, the executive committee was re-organised into a South African executive committee and an International executive committee. The executive committees are responsible for the following functions:

- implementation of strategies and policies;
- managing the business and affairs of the applicable operations;
- prioritising the allocation of capital and technical and human resources;
- establishing best management practices and functional standards;
- senior management appointments and monitoring the performance of senior management;
- ensuring that regular detailed reports are submitted to the Board;
- legal matters that could have a significant impact; and
- risk philosophy, strategy and policies.

South African executive committee ("SA EXCO")
SA EXCO's management and administration function is in respect of all Southern African Operations and is headed by the Managing Director Southern African Operations. The other members of the SA EXCO are executive members of Africa Glass SA Holdings (Pty) Limited and other senior managers in the Group. The SA EXCO manages the business and affairs of the South African Operations in line with the functions above. The SA EXCO meets weekly, with 32 meetings being held in the current year.

International executive committee ("International EXCO")
International EXCO's management and administration function is in respect of the Group's International Operations and is headed by the Group Chief Executive Officer. The other members of the International EXCO are executive members of all the International trading operations as well as the acting Group Financial Director. The International EXCO manages the business and affairs of the International Operations in line with the functions above. The International EXCO meets at least quarterly with two meetings being held in the current year

Dealings and securities
No AGI employees may, directly or indirectly, deal in the Company's shares on the basis of unpublished price-sensitive information regarding the business or the affairs of the Group. No director of the Group, and no employee of the Group who participates in the share incentive scheme, may trade in the Company's shares during embargo periods determined in a formal policy by the Board. These embargo periods cover, inter alia, periods preceding publication of interim and annual financial operating results.

Company Secretary
The acting Group Financial Director fulfils the role of Company Secretary. The Company Secretary fulfils extensive statutory duties as well as providing to the Board, as a whole, and directors individually detailed guidance as to how their responsibilities should be properly discharged in the best interests of the Group.

Risk management and internal control

Responsibility
The Board is responsible for the risk management process, as well as the obligation to assess the effectiveness of the process. The implementation, monitoring and integration of the process into the Group's daily activities is management's responsibility.

The Board has appointed a risk committee which meets monthly and is mandated by a charter approved by the Board. The risk committee reviews:

- legal matters that could have a significant impact on the Group's business; and
- risk philosophy, strategy and policies recommended by executive committees.

An effective process for the identification, evaluation and management of risk has been implemented by the Group. The process is ongoing and is consistently reviewed for its effectiveness in establishing unacceptable exposures and initiating actions to limit exposure to acceptable levels.

The Group's structure requires that the operating divisions administrative staff report to the Group Financial Director on all financial responsibilities while reporting to their divisional managing directors on operational matters. Divisional directors report, in turn, to the relevant executive committee.

AGI has long utilised this dual reporting/evaluation system as part of its risk management procedures to identify internal control lapses and risk exposures in due time through ongoing monthly review procedures including:

- the daily reporting by functional divisions of key information including sales, margin, funding balances, inventory levels and early warning reports on interest rate and foreign exchange exposure;
- the reporting on a monthly basis of variances in perpetual inventory shortly after month end; and
- the assessment on a monthly basis of each division's performance based on detailed management accounts and comprehensive supporting working papers in the form of conventional year-end working paper files.

The division of responsibility between persons responsible for financial reporting and those responsible for operational matters allows performance measurement, financial control and risk management associated with underlying operations to be accounted for independently under the responsibility of the Group Financial Director while management of business operations rests with operating executives. This internal review system is supplemented by internal audit review.

Due diligence investigations in respect of all acquisitions are performed by a team of senior Group executives under the authority of the Group Financial Director. Comprehensive warranty and indemnity provisions are included in all acquisition agreements to limit exposures not uncovered during such due diligence investigations. Shortcomings which are discovered during such investigation are, if the acquisition in question proceeds, addressed in terms of the Group's internal control and reporting standards to which acquisitions and new businesses alike are immediately subjected so that they conform with the Group's financial reporting and risk management structures.

The risk assessment structures employed by AGI apply uniform standards and efficient forms of communications so that reporting accuracy, early identification of shortcomings and containment of exposures is achieved.

Exchange risks are managed with the aid of an integrated system which "marks to market" on a daily basis import creditor and export debtor subledgers and optimises the benefit of covering foreign exchange exposures and borrowing at advantageous foreign rates. Foreign currency exposures are monitored daily and adjusted with reference to the consensus forecast of major financial institutions.

The executive committees review risk management and internal control outcomes on a frequent and ongoing basis taking expedient action to limit exposures when appropriate.

The Group's risk assessment procedures address human resource risk, physical and operational risks, compliance risks, credit and business continuity risks and risks that affect the Group's economic, social and environmental targets on its triple bottom-line. Technology and market risks fall to the responsibility of operating directors reporting to the relevant executive committee.

Weaknesses and failings are addressed at Board meetings. The purpose of the review process is also to positively identify opportunities for the Group.

The risk management review procedure is supplemented by the ad hoc evaluation of key management information (including sales, inventory and treasury details) which is available in successive levels of detail commencing with consolidated companies and extending to line item detail on source documents. The information is available to members of the executive committees on the decision support facility which forms part of the Group's internationally networked on-line integrated management system.

Internal audit

Internal audit procedures are performed to supplement the Group's dual reporting/evaluation system in terms of which administrative staff report to the Group Financial Director on all financial matters while performing their operational duties under the responsibility of operations executives, who report to the executive committees. The internal audit review procedures follow standard programmes with the object of improving the Group's risk management and control processes. Persons engaged in internal audit have direct access to the audit committee.

The Group has an internal auditor which gives further objective and independent assurance that internal control procedures laid down by the Board are being adhered to. The Group internal auditor resigned during the year under review and the position will be filled in November 2008.

Sustainability reporting

Social responsibilities

AGI's social responsibility commitment has two objectives:

- the promotion within AGI of the "family" concept in terms of which financial and general welfare support is offered in times of need; and
- externally, to the community at large, by the contribution to selected and deserving projects in which the aim of empowering previously disadvantaged groups where knowledge transfer is an objective.

Bursaries are awarded to staff members to assist them to attend educational institution courses relevant to their job function. Information technology courses are offered to all staff members at no cost to themselves.

Concerning environmental safety and health issues, little threat exists of AGI operations having adverse consequences to the environment given careful consideration of the handling of AGI waste. Safety standards are strictly adhered to and the health and wellbeing of AGI's workforce, its customers and the ultimate users of its products are a commitment of the Group.

Transformation responsibilities

AGI acknowledges the importance of its employees and their loyalty and effectiveness to the Group's ultimate success. AGI acknowledges the limitations which have prevented previously disadvantaged groups from realising their full potential. The appointment and promotion of suitably qualified members of these groups is, accordingly, a commitment of the Group.

Worker participation through improved communication with worker representatives, particularly in matters of common concern, is addressed in an active policy which also encourages self-development, the promotion of equal opportunity and the elimination of discrimination. Recommendations by AGI's employees which are for the good of the Group and its stakeholders are encouraged. In this regard:

- consultative internal committees comprising a cross-section of staff including senior and junior members are established at each workplace; and
- to empower these committees key issues are circularised regarding:
- discrimination awareness;
- the content of the Employment Equity Act;
- the role of committee members and their duty to communicate with their colleagues;
- summaries of the Employment Equity Act; and
- the review of the employment policies, practices and procedures to identify any barriers to employment equity and to formulate solutions and plans to eliminate any such barriers.

Findings of these reviews and their solutions are communicated annually to the Department of Labour in reports which address work force profiles in terms of occupational levels and categories by race and gender, work force movement by race and gender in various occupational levels, skills development action by occupational category and by race and gender, and include a qualitative assessment regarding workforce awareness of the consultative internal committees and a quantitative assessment regarding employment policies and practices.

Self development and the promotion of equal opportunity are advanced by AGI in a formal training programme in respect of which a skills development officer is registered with the Chemical Industries Educational and Training Authority. Ongoing implementation of this programme is overseen by in-house consultative committees.

Code of ethics

AGI's philosophy of striving for and maintaining the highest standards dictates that all its employees must adhere to the highest ethical standards and behave in an honest way and with high integrity in all their dealings both within and without the Group. Suitable programmes, modified where necessary, ensure an honourable culture.

Accounting and audit

External auditors are responsible for the reporting on whether financial statements are fairly presented and in conformity with International Financial Reporting Standards. The external auditors offer reasonable, but not absolute, assurance on the accuracy of financial disclosure. Consultation occurs between the external auditors and the audit committee regarding the efficiency of the audit process.

Responsibility for the adequacy of the accounting records, and the Group's internal control structures, the appropriateness of accounting policies and the consistency of estimates is acknowledged by the Board as it is the directors responsibility for the preparation of the annual financial statements, adherence to applicable accounting standards and the presentation of information that fairly presents the state of affairs and the results of the Group.

Relations with share owners

AGI has a constructive dialogue with institutional investors, observes statutory, regulatory and other directives regarding the dissemination of information by the Group and its directors and officers.

The Board acknowledges its responsibility to communicate a balanced and understandable assessment of the Group's position to its stakeholders covering both financial and non-financial information and addressing material matters of significant interest and concern to shareholders.

remuneration report

for the year ended 30 June 2008

Introduction

This report on remuneration and related matters covers issues that are of concern to the Board as a whole in addition to those which are dealt with by the remuneration committee.

Remuneration policies

The remuneration committee approved and operated a framework of policies within which the remuneration of each director has been established. The framework is implemented in accordance with the principles of good corporate governance and the requirements of the King II Code.

The remuneration strategy seeks to ensure that executive directors and members of executive management are rewarded for their contribution to AGI's operating and financial performance, taking account of industry, market and country benchmarks. It is a basic objective of the remuneration framework that executive directors and senior management should receive remuneration appropriate to their scale of responsibility and performance.

The remuneration strategy seeks to facilitate attraction and retention of key talents. This is accomplished through ensuring a balance across various reward domains, providing for an appropriate mix of fixed pay, bonus and long-term incentives. During the year under review, appropriate focus was placed on the "total employment offering". This ensures that in addition to an appropriate market position regarding director and executive management pay, steps are in place in respect of career management.

The attraction, motivation and retention of individuals of the necessary calibre is key to the ongoing creation of competitive advantage within AGI. In the application of its frameworks, the remuneration committee has considered the necessity of being competitive from a reward perspective in an increasingly globalised environment, while having regard to the loss of key skills from South Africa to developed economies.

The remuneration committee endeavours to base pay at median levels by comparison with relevant comparative companies, to avoid paying more than is prudent for the purpose of maintaining good management.

Summary of executive directors' remuneration

The remuneration packages of executive directors comprise annual salary, an annual bonus plan, participation in share option plans, retirement funding contributions, health insurance and motor vehicle benefits. These are described below:

Executive directors' salaries

In setting annual salary levels for the financial year to 30 June 2008 and in reviewing these for the coming financial year, a range of survey data was considered to assist the remuneration committee in its deliberations. The benchmarking methodology is to source and subscribe to reputable, multi-industry surveys to ensure broad cross-comparability.

Executive and non-executive directors' salaries are set individually, based on individual contribution, overall value added and with reference to appropriate market relativities.

At present, all executive directors are paid exclusively in South African Rands.

Executive directors' bonuses

In addition to basic salary, each executive director is entitled to participate in the annual incentive bonus scheme. Under this scheme they might be awarded up to approximately 25% of annual basic salary if Group, divisional and personal performance objectives agreed by the Board were significantly exceeded.

As a consequence for AGI's financial performance, despite individual contributions, for the year ended 30 June 2008, no bonuses were paid to executive directors in December 2007 (December 2006: R1 228 100) (as reflected on the next page).

Retirement funding

AGI made contributions for executive directors to the AGI Provident Fund. The rate of contribution for the AGI Provident Fund, a defined contribution scheme, is 10% of retirement funding income. This percentage also covers a contribution for personal life insurance and disability.

Other benefits

Executive directors are provided with benefits, as reflected on the next page, which are included in their total remuneration package.

for the year ended 30 June 2008

Summary of emoluments paid

The executive directors' emoluments for the year ended 30 June 2008, in total were as follows:

	Salary R'000	Performance incentive R'000	Benefits R'000	Retirement funding R'000	Total R'000
A A Barrell	2 942	–	226	312	3 480
R K Braithwaite[1]	932	–	271	99	1 302
M J E Geldenhuys	1 160	–	267	104	1 531
C P Kalil	1 286	–	60	167	1 513
J Martingano	1 807	–	149	193	2 149
J C Saville	1 219	–	121	130	1 470
	9 346	–	1 094	1 005	11 445

[1] *R K Braithwaite resigned as an executive director on 31 January 2008.*
- *Salary does not include a 13th cheque.*
- *Retirement funding includes provident fund payments.*
- *Directors did not receive remuneration, fees, commission or profit sharing other than as disclosed.*
- *Expenses incurred on behalf of the Company were refunded to directors.*

The executive directors' benefits for the year ended 30 June 2008, as stated, comprise the following:

	Car allowance/use of company vehicle R'000	Medical aid R'000	Relocation allowance R'000	Total R'000
A A Barrell	171	55	–	226
R K Braithwaite	47	24	200	271
M J E Geldenhuys	216	51	–	267
C P Kalil	60	–	–	60
J Martingano	91	58	–	149
J C Saville	78	43	–	121
	663	231	200	1 094

The executive directors' emoluments for the year ended 30 June 2007, in total were as follows:

	Salary R'000	Performance incentive R'000	Benefits R'000	Retirement funding R'000	Total R'000
A A Barrell	2 849	562	221	302	3 934
R K Braithwaite[3]	506	–	40	54	600
M J E Geldenhuys[1]	857	142	263	92	1 354
C P Kalil[3]	395	–	20	52	467
J Martingano	1 250	256	153	133	1 792
J C Saville	1 084	268	138	116	1 606
G F D Twigg[2]	796	–	67	85	948
	7 737	1 228	902	834	10 701

[1] *Included in salary is R57 900 in respect of backpay from the previous financial year.*
[2] *G F D Twigg resigned as an executive director on 1 January 2007 and was appointed a non-executive director on the same day.*
[3] *R K Braithwaite and C P Kalil were appointed executive directors on 1 March 2007.*

The executive directors' benefits for the year ended 30 June 2007, as stated, comprise the following:

	Car allowance/use of company vehicle R'000	Medical aid R'000	Total R'000
A A Barrell	171	50	221
R K Braithwaite[1]	27	13	40
M J E Geldenhuys	216	47	263
C P Kalil	20	–	20
J Martingano	105	48	153
J C Saville	99	39	138
G F D Twigg	44	23	67
	682	220	902

[1] *R K Braithwaite resigned as an executive director on 31 January 2008.*

Non-executive directors' emoluments for the year were:

	2008 R'000	2007 R'000
Directors' fees		
B D Danoher	100	75
H R Levin	150	120
T Y Worthington	–	54
	250	249
Consultancy fees		
T Y Worthington	–	880
	–	880

Share option scheme

Details of the option scheme for the benefit of executive directors at 30 June 2008, were as follows:

Date of grant	Vesting date	Subscription price R	Number of shares
2 March 2005	2 March 2008	1,90	375 000
	2 March 2009	1,90	375 000
25 October 2005	25 October 2006	2,51	550 000
	25 October 2007	2,51	550 000
	25 October 2008	2,51	550 000
	25 October 2009	2,51	550 000
			2 950 000

Outstanding allocations to directors:

Subscription price	R2,51	R1,90
Vesting period of option (years)	4	4
Date of grant	25 October 2005	2 March 2005
A A Barrell	1 000 000	–
J Martingano	1 200 000	750 000
	2 200 000	750 000

Options exercised:

2008

No options were exercised in the 2008 financial year.

	Number of shares	Subscription price	Exercise price	Gain on exercise
2007				
J Martingano	375 000	1,90	3,30	525 000
M J E Geldenhuys	400 000	1,90	3,30	560 000
M J E Geldenhuys[1]	400 000	1,90	4,99	1 236 000
Total	1 175 000			2 321 000

[1] *These shares have been exercised but entitlement had not yet passed as at 30 June 2007. The entitlement for 200 000 shares passed on 2 March 2008 with entitlement on the remaining 200 000 shares passing on 2 March 2009.*

directors' responsibility statement

The directors of the Group are responsible for the maintenance of adequate accounting records and for the preparation of annual financial statements that fairly present the state of affairs of the Company and the Group. The annual financial statements have been prepared by management in accordance with International Financial Reporting Standards and are based on appropriate accounting policies and incorporate full and reasonable disclosure which have been consistently applied. The Group's independent auditors, Deloitte & Touche, have audited the financial statements and their unmodified report appears on page 29.

The directors are also responsible for the Group's systems of internal control, which are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability for its assets, and to prevent and detect material misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements have been prepared on a going-concern basis and nothing has come to the attention of the directors to indicate that the Group will not remain a going concern for the foreseeable future.

The annual financial statements and reports appearing on pages 30 to 66 together with disclosures relating to directors' emoluments set out on pages 26 to 27, were approved by the Board of Directors on 31 October 2008 and are signed on its behalf.

A A Barrell
Group CEO

M J E Geldenhuys
Group Financial Director

31 October 2008

certificate by the company secretary

I hereby certify that, to the best of my knowledge, for the year ended 30 June 2008 the Company has lodged, with the Registrar of Companies, all such returns as are required of a public company in terms of the Companies Act 1973, as amended, and that all returns are true, correct and up to date.

M J E Geldenhuys
Company Secretary

31 October 2008

independent auditor's report

To the members of AG Industries Limited

We have audited the Company and Group annual financial statements of AG Industries Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2008, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 66.

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.

Auditor's 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 auditor's judgement, 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 auditor considers 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 principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

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 financial position of the Company and of the Group as at 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Per M J Comber
Partner

3 November 2008

Buildings 1 and 2, Deloitte Place
The Woodlands Office Park Woodlands Drive
Sandton

National Executive: G G Gelink Chief Executive, A E Swiegers Chief Operating Officer, G M Pinnock Audit, D L Kennedy Tax and Legal and Financial Advisory, L Geeringh Consulting, L Bam Corporate Finance, C R Beukman Finance, T J Brown Clients & Markets, N T Mtoba Chairman of the Board

A full list of partners and directors is available on request.

directors' report

The directors have pleasure in submitting their report on the activities of the Company and the Group for the year ended 30 June 2008.

Incorporation and history

AGI was founded in 1980 and operated successfully as a private company for some 19 years. The Company listed on the JSE Limited on 14 July 1999, raising capital in the amount of R50,5 million.

Business and operations

The Group is a fabricator of value added glass and aluminium products. These performance products, as well as unbeneficiated glass, are distributed to a worldwide customer base through its operations located throughout South Africa, Namibia, Botswana, the United Kingdom, Germany, Mauritius, Singapore and Vietnam.

Financial results

The financial results of the Company and of the Group are set out on pages 34 to 66 of this report. Loss after minority interest for the year amounted to **R33 million** (2007: profit of R68 million) and translated to basic loss per ordinary share of **16,3 cents** (2007: basic earnings per share of 33,5 cents).

The Group financial statements are presented in South African Rands, as the Rand represents the largest single currency in which the transactions of the Group are concluded.

Rates

Currency conversion guide – the approximate Rand cost per unit at 30 June 2008 was:

	2008	2007
US Dollar		
– closing rate	7,89	7,07
– average rate	7,26	7,18
Sterling	15,72	14,16
Euro	12,46	9,52
Swiss Franc	7,81	5,80
Botswana Pula	1,17	1,11
Singapore Dollar	5,80	–

Capital distribution/capitalisation share award

Ordinary

Given the current performance of the Group, together with the current economic climate and high cost of interest at present, the Board deems it prudent not to propose or declare a capital distribution, dividend or capitalisation share award for the year under review (2007: Nil).

Share capital

Details of the authorised and issued ordinary share capital of the Company and the Group appear in note 16 to the annual financial statements. No changes have taken place in the Company's authorised share capital during the year:

1. Authorised share capital
   The authorised share capital of the Company comprises **300 000 000** ordinary shares of 0,5 cent each.
2. Issued share capital
   The issued share capital of the Company comprises **205 626 047** (2007: 205 626 047) shares of 0,5 cent each.
3. Unissued share capital
   Subject to the restrictions imposed by the Companies Act, 1973, the unissued shares of the Company are under the control of the directors until the forthcoming annual general meeting. At the forthcoming annual general meeting shareholders will be requested to again authorise the placing of unissued shares of the Company under the control of the directors. It should be noted that the directors may not issue ordinary shares, in any one financial year, for cash or otherwise, if the issue exceeds 10% of the Company's issued ordinary share capital.

Renewal of authority for the repurchase of shares

The conditions relating to the repurchase by the Company of its own shares are governed by the Company's Articles of Association which provide, *inter alia*, that this authority shall not extend beyond the date of the forthcoming annual general meeting, unless such authority is renewed by shareholders in a general meeting. At the forthcoming annual general meeting shareholders will accordingly be requested to renew this authority until the next annual general meeting to be held in November 2009.

Share incentive scheme

The Africa Glass Industries Share Incentive Trust ("the Trust") was established for the purpose of the Africa Glass Industries Limited Share Incentive Scheme ("the scheme") and is composed of a minimum of two trustees. Messrs J C Saville and C H Boulle are appointed as trustees. In terms of the scheme, the aggregate number of ordinary shares which may be made available for purposes of the scheme shall not exceed 7,5% of the Company's issued ordinary share capital.

The scheme is a combination scheme in terms of which, at the discretion of the Board, duly authorised, ordinary shares may be offered for immediate or deferred sale to specified employees of the Group or share incentive options granted to such employees.

The price payable by participants for scheme securities will be the middle market price at which the shares are traded on the JSE on the trading day immediately preceding the date upon which the Board resolves to sell ordinary shares in terms of the scheme, or to grant an option in terms of the scheme.

Scheme securities acquired by a participant in the scheme will be released to the participant in four annual tranches commencing on the first anniversary of an offer/acceptance date and will expire after seven years.

The directors and staff of the Group have been allocated shares which are based on incentive-based performance criteria. The Group has loaned funds to the Trust.

Refer to note 28 of the annual financial statements for more information on the share incentive scheme and share-based payments.

Preference share capital and premium

The authorised preference share capital of the Company comprises 30 authorised cumulative, redeemable preference shares of R1 each and 300 000 cumulative preference shares of 1 cent each. No preference shares are currently in issue.

Directorate and administration

The names of directors appear on pages 6 and 7 and the Company Secretary as well as the business and postal addresses which appear on the inside back cover of this report.

Mr R K Braithwaite resigned as an Executive Director (Group Financial Director), effective 31 January 2008.

Mr M J E Geldenhuys, the Group Risk Director and Company Secretary, assumed the role as acting Group Financial Director effective 1 February 2008.

Mrs J Martingano has, in addition to her role as Executive Director, assumed the role of Managing Director of Africa Glass SA Holdings (Pty) Limited, effective 1 November 2007. She is directly responsible for all Southern African business operations.

Mr G F D Twigg, a Non-Executive Director, resigned with effective from 30 June 2008.

In terms of the Articles of Association of the Company, B E Danoher, M J E Geldenhuys, J Martingano, C P Kalil and J C Saville will retire at the forthcoming annual general meeting and, being eligible, stand for re-election.

As at 30 June 2008, the direct and indirect, beneficial and non-beneficial interest of the directors in the fully paid issued share capital of the Company was 28 270 289 (2007: 27 746 875) shares held as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
	2008	2007	2008	2007	2008	2007	2008	2007
Executive directors								
A A Barrell	1 029 000	1 029 000	17 587 374	17 431 960	–	–	1 311 128	1 206 128
C P Kalil	–	–	–	–	–	–	–	–
M J E Geldenhuys	350 000	350 000	–	–	–	–	4 600	4 600
J Martingano	300 887	300 887	–	–	–	–	100 000	–
J C Saville	6 000 000	6 000 000	–	–	–	–	37 300	37 300
Non-executive directors								
B E Danoher	50 000	50 000	–	–	–	–	–	–
H R Levin	1 500 000	1 337 000	–	–	–	–	–	–

The transfer secretaries are Computershare Investor Services 2004 (Pty) Limited. Details of their business and postal addresses appear on the inside back cover of this report.

Investment in subsidiary and associated companies

1. Disposals

   During the year the Group disposed of its investment in Allglass Holdings (Pty) Limited, an associate of the Group, as part of a share swop for an additional interest in West Cape Safety Glass (Pty) Limited (see acquisitions below for further details).

   During the year, the Group deregistered Pelican International Inc. (B.V.I. 31266), a dormant company.

2. Acquisitions

   The Group acquired a 70% investment in Ralph's Mirror and Glass (Pty) Limited for R6 939 729 effective 1 October 2007. The consideration is payable in cash and shares in the amount of R5 939 729 cash and the issue of 258 398 ordinary shares in AG Industries Limited. As at 30 June 2008, the shares had not been issued.

   The Group also acquired a 70% investment in AG Industries Asia-Pacific (Private) Limited and its wholly owned subsidiary, AG Industries Vietnam Company Limited for a cash consideration of R592 437 effective 1 July 2007.

   A further 9,6% was acquired in West Cape Safety Glass (Pty) Limited, a subsidiary of the Group, for a consideration of R6 577 773. This investment was acquired in two tranches, the first of 6% on 1 November 2007 and the remaining 3,6% on 1 March 2008. The purchase price was settled through a share swap of the Group's investment in Allglass Holdings (Pty) Limited, an associate of the Group, which had a carrying value of R3 790 275 on the effective date, with the balance being settled in cash.

   The details in respect of the Company's interests in its subsidiary companies are set out in schedule A on page 66 of the annual financial statements.

   The aggregate profits and losses after taxation of the subsidiaries attributable to the Company are as follows:

   - profits R29 049 789 (2007: R120 792 329)
   - losses R65 205 903 (2007: R45 442 170)

   Details of the associated companies are set out in note 10 to the annual financial statements.

Special resolutions

The following special resolutions were passed during the year under review:

- AG Industries Limited: General authority to acquire own shares;
- Ralph's Mirror and Glass (Pty) Limited: change of name and main business objective.

Post-balance sheet events

The directors are not aware of any material events not otherwise dealt with in the annual report that would affect the operations of the Group significantly.

Borrowing powers

There are no limitations on the directors' borrowing powers in terms of the Articles of Association of the Company or its subsidiaries.

Composition of Group committees

The composition of the Board and the Group audit, remuneration and other subcommittees are reflected in the section dealing with corporate governance.

Going concern

The annual financial statements are prepared on the going-concern basis. The directors believe that the Group and Company have adequate resources in place to continue operations for the foreseeable future.

income statements

for the year ended 30 June 2008

company 2008 R'000	company 2007 R'000		Notes	group 2008 R'000	group 2007 R'000
–	–	Revenue		1 222 588	1 151 084
3 969	8 543	Other income		5 838	77 992
–	–	Changes in inventories of finished goods and work in progress		34 951	19 717
–	–	Raw materials and consumables used		(733 885)	(693 009)
–	–	Employee benefits expense		(294 481)	(266 788)
–	–	Depreciation		(27 306)	(22 367)
–	–	Goodwill reassessed		–	(12 480)
(399)	(12)	Other operating expenses		(182 184)	(153 112)
3 570	8 531	Profit before net financing costs and share of profit of associates	4	25 521	101 037
157	847	Interest received	5	6 529	4 246
(61)	–	Finance costs	5	(53 945)	(37 922)
–	–	Share of profit of associates	10	2 932	1 395
3 666	9 378	(Loss)/profit before taxation		(18 963)	68 756
(597)	(231)	Taxation	6	(13 290)	299
3 069	9 147	(Loss)/profit for the year		(32 253)	69 055
		Attributable to			
3 069	9 147	Equity holders of the parent company		(33 242)	67 504
–	–	Minority interest		989	1 551
3 069	9 147	(Loss)/profit for the year		(32 253)	69 055
		Basic (loss)/earnings per ordinary share (cents)	7	(16,3)	33,5
		Diluted basic (loss)/earnings per ordinary share (cents)	7	(16,0)	32,8

balance sheets

at 30 June 2008

company 2008 R'000	company 2007 R'000		Notes	group 2008 R'000	group 2007 R'000
		ASSETS			
		Non-current assets			
–	–	Property, plant and equipment	8	196 105	191 223
–	–	Goodwill	8	121 522	110 110
173 517	169 585	Investment in subsidiaries	9	–	–
1 253	3 126	Investment in associates	10	10 430	12 982
377	374	Other unlisted investments	11	427	424
–	–	Long-term receivable	12	–	1 757
–	247	Deferred taxation assets	13	36 555	39 595
175 147	173 332			365 039	356 091
		Current assets			
–	–	Inventories	14	263 360	228 409
–	–	Trade and other receivables	15	238 968	228 003
–	–	Proceeds on disposal of property		–	163 000
12 763	9 097	Amounts owed by subsidiaries	27	–	–
24	–	Taxation		15 579	9 426
–	38	Cash and cash equivalents		24 101	44 112
12 787	9 135			542 008	672 950
187 934	182 467	**Total assets**		907 047	1 029 041
		EQUITY AND LIABILITIES			
		Capital and reserves			
85 827	85 827	Ordinary share capital and premium	16	82 394	81 491
68	74	Other reserves		11 705	3 343
98 986	95 917	Retained earnings		294 438	327 540
184 881	181 818	**Equity attributable to equity holders of the parent**		388 537	412 374
–	–	Minority interest		3 145	4 511
184 881	181 818	**Total equity**		391 682	416 885
		Non-current liabilities			
–	–	Borrowings due after one year	17	7 121	9 540
		Obligations under finance lease agreements			
–	–	due after one year	18	61 153	66 674
–	–	Long-term lease accrual		20 035	15 940
84	–	Deferred taxation liabilities	13	11 579	10 045
–	–	Deferred income		–	271
84	–			99 888	102 470
		Current liabilities			
2 644	314	Amounts owed to subsidiaries	27	–	–
–	–	Trade and other payables	19	196 983	190 784
27	67	Shareholders for dividend		27	67
113	113	Amounts due to vendors within one year	20	3 657	113
–	–	Borrowings due within one year	17	2 245	49 366
		Obligations under finance lease agreements			
–	–	due within one year	18	24 132	22 081
–	–	Shareholder's loan	21	–	4 621
–	155	Taxation		2 431	15 156
185	–	Bank borrowings	22	186 002	227 498
2 969	649			415 477	509 686
3 053	649	**Total liabilities**		515 365	612 156
187 934	182 467	**Total equity and liabilities**		907 047	1 029 041

statements of changes in equity

for the year ended 30 June 2008

	Share capital R'000	Share premium R'000	Foreign currency translation/ redemption reserve R'000	Legal reserve R'000	Other reserves relating to associates R'000	Fair value movement on available for sale financial instruments R'000	Share-based compen-sation reserve R'000	Retained earnings R'000	Attributable to equity holders of the parent company R'000	Minority interest R'000	Total equity R'000
GROUP											
Balance at 30 June 2006	984	76 482	(3 852)	–	9 496	75	2 589	260 394	346 168	4 858	351 026
Ordinary shares issued	19	11 224	–	–	–	–	–	–	11 243	–	11 243
Treasury shares	(7)	(3 755)	–	–	–	–	–	–	(3 762)	–	(3 762)
Fair value adjustment	–	–	–	–	–	(1)	–	–	(1)	–	(1)
Transfer from share-based compensation reserve	–	–	–	–	–	–	(313)	–	(313)	–	(313)
Profit for the year	–	–	–	–	–	–	–	67 504	67 504	1 551	69 055
Net exchange rate adjustment	–	–	(5 009)	–	–	–	–	–	(5 009)	–	(5 009)
Share of profit of associates	–	–	–	–	360	–	–	(360)	–	–	–
Write-off of deregistered associates retained earnings	–	–	–	–	(2)	–	–	2	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	(445)	(445)
Minority interest acquired	–	–	–	–	–	–	–	–	–	(1 453)	(1 453)
Capital distribution/ capitalisation share award	23	(3 485)	–	–	–	–	–	–	(3 462)	–	(3 462)
Capital distribution on treasury shares	–	6	–	–	–	–	–	–	6	–	6
Balance at 30 June 2007	1 019	80 472	(8 861)	–	9 854	74	2 276	327 540	412 374	4 511	416 885
Treasury shares	2	901	–	–	–	–	–	–	903	–	903
Fair value adjustment	–	–	–	–	–	(6)	–	–	(6)	–	(6)
To share-based compensation reserve	–	–	–	–	–	–	526	–	526	–	526
(Loss)/profit for the year	–	–	–	–	–	–	–	(33 242)	(33 242)	989	(32 253)
Net exchange rate adjustment	–	–	7 982	–	–	–	–	–	7 982	–	7 982
Legal reserve		–	–	539	–	–	–	(539)	–	–	–
Share of profit of associates	–	–	–	–	(679)	–	–	679	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	(185)	(185)
Minority interest acquired	–	–	–	–	–	–	–	–	–	(2 369)	(2 369)
Investment by minorities	–	–	–	–	–	–	–	–	–	199	199
Balance at 30 June 2008	1 021	81 373	(879)	539	9 175	68	2 802	294 438	388 537	3 145	391 682
COMPANY											
Balance at 30 June 2006	986	77 060	–	–	–	75	–	86 770	164 891	–	164 891
Ordinary shares issued	19	11 224	–	–	–	–	–	–	11 243	–	11 243
Fair value adjustment	–	–	–	–	–	(1)	–	–	(1)	–	(1)
Profit for the year	–	–	–	–	–	–	–	9 147	9 147	–	9 147
Capital distribution/ capitalisation share award	23	(3 485)	–	–	–	–	–	–	(3 462)	–	(3 462)
Balance at 30 June 2007	1 028	84 799	–	–	–	74	–	95 917	181 818	–	181 818
Fair value adjustment	–	–	–	–	–	(6)	–	–	(6)	–	(6)
Profit for the year	–	–	–	–	–	–	–	3 069	3 069	–	3 069
Balance at 30 June 2008	1 028	84 799	–	–	–	68	–	98 986	184 881	–	184 881

cash flow statements

for the year ended 30 June 2008

company 2008 R'000	company 2007 R'000		Notes	group 2008 R'000	group 2007 R'000
		CASH FLOW FROM OPERATING ACTIVITIES			
1 780	22 811	Cash generated from operations	A	21 117	60 524
157	847	Interest received		6 529	4 246
(61)	–	Finance costs		(53 945)	(37 922)
(445)	(24)	Taxation paid	B	(26 473)	(31 760)
–	–	Secondary taxation on companies paid	C	(170)	(247)
1 431	23 634	Net cash (outflow)/inflow from operating activities		(52 942)	(5 159)
		CASH FLOW FROM INVESTING ACTIVITIES			
–	(26 241)	Increase in loans to subsidiaries		–	–
–	–	Acquisition of additional interest in subsidiary	D	(1 259)	(8 024)
(3 478)	–	Acquisition of subsidiaries	E	(4 940)	–
–	–	Dividend received from associate		585	585
–	–	Decrease in long-term receivable		1 813	239
1 864	(21)	(Increase)/decrease in other unlisted investments		–	(73)
–	–	Additions to property, plant and equipment	F	(34 263)	(99 237)
–	–	Proceeds on disposal of property, plant and equipment	G	165 676	30
(1 614)	(26 262)	Net cash inflow/(outflow) from investing activities		127 612	(106 480)
		CASH FLOW FROM FINANCING ACTIVITIES			
(40)	(3 438)	Capital distribution/dividend to shareholders	H	(40)	(3 432)
–	11 243	Ordinary shares issued		–	2 140
–	–	Decrease in amounts due to vendors		–	(162)
–	–	Decrease in shareholder's loan		(4 005)	(6 724)
–	–	Treasury shares disposed of		805	4 023
–	–	Decrease in borrowings due after one year		(2 419)	(30 738)
–	–	(Decrease)/increase in obligations under finance lease agreements due after one year		(5 645)	16 892
–	–	(Decrease)/increase in borrowings due within one year		(47 121)	45 617
–	–	Increase in obligations under finance lease agreements due within one year		2 017	2 655
–	–	Dividend to minority shareholders		(185)	(445)
–	–	Investment by minorities		199	–
(40)	7 805	Net cash (outflow)/inflow from financing activities		(56 394)	29 826
(223)	5 177	Net increase/(decrease) in cash and cash equivalents		18 276	(81 813)
38	(5 139)	Cash and cash equivalents at beginning of the year		(183 386)	(96 836)
–	–	Foreign exchange loss/(gain) on translation of foreign subsidiaries		1 425	(4 578)
–	–	Foreign currency translation reserve on cash		1 784	(159)
(185)	38	CASH AND CASH EQUIVALENTS AT END OF THE YEAR	I	(161 901)	(183 386)

notes to the cash flow statements

for the year ended 30 June 2008

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		A. Cash generated from operations		
3 666	9 378	(Loss)/profit before taxation	(18 963)	68 756
		Adjusted for:		
		Net loss/(profit) on disposal of property,		
–	–	plant, and equipment	698	(67 094)
–	–	Loss on disposal of investment in associate	356	–
–	–	Impairment of plant and equipment	962	–
–	–	Lease smoothing adjustment	4 095	117
–	–	IFRS 2 share-based payment adjustment	625	1 006
–	–	Deferred income released	(271)	(141)
–	–	Depreciation	27 306	22 367
–	–	Goodwill reassessed	–	12 480
–	–	Negative goodwill	–	(148)
(1 153)	65	Unrealised (gain)/loss on foreign exchange	–	–
(157)	(847)	Interest received	(6 529)	(4 246)
61	–	Finance costs	53 945	37 922
–	–	Share of profits of associates	(2 932)	(1 395)
2 417	8 596	Profit before working capital changes	59 292	69 624
–	–	Increase in inventories	(32 603)	(19 959)
–	5	Increase in trade and other receivables	(8 559)	(2 398)
(637)	14 210	(Increase)/decrease in amounts owed (by)/to subsidiaries	–	–
–	–	Decrease in trade and other payables	2 987	13 257
1 780	22 811		21 117	60 524
		B. Taxation paid		
155	(72)	Amount unpaid at beginning of the year	5 730	10 491
		Amount charged to the income statement		
266	251	(excluding deferred taxation)	7 465	27 021
–	–	Foreign currency translation adjustment	130	(22)
24	(155)	Amount overpaid/(unpaid) at the end of the year	13 148	(5 730)
445	24		26 473	31 760
		C. Secondary taxation on companies paid		
–	–	Amount charged to the income statement	170	247
–	–		170	247
		D. Acquisition of additional interest in subsidiary		
–	–	Minority interest acquired	2 369	1 453
–	–	Goodwill	4 221	6 719
–	–	Negative goodwill taken to income statement	–	(148)
–	–	Purchase price included in "due to vendors" at year-end	(1 544)	–
–	–	Share swap for investment in associate	(3 787)	–
–	–		1 259	8 024

company 2008 R'000	company 2007 R'000			group 2008 R'000	group 2007 R'000
		E.	Acquisition of subsidiaries		
365	–		Share capital	–	–
3 113	–		Shareholder's loan	–	–
–	–		Property, plant and equipment	1 501	–
–	–		Inventories	389	–
–	–		Goodwill	5 050	–
3 478	–		Net equity/assets acquired	6 940	–
–	–		Purchase price included in "due to vendors" at year-end	(2 000)	–
3 478	–		Cash effect of acquisitions	4 940	–
		F.	Additions to property, plant and equipment		
–	–		Office furniture and equipment	4 338	5 476
–	–		Motor vehicles	4 418	4 976
–	–		Leasehold improvements	3 294	10 645
–	–		Plant and machinery	22 213	53 299
–	–		Land	–	13 862
–	–		Buildings	–	10 979
–	–			34 263	99 237
		G.	Proceeds on disposal of property, plant and equipment		
–	–		Net book value of property, plant and equipment disposed of	3 374	95 936
–	–		Net (loss)/profit on disposal of property, plant and equipment	(698)	67 094
–	–		Proceeds on disposal of property	163 000	(163 000)
–	–			165 676	30
		H.	Capital distribution/dividend to shareholders		
67	43		Amount unpaid at the beginning of the year	67	43
–	3 462		Capital distribution against share premium	–	3 456
(27)	(67)		Amounts unpaid at the end of the year	(27)	(67)
40	3 438			40	3 432
		I.	Cash and cash equivalents		
–	38		Cash and cash equivalents	24 101	44 112
(185)	–		Bank borrowings	(186 002)	(227 498)
(185)	38			(161 901)	(183 386)

group segmental reports

for the year ended 30 June 2008

The segment information set out below is based on the requirements of IAS 14 Segment Reporting. For management purposes the Group is split into two geographical segments – Southern Africa and International (consisting mainly of Europe). These segments represent the basis on which all management and performance measurement decisions are taken and are the basis on which the Group reports its primary segment information.

Geographical

	Southern Africa R'000	International R'000	Eliminations R'000	Total R'000
2008				
Revenue				
External sales	1 073 522	149 066	–	1 222 588
Inter-segment sales	386 047	24 834	(410 881)	–
Total revenue	1 459 569	173 900	(410 881)	1 222 588
Result				
Profit before net finance costs and share of profit of associates	13 659	11 862	–	25 521
Interest received				6 529
Finance costs				(53 945)
Share of profit of associates				2 932
Loss before taxation				(18 963)
Other information				
Capital additions	43 103	431	–	43 534
Depreciation	26 760	546	–	27 306
2007				
Revenue				
External sales	1 050 333	100 751	–	1 151 084
Inter-segment sales	346 292	21 048	(367 340)	–
Total revenue	1 396 625	121 799	(367 340)	1 151 084
Result				
Profit before net finance costs and share of profit of associates	92 104	8 933	–	101 037
Interest received				4 246
Finance costs				(37 922)
Share of profit of associates				1 395
Profit before taxation				68 756
Other information				
Capital additions	104 506	1 450	–	105 956
Depreciation	34 362	485	–	34 847

Balance sheet

	Assets 2008 R'000	Liabilities 2008 R'000	Net assets/ (liabilities) 2008 R'000	Assets 2007 R'000	Liabilities 2007 R'000	Net assets/ (liabilities) 2007 R'000
CONTINUING OPERATIONS						
Southern Africa	722 900	(153 710)	569 190	842 898	(169 258)	673 640
International	97 482	(45 730)	51 752	77 840	(36 749)	41 091
Investment in associates	10 430	–	10 430	12 982	–	12 982
Unallocated corporate assets/(liabilities)	76 235	(315 925)	(239 690)	95 321	(406 149)	(310 828)
	907 047	(515 365)	391 682	1 029 041	(612 156)	416 885

The average number of employees for the year in each of the Group's principal divisions were as follows:

	group 2008	2007
Southern Africa	2 102	1 989
International	54	44
	2 156	2 033

Business segment

	2008 R'000	2007 R'000
Revenue		
External and inter-segment sales:		
Unbeneficiated products	483 885	439 338
Value added products – Glass	266 308	254 146
– Aluminium – Finished goods	385 032	420 992
– Roodekop	300 548	240 462
– Sheerline*	197 696	163 486
	1 633 469	1 518 424
Inter-segment sales eliminated	(410 881)	(367 340)
Total revenue	1 222 588	1 151 084
Carrying amount of segment assets		
Unbeneficiated products	178 710	216 128
Value added products – Glass	185 618	102 996
– Aluminium – Finished goods	147 342	157 490
– Roodekop	181 262	367 578
– Sheerline*	93 717	69 589
Services	68 263	64 051
Unallocated corporate assets	52 135	51 209
	907 047	1 029 041
Additions to property, plant, equipment, goodwill and other intangible assets		
Unbeneficiated products	3 421	5 808
Value added products – Glass	14 386	17 752
– Aluminium – Finished goods	3 520	2 765
– Roodekop	17 217	59 764
– Sheerline*	2 702	1 158
Services	2 288	18 709
	43 534	105 956

** Solutions, Lengths and Hardware Division*

1. Presentation of financial statements

The financial statements are presented in Rands, since that is the currency in which the majority of the Group's transactions are denominated, and cover the year ended 30 June 2008.

The annual financial statements are prepared on the historical cost basis, except for the revaluation of financial instruments. Where appropriate, comparative figures have been restated to facilitate improved disclosure.

2. General information

AG Industries Limited ("the Company") is a limited company incorporated in the Republic of South Africa. The address of its registered office and principal place of business are disclosed in the general information on the inside back cover of the annual report.

The consolidated financial statements of the Company for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

3. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards, the requirements of the South African Companies Act and the Listings Requirements of the JSE Limited.

At the date of authorisation of these financial statements, the following standards and interpretations, which may affect future disclosure for the Group, were in issue but not yet effective:

IFRS 2	Share-based payment;
IFRS 3	Business combinations;
IFRS 5	Non-current assets held for sale and discontinued operations;
IFRS 8	Operating segments;
IAS 1	Presentation of financial statements (capital disclosure);
IAS 20	Accounting for government grants and disclosure of government assistance;
IAS 23	Borrowing costs;
IAS 27	Consolidated and separate financial statements;
IAS 28	Investments in associates; and
IAS 36	Impairment of assets.

Although additional disclosure may be required, 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 Group.

The principal accounting policies adopted are set out below.

3.1 Basis of consolidation

The Group annual financial statements incorporate the financial statements of the Company, its subsidiaries and the share incentive trust. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The operating results of the subsidiaries are included from the effective dates of control or up to the effective dates of disposal as appropriate and, where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used in line with those used by other members of the Group.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition using the purchase method. All significant intercompany transactions and balances are eliminated. On the acquisition of subsidiaries, goodwill is treated in terms of the Group's accounting policy for goodwill as explained in note 3.4.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3.2 Associated companies

Associated companies are those companies in which the Group holds an interest and over which it has the ability to exercise significant influence and which are neither subsidiaries nor joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associated companies are accounted for by the equity method in the Group annual financial statements from the date they become investees.

Equity accounted income, which is included in the respective carrying values of the investments, represents the Group's proportionate share of the associates' retained earnings after accounting for dividends payable by those associates.

3. Significant accounting policies continued

3.2 Associated companies continued

The post-acquisition share of retained earnings of associates is included in the consolidated income statement and transferred to other reserves.

Provision is made when there has been an impairment in the carrying value of an interest in an associate. Where the equity method results in the Group's proportion of an associate's losses being greater than or equal to the carrying value of the associate, the associate is carried at nil value or at a nominal amount. Where associated companies have a year-end other than 30 June 2008, the latest available management accounts have been used.

3.3 Property, plant and equipment

Property, plant and equipment is stated at historical cost to the Group, less accumulated depreciation and any accumulated impairment losses. Depreciation is provided for on the straight-line method at various annual rates designed to reduce costs or book values to estimated residual values over the anticipated useful lives of the assets. Useful lives and residual values are reassessed annually. Land is not depreciated. The anticipated useful lives are as follows:

Office furniture and equipment	10 years
Motor vehicles	4 – 6 years
Leasehold improvements	Period of lease
Plant and machinery	5 – 20 years
Buildings	50 years
Computer hardware and software	1 – 5 years

All direct costs, including finance costs relating to major capital projects, are capitalised up to the date of commissioning.

The gain or loss arising on the disposal or retirement of any item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

3.4 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each unit in the asset. The recoverable amounts of the Group's cash-generating units are determined by using a discounted cash flow model based upon management's projections of earnings before interest, taxation, depreciation and amortisation (EBITDA) for the next three years. Cash flows beyond three years were extrapolated using an estimated growth rate of 15% in perpetuity with a weighted average cost of capital of 15%. An impairment loss previously recognised in profit and loss for goodwill is not reversed in a subsequent period.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or associate, the attributable amount of unamortised and unimpaired goodwill is included in the determination of the profit or loss on disposal.

3.5 Intangible assets

Know-how payments are carried at historical cost less accumulated amortisation. The asset is amortised on a straight-line basis following an assessment of the estimated life of the asset.

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. Significant accounting policies continued

3.6 Taxation continued

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

3.7 Leased assets

Assets leased in terms of agreements which are considered to be finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of finance changes, is included in the balance sheet as a finance lease obligation. Capitalised leased assets are depreciated on the straight-line basis at various annual rates considered appropriate to reduce book values to estimated residual values over the shorter of the anticipated useful lives of the assets or the lease term. Lease payments are allocated between finance costs and capital repayments using the effective interest rate method. Lease finance costs are charged to operating profit as they become due.

All other leases are classified as operating leases. Rentals payable are charged to operating profit on a straight-line basis over the term of the relevant lease.

3.8 Inventories

Raw materials, consumables, work in progress and finished goods are valued at the lower of cost and net realisable value. Cost is determined on the following bases:

- raw materials and consumables are valued at invoice cost on the first-in, first-out basis, and
- work in progress and finished goods are valued at raw material cost and, where appropriate, labour and a proportion of manufacturing overhead expenses are included.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.9 Financial instruments

Financial assets

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, unlisted investments and long-term receivables. All financial assets are initially recognised at cost and subsequently measured as noted below.

Trade receivables are stated at fair value.

Long-term investments, where the Group is not in a position to exercise significant influence or joint control, are stated at fair value.

Available for sale financial instruments are stated at fair value with the fair value movements accounted for directly in equity. Where the investment is disposed of or determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in profit or loss for the period.

Bank balances and related party receivables are carried at nominal value which approximates fair value.

Financial assets are assessed for impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the future cash flows of the investment have been impacted.

Trade receivables are assessed for impairment on an individual basis by the Group's credit department. Objective evidence of impairment could include slow payment on the debtors account past the credit period given, suspension of insurance cover by the Group's credit insurers or evidence of unresolved disputes on that debtor's account.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

With the exception of available for sale financial instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed through profit and loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the cost would have been had the impairment not been recognised.
In respect of available for sale financial instruments, impairment losses previously recognised through profit and loss are not reversed through profit and loss. Any increase in fair value subsequent to an impairment loss is recognised directly to equity.

3. Significant accounting policies continued

3.9 Financial instruments continued

Financial liabilities

Significant financial liabilities include finance lease obligations, interest-bearing bank loans and bank borrowings and trade and other payables. All financial liabilities are initially recognised at cost and subsequently measured as noted below.

Long-term loans are initially recognised at cost and are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are stated at fair value.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

3.10 Translation of foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Rands, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in currencies other than Rand are initially recorded at the rates of exchange ruling on the dates of the transactions. Assets and liabilities have been translated into South African currency at the spot rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when fair value was determined.

Profits and losses on the translation of foreign currencies are recognised in profit and loss in the period in which they arise except for exchange differences arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which forms part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. In order to hedge its exposure to foreign exchange risks, the Group enters into forward exchange contracts.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing spot rate.

3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

3.12 Retirement benefits

Current contributions to the provident fund and pension funds, which are defined contribution plans, are based on current service and current salary and are recognised as an expense when employees have rendered service entitling them to the contributions.

3.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue is recorded at the date goods are delivered to customers and title has passed.

Consolidated revenue excludes sales to Group companies.

Interest received is accrued on a time basis by reference to the principal outstanding and at the effective interest rate.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. Significant accounting policies continued

3.14 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation reserve.

Where an impairment loss subsequently reverses, with the exception of goodwill, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

3.15 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

3.16 Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured using the Black-Scholes-Merton pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

3.17 Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and key sources of estimation uncertainty relate to share-based payments, the impairment of goodwill, deferred taxation assets raised and the residual values and useful lives of property, plant and equipment.

Refer to note 28 for the assumptions used in the calculation of share-based payments.

Determining whether goodwill is impaired required an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use required management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at balance sheet date was R122 million.

In calculating the various deferred taxation assets raised, management considered detailed criteria and used budgets and forecasts as well as the restructuring plans to support these assets.

As described in 3.3 above, the Group reviews the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. There were no material changes in the useful lives or residual values of property, plant and equipment in the year under review.

There were no other key assumptions concerning the future, or any other key sources of estimation uncertainty at the balance sheet date, which could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

3.18 Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		4. Profit before net finance costs and share of profit of associates		
		Profit before net finance costs and share of profit of associates is stated after taking the following into account:		
		Income		
–	–	Profit on disposal of property, plant and equipment	52	67 094
1 918	–	Profit on disposal of investment in associate	–	–
1 153	–	Unrealised profit on foreign exchange	–	–
–	–	Realised profit on foreign exchange	3 071	6 396
585	585	Dividend received from associate	–	–
313	8 000	Dividend received from subsidiaries	–	–
		Expenses*		
		Auditors' remuneration:		
–	–	– Fees	3 659	2 986
–	–	– Under provision in prior year	617	344
–	–	– Other services	186	122
–	–		4 462	3 452
–	–	Depreciation	27 306	22 367
–	–	Reassessment of goodwill	–	12 480
		Operating lease payments:		
–	–	– Plant and machinery	2 399	1 481
–	–	– Office furniture and equipment	2 381	2 059
–	–	– Motor vehicles	1 566	1 141
–	–	– Premises	42 362	34 514
–	–	Lease smoothing adjustment	4 095	117
		Professional fees:		
–	–	– Legal	1 600	583
–	–	– Consultancy	3 675	1 126
–	–	IFRS 2 Share-based payment adjustment	625	1 006
–	–	Research and development costs	457	109
–	–	Loss on disposal of plant and equipment	750	–
–	–	Loss on disposal of investment in associate	356	–
–	–	Impairment of plant and equipment	962	–
–	65	Unrealised loss on foreign exchange	–	–

** Directors' emoluments are disclosed on pages 26 and 27.*

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		5. Net finance costs		
		Interest received		
157	844	Intercompany	–	–
–	3	Bank	6 529	4 246
157	847		6 529	4 246
		Finance costs		
–	–	Long-term borrowings	17 408	14 225
–	–	Bank borrowings	35 343	26 793
61	–	Other	1 194	1 508
61	–		53 945	42 526
–	–	Finance costs capitalised**	–	(4 604)
61	–		53 945	37 922

*** Included in additions to property, plant and equipment.*

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		6. Taxation		
		South African normal taxation:		
266	251	– Current year	4 291	23 121
–	–	– Prior year (over)/under provision	(357)	1 095
		Foreign taxation:		
–	–	– Current year	3 533	2 803
–	–	– Prior year (over)/under provision	(2)	2
		Deferred taxation:		
331	(20)	– Current year	3 653	(26 979)
–	–	– Prior year under/(over) provision	1 245	(1 038)
–	–	Secondary taxation on companies	170	247
–	–	Share of taxation attributable to associates	757	450
597	231	Total taxation	13 290	(299)
		Taxation for jurisdictions other than South Africa is calculated at the rates prevailing in the respective jurisdictions.		
		Taxation rate reconciliation:		
3 666	9 378	(Loss)/profit before taxation	(18 963)	68 756

company 2008 %	company 2007 %		group 2008 R'000	group 2008 %	group 2007 R'000	group 2007 %
28,0	29,0	South African normal taxation rate	(5 310)	28,0	19 939	29,0
		Reduction in charge due to:				
(14,2)	(26,5)	– Exempt income	(349)	1,8	(10 255)	(14,9)
–	–	– Income not subject to South African taxation	–	–	(1 697)	(2,5)
–	–	– Deferred tax asset raised	–	–	(12 334)	(17,9)
13,8	2,5		(5 659)	29,8	(4 347)	(6,3)
		Increase in charge due to:				
–	–	– Prior year under provision of taxation	576	(3,0)	78	0,1
2,2	–	– Disallowable expenses	984	(5,2)	3 723	5,4
–	–	– Secondary taxation on companies	170	(0,9)	247	0,4
–	–	– Income not subject to South African taxation	1 075	(5,7)	–	–
0,3	–	– Change in tax rate	841	(4,4)	–	–
–	–	– Deferred tax asset not raised	15 303	(80,7)	–	–
16,3	2,5	Current and deferred taxation	13 290	(70,1)	(299)	(0,4)

	group	
	2008 R'000	2007 R'000
7. (Loss)/earnings per ordinary share		
The calculation of the basic and headline (loss)/earnings per share is based on the following data:		
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per ordinary share	(33 242)	67 504
Adjustments		
Loss/(profit) on disposal of property, plant and equipment after taxation	502	(57 822)
Loss/(profit) on disposal of property, plant and equipment before taxation	698	(67 095)
Taxation	(196)	9 273
Goodwill reassessed	–	12 480
Negative goodwill	–	(148)
Loss on disposal of investment in associate	624	–
Loss on disposal of investment before taxation	356	–
Taxation	268	–
Impairment of assets	693	15
Impairment of assets before taxation	962	15
Taxation	(269)	–
(Loss)/earnings for the purpose of headline (loss)/earnings per ordinary share	(31 423)	22 029
Weighted average number of ordinary shares		
Number of ordinary shares in issue at the year-end	205 626 047	205 626 047
Weighting of capitalisation shares issued	–	(4 118 278)
Weighted average treasury shares	(1 476 866)	(291 451)
Weighted average number of ordinary shares for the purposes of calculating basic and headline (loss)/earnings per share	204 149 181	201 216 318
Diluted (loss)/earnings per share		
The potential dilution in headline (loss)/earnings per ordinary share arising from the possible exercise of 7 319 500 (2007: 7 659 500) share options, the effect of which is calculated as follows:		
Weighted average number of shares	204 149 181	201 216 318
Weighted average number of shares under option	3 049 131	4 610 924
Adjusted weighted average number of ordinary shares for diluted (loss)/earnings per share	207 198 312	205 827 242
Headline (loss)/earnings per ordinary share (cents)	(15,4)	10,9
Diluted headline (loss)/earnings per ordinary share (cents)	(15,2)	10,7
Percentage dilution (%)	1,3	1,9

8. Property, plant, equipment and goodwill

	Office furniture and equipment R'000	Motor vehicles R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Land R'000	Buildings R'000	Total property, plant and equipment R'000	Goodwill R'000	Total property, plant, equipment, and goodwill R'000
GROUP									
2008									
Cost									
Beginning of the year	25 157	25 706	17 586	181 753	585	3 774	254 561	138 266	392 827
Translation adjustment	162	49	33	1 272	–	–	1 516	2 141	3 657
Additions	4 338	4 418	3 294	22 213	–	–	34 263	9 271	43 534
Acquisition of subsidiary	109	725	–	667	–	–	1 501	–	1 501
Transfers	(69)	–	–	69	–	–	–	–	–
Impairment	–	–	–	(962)	–	–	(962)	–	(962)
Disposals	(1 642)	(3 215)	(479)	(2 575)	–	–	(7 911)	–	(7 911)
End of the year	28 055	27 683	20 434	202 437	585	3 774	282 968	149 678	432 646
Accumulated depreciation									
Beginning of the year	12 818	9 740	3 501	37 247	–	32	63 338	28 156	91 494
Translation adjustment	105	17	14	620	–	–	756	–	756
Depreciation	4 594	3 271	1 746	17 620	–	75	27 306	–	27 306
Transfers	(11)	–	–	11	–	–	–	–	–
Disposals	(1 404)	(1 893)	(301)	(939)	–	–	(4 537)	–	(4 537)
End of the year	16 102	11 135	4 960	54 559	–	107	86 863	28 156	115 019
NBV 30 June 2008	11 953	16 548	15 474	147 878	585	3 667	196 105	121 522	317 627
2007									
Cost									
Beginning of the year	21 556	23 884	12 404	133 739	585	66 562	258 730	131 850	390 580
Translation adjustment	19	(10)	13	147	–	–	169	(303)	(134)
Additions	5 476	4 976	10 645	53 299	13 862	10 979	99 237	6 719	105 956
Transfers	2	–	(3 432)	(287)	–	3 386	(331)	–	(331)
Disposals	(1 896)	(3 144)	(2 044)	(5 145)	(13 862)	(77 153)	(103 244)	–	(103 244)
End of the year	25 157	25 706	17 586	181 753	585	3 774	254 561	138 266	392 827
Accumulated depreciation									
Beginning of the year	10 487	8 415	3 412	26 204	–	–	48 518	15 676	64 194
Translation adjustment	13	(1)	7	73	–	–	92	–	92
Depreciation and reassessment	4 005	3 076	1 372	13 156	–	758	22 367	12 480	34 847
Transfers	–	–	(331)	–	–	–	(331)	–	(331)
Disposals	(1 687)	(1 750)	(959)	(2 186)	–	(726)	(7 308)	–	(7 308)
End of the year	12 818	9 740	3 501	37 247	–	32	63 338	28 156	91 494
NBV 30 June 2007	12 339	15 966	14 085	144 506	585	3 742	191 223	110 110	301 333

– Certain of the assets are encumbered – refer note 18.

– A register of all land and buildings is available for inspection at the Group's registered office.

	group 2008 R'000	group 2007 R'000
8. Property, plant, equipment and goodwill continued		
Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The net carrying amount of goodwill after impairment has been allocated as follows:		
Unbeneficiated and value added products – Glass	34 187	24 916
Value added products – Aluminium	60 813	60 813
Services	3 446	3 446
International	23 076	20 935
	121 522	110 110

During the year the Group assessed the carrying value of the goodwill and no impairment is required.

There was a reduction of goodwill of R12 479 586 in 2007 in the value added products – Aluminium CGU as a result of the raising of a previously unrecognised deferred taxation asset in Showerlux (SA) (Pty) Limited in expectation of a profit turnaround in that company.

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		9. Investment in subsidiaries		
79 321	78 956	Shares at cost	–	–
94 196	90 629	Amounts owed by subsidiaries	–	–
173 517	169 585		–	–
		Further details of subsidiaries are set out in Schedule A on page 66.		
		10. Investment in associates		
1 253	3 126	Cost of investment in associates	1 253	3 126
–	–	Share of associates' retained earnings at end of the year	9 177	9 856
–	–	Share of associates' retained earnings at beginning of the year	9 856	9 496
–	–	Share of profits of associates	2 932	1 395
–	–	Taxation – current	(757)	(450)
–	–	Dividend received from associate	(585)	(585)
–	–	Share of associates retained earnings disposed of	(2 269)	–
1 253	3 126	Carrying value at end of the year	10 430	12 982
1 253	3 126	Directors' valuation	10 430	12 982

	Percentage holding/voting power 2008	Percentage holding/voting power 2007	Issued capital	Financial year-end	Nature of business
Associated companies comprise: Northern Hardware and Glass (Pty) Limited and its subsidiaries ("Northern Hardware")	39%	39%	10 000	28 February	Flat and auto glass fabrication and distribution
All Glass Holdings (Pty) Limited	–	45%	100	30 June	Flat and auto glass installation and distribution

All associated companies are incorporated in the Republic of South Africa.

	group 2008 R'000	group 2007 R'000
10. Investment in associates continued		
Summarised financial information in respect of the Group's associates is set out below:		
Total assets	42 363	45 387
Total liabilities	(18 680)	(19 023)
Net assets	23 683	26 364
Group's share of associates' net assets	8 803	10 124
Revenue	90 195	79 135
Profit for the period	6 574	5 426
Group's share of associates' profit for the period	2 175	945

The financial statements of Northern Hardware are prepared on 28 February each year. For the purpose of applying the equity method of accounting, the financial statements of Northern Hardware for the year ended 28 February 2008 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 30 June 2008 based on the latest management accounts.

During the year the Group disposed of its investment in Allglass Holdings (Pty) Limited (see directors report on page 32 for further information).

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		11. Other unlisted investments		
377	374	Weimershoek No. 81 (Pty) Limited	377	374
–	–	Investment in The Riverhorse Trust	50	50
377	374	Directors' valuation	427	424

The other unlisted investments have been classified as available for sale. Any adjustments to fair value are taken to equity.

Francolin Properties (Pty) Limited, a wholly owned subsidiary within the Group has a 50% investment in The Riverhorse Trust. The trust owns a bare dominium, valued at R100 000, over a property situated at 40 Corobrick Road, Riverhorse Valley, Durban ("the property"). The bare dominium will remain in place for a period of 12 years, effective 1 March 2006.

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		12. Long-term receivable		
–	–	Receivable due from disposal of subsidiary	–	2 387
–	–	*Less:* Receivable due within one year included in trade and other receivables	–	(630)
–	–	Receivable after one year	–	1 757
		The receivable due from the disposal of subsidiary relates to the disposal of AGI USA/Fabrication Inc on 30 June 2005 for a consideration of US$700 000. Of the amount outstanding at 30 June 2007, R1,398 million was received during the year under review, with the balance being written off as uncollectable.		
		13. Deferred taxation assets/(liabilities)		
–	247	Deferred taxation assets	36 555	39 595
(84)	–	Deferred taxation liabilities	(11 579)	(10 045)
(84)	247	Net position	24 976	29 550
247	227	Balance at beginning of the year	29 550	1 431
		Movements consisting of:		
(331)	20	Temporary differences	(3 289)	30 296
–	–	Tax losses utilised	(1 609)	(2 279)
–	–	Foreign currency translation movement	324	102
(84)	247	Balance at end of the year	24 976	29 550
		At the balance sheet date, the Group has unused tax losses of R198,7 million (2007: R135,2 million) available for offset against future profits. A deferred tax asset has been recognised in respect of R144,0 million (2007: R135,2 million) of such losses.		
		The deferred taxation assets/(liabilities) arose as follows:		
–	–	Plant and machinery	(22 672)	(17 176)
–	–	Leased assets	(1 425)	(1 350)
–	–	Deemed recoupment on expiry of financial leases	645	527
(84)	247	Provisions	8 664	8 690
–	–	Prepayments and retentions	(483)	(351)
–	–	Tax losses	40 247	39 210
(84)	247		24 976	29 550

	Notes	group 2008 R'000	group 2007 R'000
13. Deferred taxation assets/(liabilities) continued			
The following deferred taxation assets have been raised in subsidiaries against unused tax losses:			
Africa Glass SA Holdings (Pty) Limited		11	6
Coralux Retail (Pty) Limited ("Coralux")	1	8 159	8 464
AGI Manufacturing (Pty) Limited ("Manufacturing")	2	16 233	13 505
Showerlux SA (Pty) Limited ("Showerlux")	3	11 982	12 665
Allglass Gauteng (Pty) Limited		–	2 655
AGI Transport (Pty) Limited		7	65
AGI Glass (Pty) Limited ("Glass")	4	749	–
AGI Aluminium (Pty) Limited ("Aluminium")	5	1 213	–
Anso Aluminium (Pty) Limited		293	–
AGI Solutions (Pty) Limited ("Sheerline")	6	519	–
Africa Glass Group Services (Pty) Limited		201	–
IT for Africa (Pty) Limited		69	–
Africa Glass Property Services (Pty) Limited		85	–
KAB Allglass GmbH ("KAB")	7	300	1 820
AGI Industries Asia-Pacific (Private) Limited ("AGI Asia-Pacific")	8	426	–
Aluminium and Glass Industries (Mauritius) Limited		–	30
		40 247	39 210

1. No additional deferred tax asset was raised in Coralux in the year under review. Whilst the existing deferred tax asset arose as a result of start-up losses in the prior year, management deemed it prudent and appropriate not to increase the already existing deferred tax asset until this business returns to profitability which is expected within the next 18 months.
2. Manufacturing embarked on a major capital expansion and restructuring over the last two years, resulting in substantial "greenfields" commissioning losses being incurred. These losses were further exacerbated by production problems as a result of major breakdowns on the extrusion presses during the first half of the year which have been subsequently rectified (as discussed in the operational review). Consequently, no additional deferred tax asset was raised in the year under review. The deferred tax asset will be raised once Manufacturing returns to profitability, which is expected within the next 18 months.
3. The deferred tax asset has reduced slightly as a result of marginal profits made in the last two years. This business is focused on the retail market segment and management have a focused strategy into this market which is expected to result in an acceleration of profitability in this business going forward.
4. The deferred taxation asset in Glass arose as a result of the Glass claiming accelerated capital allowances on certain property, plant and equipment. Glass traded profitably during the year under review.
5. The loss in Aluminium in the current year arose primarily as a result of production problems experienced due to setbacks at the Roodekop manufacturing facility, which impacted on the business in the first half of the financial year. Historically, Aluminium has always traded profitably and is expected to return to profitability in the 2009 financial year.
6. Sheerline increased its geographic footprint in the latter half of the 2007 financial year with the opening of seven new branches which resulted in a trading loss in the current year as the overhead to revenue ratio increased due to the opening of the branches and finance charges increased due to the increased working capital. Sheerline has budgeted to return to profitability in the current year as the new branches gain a foothold in the market and grow their revenue.
7. KAB reduced its deferred taxation asset by R1,5 million to R300 000 after a solid trading performance in the year under review. Trading conditions are anticipated to remain satisfactory in 2009, resulting in a further reduction of the deferred tax asset.
8. AGI Asia-Pacific was a start-up operation in the year under review. Asia-Pacific has budgeted to make a profit in the 2009 financial year.

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		14. Inventories		
		Inventories consist of:		
–	–	– Raw materials and consumables	76 176	74 202
–	–	– Work in progress	9 088	7 087
–	–	– Finished goods	178 096	147 120
–	–		263 360	228 409
		The cost of inventories recognised as an expense during the year was R699 million (2007: R673 million).		
		The cost of inventories recognised as an expense includes R5,47 million (2007: R2,93 million) in respect of write-downs of inventory to net realisable value.		
		15. Trade and other receivables		
		Trade and other receivables consist of:		
–	–	Trade receivables	218 909	205 655
–	–	Provision for doubtful debts	(2 619)	(2 584)
–	–	Prepayments	3 108	2 652
–	–	Other receivables	19 570	22 280
–	–		238 968	228 003

Trade and other receivables comprise amounts receivable for the sale of goods, loan amounts due from employees and other sundry receivables. The average credit period taken on sale of goods is 45 days (2007: 41 days), calculated by the period in days which sales, equivalent to trade receivables currently outstanding, were generated in the prior and preceding months. No interest is charged on overdue amounts.

85% of the Group's Southern African operations trade receivables are insured. The trade receivables of the Group's UK and German operations are 80% insured.

At year-end the balance of trade receivables that was neither past due nor impaired amounted to R192 359 617 (2007: R176 530 250). The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. There are no customers in the Group who represent more than 5% of the total balance of trade receivables.

Included in the Group's trade receivables balance are debtors with a carrying amount of R26 549 391 (2007: R29 124 974) which are past due at the reporting date that have not been provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables are 95 days (2007: 91 days).

Ageing of past due but not impaired

	group 2008 R'000	group 2007 R'000
Current and 30 days	1 910	2 419
60 – 90 days	6 202	7 930
90 – 120 days	3 482	4 411
120 days +	14 955	14 365
Total	26 549	29 125

The Group has various forms of collateral over debtors which it considers to have a higher than normal risk profile, including cession of book debts, suretyships by directors or shareholders and cross company guarantees from trading entities or property holding companies.

	group 2008 R'000	group 2007 R'000
15. Trade and other receivables continued		
In determining the recoverability of a trade receivable, the Group's credit department considers each debtor on an individual basis taking into consideration collateral held, the insured portion of the debt and any other information relevant to that specific debtor. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.		
Movement in the allowance for doubtful debts		
Balance at beginning of the year	2 584	1 551
Amounts written off as uncollectable	(2 742)	(981)
Amounts recovered during the year	188	84
Impairment losses recognised on receivables	2 589	1 930
Balance at end of the year	2 619	2 584
Ageing of impaired trade receivables		
Current and 30 days	379	80
60 – 90 days	144	52
90 – 120 days	186	134
120 days +	1 910	2 318
Total	2 619	2 584

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		16. Ordinary share capital and premium		
		Authorised ordinary share capital		
1 500	1 500	300 000 000 ordinary shares of 0,5 cent each	1 500	1 500
		Issued ordinary share capital		
1 028	1 028	**205 626 047** (2007: 205 626 047) ordinary shares of 0,5 cent each	1 028	1 028
–	–	**1 364 811** (2007: 1 704 811) treasury shares of 0,5 cent each	(7)	(9)
1 028	1 028	Ordinary share capital	1 021	1 019
		Issued ordinary share premium		
122 560	122 560	Share premium on ordinary shares issued	122 560	122 560
(3 548)	(3 548)	Share issue expenses written off against share premium	(3 548)	(3 548)
–	–	**1 364 811** (2007: 1 704 811) treasury shares at a premium of **R2,65** (2007: R2,65)	(3 620)	(4 521)
(34 182)	(34 182)	Capital distributions paid	(34 182)	(34 182)
(31)	(31)	Capitalisation share award of **4 621 070** (2007: 4 621 070) ordinary shares of 0,5 cent each	(31)	(31)
–	–	Capital distribution on treasury shares reversed	194	194
84 799	84 799	Ordinary share premium	81 373	80 472
85 827	85 827	Total ordinary share capital and premium	82 394	81 491

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		17. Borrowings		
–	–	Bank term loans – unsecured	9 366	11 331
–	–	Other loans – unsecured	–	47 575
–	–		9 366	58 906
		The borrowings are repayable as follows:		
–	–	On demand or within one year	2 245	49 366
–	–	In the second year	2 604	2 265
–	–	In the third to fifth years inclusive	2 893	7 275
–	–	Thereafter	1 624	–
–	–		9 366	58 906
–	–	*Less:* Amounts due for settlement within one year	(2 245)	(49 366)
–	–	Amount due for settlement after one year	7 121	9 540
		The average interest rates paid were as follows:		
–	–	Bank term loans (%)	15,5	12,7
–	–	Other loans (%)	–	5,0

With the exception of the loan in Africa Glass SA Holdings (Pty) Limited in 2007, which bore interest at a fixed rate of 5% per annum and, which has now been settled, all interest rates are linked to the prime overdraft rates of the country where the loan originated.

Analysis of borrowings by currency:

	group 2008 R'000	group 2007 R'000
Bank term loans – denominated in Rands	9 366	11 331
Other loans – denominated in Rands	–	47 575
Total	9 366	58 906

18. Obligations under finance lease agreements

Amounts payable under instalment sale and finance lease agreements:

	Minimum lease payments 2008 R'000	Minimum lease payments 2007 R'000	Present value of minimum lease payments 2008 R'000	Present value of minimum lease payments 2007 R'000
GROUP				
Within one year	34 147	30 949	24 132	22 081
In the second to fifth years inclusive	74 199	79 469	60 964	66 674
Thereafter	196	–	189	–
	108 542	110 418	85 285	88 755
Less: Future finance charges	(23 257)	(21 663)	–	–
Present value of lease obligations	85 285	88 755	85 285	88 755
Less: Amounts due for settlement within one year	(24 132)	(22 081)	(24 132)	(22 081)
Amounts due for settlement after one year	61 153	66 674	61 153	66 674

18. Obligations under finance lease agreements continued

Analysis of borrowings by currency:

	group 2008 R'000	group 2007 R'000
Borrowings – denominated in Rands	83 253	86 868
– denominated in Euro	1 525	1 408
– denominated in Botswana Pula	507	479
	85 285	88 755

It is the Group's policy to purchase certain of its property, plant and equipment under instalment sale or finance lease agreements. The average agreement term is three to five years. These agreements bear interest, which is linked to the prime lending rate, at an average effective borrowing rate of **14,0%** (2007: 10,95%). All agreements are on the fixed repayment basis. The fair value of the Group's obligations approximates their carrying amount.

The Group's obligations under these agreements are secured by the lessor's charge over the assets.

The assets, under instalment sale and finance lease agreements, have the following book values at year-end:

	group 2008 R'000	group 2007 R'000
Plant and machinery	81 327	86 022
Office furniture and equipment	816	150
Motor vehicles	13 140	12 180
Total	95 283	98 352

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		19. Trade and other payables		
–	–	Trade payables	124 138	126 140
–	–	Employee costs and benefits	22 458	15 372
–	–	Other payables	50 387	49 272
–	–		196 983	190 784

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is **49 days** (2007: 57 days), calculated by the period in days over which purchases, equivalent to trade payables currently outstanding, were made in the prior and preceding months. The carrying amount of the above approximates their fair value. No interest is charged on trade payables.

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		20. Amounts due to vendors		
113	113	The Clearway Group vendors*	113	113
–	–	Ralph's Mirror and Glass (Pty) Limited ("Ralph's") vendor	2 000	–
–	–	West Cape Safety Glass (Pty) Limited ("West Cape") vendor	1 544	–
113	113		3 657	113
(113)	(113)	*Less:* Amounts due within one year	(3 657)	(113)
–	–	Amounts due for settlement after one year	–	–

20. Amounts due to vendors continued

The amount due to the vendors of the Clearway Group arose in terms of an agreement to acquire the equity interest in this Group with effect from 1 July 1999. The amount is interest free and unsecured. The balances outstanding to vendors relate to withholdings as a result of debtors reversion in terms of the sale agreements. These amounts will be paid over to vendors as soon as the debtors are recovered.

The amount due to the vendor of Ralph's arose in terms of an agreement to acquire a 70% interest in Ralph's with effect from 1 October 2007. The amount is unsecured and bears interest at the prime overdraft rate. The balance outstanding will be settled by the issue of 258 398 ordinary shares in AG industries Limited and R1 000 000 cash payable in two equal instalments on 30 September 2008 and 31 March 2009 respectively.

The amount due to the vendor of West Cape arose in terms of an agreement to acquire an additional 3,6% of the equity interest in West Cape with effect from 1 March 2008. The amount is unsecured and bears interest at the prime overdraft rate. The full amount was settled in cash on 1 July 2008.

** The Clearway Group consisted of Clearway Sliding Doors (Pty) Limited, Clearway Aluminium Durban (Pty) Limited, Distinctive Systems (Pty) Limited and Profal (Pty) Limited.*

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		21. Shareholder's loan		
		Shareholder's loan which is unsecured and bears interest		
–	–	at 10,75% (2007: 6,5%) per annum	–	4 621
–	–	*Less:* Amounts due within one year	–	(4 621)
–	–		–	–

22. Bank borrowings

The banking facilities granted to the Group are unsecured. There are cross guarantees between Group companies and the Group has undertaken not to encumber assets without the prior written consent of its various bankers.

23. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2007. The Group's capital risk management falls under the control of the Group's Finance and Risk Committee and is managed by the treasury department.

The capital structure of the Group consists of debt, which includes borrowings and obligations under finance lease and amounts due to vendors, as disclosed in notes 17, 18 and 20 respectively, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Gearing

The Group's Finance and Risk Committee reviews the capital structure periodically. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group's targeted gearing ratio is around 40%. Gearing is determined as the proportion of net interest-bearing debt to equity. The gearing of the Group has ranged between 60% and 85% over the last 36 months as a result of the substantial capital investment predominantly incurred at the Group's Roodekop manufacturing facility. The Group will continue to target the desired gearing ratio over the medium term in line with its three-year plan.

The gearing ratio at year-end was as follows:

	group 2008 R'000	group 2007 R'000
Interest-bearing debt	284 197	379 780
Cash and cash equivalents	(24 101)	(44 112)
Net interest-bearing debt	260 096	335 668
Equity	388 537	412 374
Gearing (%)	66,9	81,4

23. Financial instruments continued

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria of recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

	group	
	2008 R'000	2007 R'000
Categories of financial instruments		
Financial assets		
Loans and receivables at amortised cost		
– Trade and other receivables	238 968	391 003
– Cash and cash equivalents	24 101	44 112
Available for sale financial assets	427	424
Financial liabilities		
At amortised cost	470 701	562 139

The financial instruments are disclosed at the carrying value which approximates the fair value.

Financial risk management objectives

The Group's treasury function provides services to the business, coordinates access to domestic and international financial markets and monitors and manages the financial risk relating to the operations of the Group. These risks include currency risk, liquidity risk and cash flow interest rate risk. The Group's credit department monitors and manages the credit risk relating to the operations.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and in foreign currency exchange rates.

The Group enters into forward exchange contracts on both imports and exports predominantly in the Southern African operations where volatility exists in the Rand. The currency risk in the foreign operations is relatively small due to these businesses trading in their local currencies.

The Group has not entered into any interest rate swaps to mitigate the risk of rising interest rates.

There has been no change in the Group's exposure to market risks or the manner in which it manages these risks (as outlined in the corporate governance section on pages 22 to 23).

Foreign currency risk management

Forward exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 50% to 70% of the exposure generated. The Group also enters into forward foreign exchange contracts to manage the risks associated with anticipated sales and purchase transactions out to 12 months within 30% to 50% of the exposure generated.

The following table details the forward foreign exchange contracts outstanding as at the reporting date:

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008	2007	2008 '000	2007 '000	2008 R'000	2007 R'000	2008 R'000	2007 R'000
US Dollars								
Less than three months	–	7,1512	–	$1 500	–	10 727	–	21
Three to 12 months	7 250	7,1675	$1 000	$500	7 250	3 584	756	28

As at 30 June 2008, the aggregate amount of unrealised gains under forward exchange contracts taken to profit or loss relating to the exposure on these anticipated future transactions is **R756 056** (2007: R48 750).

As at 30 June 2008, the Group had no uncovered foreign currency transactions or balances.

23. Financial instruments continued

Interest rate risk management

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below is based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. A 50-basis point movement represents management's assessment of a reasonable possible change in interest rates.

If interest rates had been 50-basis points lower/higher and all other variables remained constant, the Group's loss for the year ended 30 June 2008 would have been R1,3 million lower/higher (2007: profit R1,7 million higher/lower). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has increased during the current year as a result of the repayment of a R35 million fixed rate loan in March 2008 through variable rate funding.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In order to mitigate credit risk, the Group insures its trade receivables and obtains collateral where necessary. See note 15 for further details.

Liquidity risk management

Ultimate responsibility for liquidity risk rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continually monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group has the following facilities at year-end:

	group	
	2008 R'000	2007 R'000
Unsecured bank overdraft facility – reviewed annually and payable on demand		
Amount used	186 002	227 498
Amount unused	65 479	71 391
	251 481	298 889
Secured bank loan facilities – various maturity dates through to 2013		
Amount used	94 651	100 086
Amount unused	57 215	53 745
	151 866	153 831

The Group prepares a month-by-month cash flow forecast based on approved budgets for the forthcoming 12 months as part of its budgeting process. After scrutiny of the forecast, management ensures that the Group has sufficient cash resources or short-term banking facilities to meet the Group's requirements. Cash flow forecasts are continually updated in the light of actual results versus the budgeted forecast.

To manage risk, the Group's Treasury Department sets daily limits based on the various requirements of the operational units within the Group.

The Group has a centralised cash management system with daily sweeping taking place by the Group's Treasury Department.

The Group's Treasury Department continually monitors the Group's exposure in line with the interest rate charges related thereto and places these exposures at the best possible rates prevailing at the time.

23. Financial instruments continued

Liquidity risk management continued

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

	Weighted average effective interest rate %	Less than 1 year R'000	2 – 3 years R'000	3 – 5 years R'000	Thereafter R'000	Total R'000
2008						
Non-interest-bearing	–	187 494	–	–	–	187 494
Secured bank loan facilities	14,2	37 664	33 919	47 815	2 830	122 228
Variable interest rate instruments[1]	14,7	188 556	–	–	–	188 556
		413 714	33 919	47 815	2 830	498 278
2007						
Non-interest-bearing	–	182 359	–	–	–	182 359
Secured bank loan facilities	11,1	34 392	31 365	58 123	3 666	127 546
Variable interest rate instruments[1]	12,2	232 119	–	–	–	232 119
Fixed interest rate instruments	5,0	35 000	–	–	–	35 000
		483 870	31 365	58 123	3 666	577 024

[1] *Included in variable interest rate instruments are bank overdraft facilities which are payable on demand.*

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets when the Group anticipates the cash flow will occur:

	Weighted average effective interest rate %	Less than 1 year R'000	2 – 3 years R'000	3 – 5 years R'000	Thereafter R'000	Total R'000
2008						
Non-interest-bearing	–	238 968	–	–	–	238 968
Variable interest rate instruments	3,95	24 101	–	–	–	24 101
		263 069	–	–	–	263 069
2007						
Non-interest-bearing	–	391 003	–	–	–	391 003
Variable interest rate instruments	5,63	44 112	–	–	–	44 112
		435 115	–	–	–	435 115

As disclosed above, the Group has access to additional undrawn facilities of R123 million at its disposal to further reduce liquidity risk. The Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

24. Contingent liabilities

GROUP

Subsidiary companies have issued bond customs rebate store guarantees in the amount of **R517 500** (2007: R517 500). Certain subsidiary companies have issued contract and performance guarantees in the amount of **R334 282** (2007: R740 507). Outstanding letters of credit amounted to **R1 272 026** (2007: R3 502 170). A subsidiary company has issued a guarantee in favour of First National Bank on behalf of Allglass Holdings (Pty) Limited ("Allglass") in the amount of **RNil** (2007: R697 500) for banking facilities accorded to Allglass.

COMPANY

The Company has provided surety for the bank overdrafts of its subsidiaries. The net overdraft position of the subsidiaries at year-end amounts to **R162 924 491** (2007: R227 498 423). The Company has issued a guarantee in favour of Billiton Aluminium Limited in the amount of **R22 000 000** (2007: R21 750 000). The amount payable to Billiton at year-end, which has been included in current liabilities, is **R16 781 599** (2007: R16 350 565). The Company has issued a guarantee in favour of Hulletts Hydro Extrusions (Pty) Limited in the amount of **R2 500 000** (2007: R2 500 000). The amount payable to Hulletts at year-end, which has been included in current liabilities, is **RNil** (2007: R137 069).

25. Pension and provident funds

The South African subsidiaries have defined contribution pension and provident funds in terms of which retirement benefits are determined by reference to contributions to the funds. These funds are governed by the Pension Funds Act of 1956.

The employees of the Group's subsidiary in Germany are members of a state-managed retirement benefit scheme operated by the German Government. The subsidiary is required to contribute a specific percentage of its payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the subsidiary with respect to the retirement scheme is to make the specified contributions. The employees of the Group's subsidiary in the UK are not members of a provident fund.

Total contributions to the pension and provident funds for the year amounted to **R14 549 383** (2007: R14 577 035).

company			group	
2008 R'000	2007 R'000		2008 R'000	2007 R'000
		26. Commitments		
		Property operating lease commitments contracted for but not provided in the financial statements:		
–	–	Due within one year	47 065	37 101
–	–	Due in the second to fifth year inclusive	126 782	170 511
–	–	Due thereafter	202 732	209 938
–	–		376 579	417 550
		Other operating lease commitments contracted for but not provided in the financial statements:		
–	–	Due within one year	2 571	1 614
–	–	Due in the second to fifth year inclusive	5 590	4 688
–	–	Due thereafter	–	649
–	–		8 161	6 951
		Capital expenditure committed or authorised but not provided in the financial statements:		
–	–	Capital assets	23 879	38 221
–	–		23 879	38 221

The operating lease commitments will be funded out of cash flows generated from operating activities. Material capital commitments will be funded through instalment sale, finance lease agreements or borrowings.

27. Related party transactions

Trading transactions

West Cape Safety Glass (Pty) Limited ("West Cape") sold goods to Allglass Holdings (Pty) Limited and its subsidiaries ("Allglass Holdings") in the amount of **R384 419** (2007: R471 103). The amount due from Allglass Holdings at year-end was **R27 403** (2007: R95 220). Mr G L Bouwer, a shareholder of Allglass Holdings, was also a minority shareholder of West Cape during the year under review. West Cape also sold goods in the amount of **R69 618** (2007: R51 250) to Silica Glass Studio (Pty) Limited ("Silica"). The amount due from Silica at year-end was **R9 645** (2007: R9 443). Mr R C Schreiber is a director and minority shareholder of West Cape. His son is a shareholder of Silica. All transactions took place at arm's length.

Aluminium and Glass Industries (Mauritius) Limited ("AGI Mauritius"), sold goods to Ouvertures & Profilages Plastic Limited ("OPP") and Aluminium Profiles and Products Limited ("APP") in the amount of **MUR1 266 398** (2007: MUR1 273 656) and **MUR11 855 216** (2007: MUR6 014 505) respectively. The amounts due from/(to) APP and OPP at year-end were **MUR5 091 774** and (MUR470 002) respectively (2007: MUR2 326 761 and (MUR281 962). Mr O Rey and P Piat, who are directors of AGI Mauritius, are both shareholders and directors of OPP and APP. All transactions took place at arm's length.

There were no other trading transactions between related parties other than transactions between Group companies which have been eliminated on consolidation. All related party transactions took place at arm's length.

Non-trading transactions

A premises which Africa Glass Namibia (Pty) Limited ("Namibia") was occupying for a portion of the 2007 financial year is owned by Focus C.C. ("Focus"). Mrs van Niekerk, a director of Namibia, is a member of Focus. Rentals paid for the property for the year amounted to **N$Nil** (2007: N$26 400). The new premises occupied during 2007 is 50% owned by Mr A van Niekerk, a director of Namibia. Rentals paid for this property for the year amounted to **N$983 242** (2007: N$689 714).

The Allglass Gauteng (Pty) Limited ("Allglass Gauteng") premises is owned by Mr W Freimond, a director of Allglass Gauteng at the time of payment. Rentals paid for the property for the year amounted to **RNil** (2007: R112 376).

All property rental transactions took place at arm's length.

AGI Mauritius rented plant and equipment from and paid management fees to OPP in the amount of **MUR1 183 911*** (2007: MUR1 244 606) and **MUR705 000** (2007: MUR700 000) respectively.

*(*MUR = Mauritian Rupee)*

The Group owed an amount of R157 949 to Mrs D L Barrell at 30 June 2007. This amount was fully repaid in the year under review. The loan was unsecured, bore interest at 11% per annum (2% below the prime overdraft rate) and was by intent short-term in nature.

Compensation of key management personnel

The Company considers its directors as key management personnel. Refer to remuneration report on pages 26 and 27 for directors' emoluments.

company			group	
2008 R'000	2007 R'000		2008 R'000	2007 R'000
		Amounts owed by subsidiaries		
4 786	5 786	Africa Glass Industries Limited Share Incentive Trust	–	–
4 413	–	Africa Glass SA Holdings (Pty) Limited	–	–
173	–	AG Industries Asia-Pacific (Private) Limited	–	–
1	–	Francolin Properties (Pty) Limited	–	–
249	3 311	Africa Glass Group Services (Pty) Limited	–	–
694	–	Africa Glass Treasury (Pty) Limited	–	–
2 350	–	Coralux Retail (Pty) Limited	–	–
97	–	AGI Glass (Pty) Limited	–	–
12 763	9 097		–	–

company 2008 R'000	company 2007 R'000		group 2008 R'000	group 2007 R'000
		27. Related party transactions continued		
		Amounts owed to subsidiaries		
–	314	Francolin Properties (Pty) Limited	–	–
2 547	–	AGI Aluminium and Glass Industries (Pty) Limited	–	–
97	–	AGI Property Holdings (Pty) Limited	–	–
2 644	314		–	–

28. Share-based payments

The Group Share Incentive Scheme provides for a grant price equal to the middle market price at which the shares are traded on the JSE on the trading day immediately preceding the date upon which the Board resolves to sell ordinary shares in terms of the scheme, or to grant an option in terms of the scheme. The vesting period is four years. If the option remains unexercised after a period of seven years from the date of grant, the option expires. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

GROUP	2008 Number of options	2008 Weighted average price per share (in Rands)	2007 Number of options	2007 Weighted average price per share (in Rands)
Outstanding at the beginning of the year	7 659 500	2,13	9 697 000	2,13
Exercised during the year	(340 000)	2,37	(2 037 500)	1,98
Outstanding at the end of the year	7 319 500	2,17	7 659 500	2,18

The weighted average price at the date of exercise for the options exercised during the period was R3,50 (2007: R4,19). The options outstanding as at 30 June 2008 have a weighted average exercise price of R2,17 (2007: R2,18) and a weighted average remaining contractual life of years 0,83 years (2007: 0,85 years).

The inputs into the Black-Scholes-Merton model for the various option issues are as follows:

	Option issue date 2006	2003	2001	2000
Number of options	3 300 000	5 965 000	602 000	220 000
Weighted average share price at date of issue	2,51	1,90	2,37	1,68
Weighted average option price	2,51	1,90	2,37	1,68
Expected volatility expressed as a percentage	30,78	29,89	34,68	34,68
Expected life in years	4	4	4	4
Risk-free rate of return (%)	7,32	7,40	10,13	10,52
Forward dividend yield (%)	1,99	3,04	2,34	3,07
Value per option in Rands	3,27	2,26	3,21	2,34

Due to the AGI Groups' competitor's share price volatility being in no way similar to that of AGI's share price, the current share price volatility, modified for any available information that would indicate that the future is reasonably expected to differ from the past, has been used in determining the expected volatility. The lower of the treasury bill rate and the bankers' acceptance rate on the grant date has been used as the risk free rate. The option does not entitle its holder to distributions. The dividend yield has been calculated by taking the distribution for the period that the option was granted in as a percentage of the option grant price.

The Group recognised total expenses of R625 379 (2007: R1 006 092) related to share-based payments for the year. The share-based payments expense has been included in the employee benefits expense line in the income statement.

schedule a: schedule of interests in subsidiary companies

for the year ended 30 June 2008

Details of direct and indirect holdings in subsidiaries are as follows:	Issued capital 2008	Percentage holding 2008 %	Percentage holding 2007 %	Shares 2008 R	Shares 2007 R	Indebtedness 2008 R	Indebtedness 2007 R
Africa Glass (Botswana) (Pty) Limited (Botswana 2001/2498)	Pula 100	100	100	*	*	*	*
Africa Glass Export (Pty) Limited	200	100	100	*	*	*	*
Africa Glass Group Services (Pty) Limited	100	100	100	*	*	*	*
Africa Glass International Holdings Inc. (B.V.I. 259 888)	US$10 000	100	100	58 154 550	58 154 550	4 442 758	3 984 289
Africa Glass Namibia (Pty) Limited (Namibia 95/478)	N$604	90	90	*	*	*	*
Africa Glass Property Services (Pty) Limited	100	100	100	*	*	–	–
Africa Glass SA Holdings (Pty) Limited	19	100	100	19 790 961	19 790 961	75 958 607	75 958 607
Africa Glass Treasury (Pty) Limited	1	100	100	*	*	–	–
AG International Trading Inc. (Mauritius 45694)	US$2	100	100	*	*	*	*
AGI Aluminium and Glass Industries (Pty) Limited	300	100	100	300	300	–	3 813
AGI Aluminium and Glass International (Pty) Limited	1 000	100	100	*	*	*	*
AGI Aluminium (Pty) Limited	100	100	100	*	*	*	*
AGI Glass (Pty) Limited	1 000	100	100	*	*	*	*
AGI Group Administration Services (Pty) Limited	20 000	100	100	950 000	950 000	5 286 664	5 286 664
AG Industries Asia-Pacific (Private) Limited (Singapore 200711099K)	S$100 000	70	–	365 402	–	3 112 318	–
AG Industries Vietnam Company Limited (Vietnam 411043000528)	VND50 000	70	–	*	*	*	*
AGI Manufacturing (Pty) Limited	100	100	100	*	*	*	*
AGI Property Holdings (Pty) Limited	100	100	100	60 100	60 100	1 099 975	1 099 975
AGI Solutions (Pty) Limited	1	100	100	*	*	*	*
AGI Transport (Pty) Limited	100	100	100	*	*	*	*
Allglass Gauteng (Pty) Limited	133	100	100	133	133	4 295 329	4 295 329
Aluminium Glass Industries (Mauritius) Limited (Mauritius 44839)	MUR3 300 000	50	50	*	*	*	*
Anso Aluminium East London (Pty) Limited	100	100	100	*	*	*	*
Barbet Holding SA (Luxembourg 20859)	US$1 040 980	100	100	*	*	*	*
Clearway Aluminium Durban (Pty) Limited	100	100	100	*	*	*	*
Coralux Retail (Pty) Limited	320	100	100	*	*	*	*
Distinctive Systems (Pty) Limited	300	100	100	*	*	*	*
Francolin Properties (Pty) Limited	1	100	100	*	*	*	*
IT For Africa (Pty) Limited	1	100	100	*	*	*	*
KAB Allglass GmbH (Germany 40972)	€25 565	100	100	*	*	*	*
Kal Projects (Pty) Limited	100	100	100	*	*	*	*
Lanner Limited (B.V.I. 13862)	US$2	100	100	*	*	*	*
Lawi A.G. (Switzerland CH-1703012382-0)	CHF50 000	100	100	*	*	*	*
Marvad Distributors (Pty) Limited	100	100	100	*	*	*	*
Pelican International Inc. (B.V.I. 31266)	US$2	–	100	–	5	–	–
Raider Glass Works (Pty) Limited	100	100	100	*	*	*	*
Ralph's Mirror and Glass (Pty) Limited	100	70	–	*	*	*	*
Safe Glass (Pty) Limited	1 000	100	100	*	*	*	*
Sheerline Aluminium Systems (Pty) Limited	2 000	100	100	*	*	*	*
Showerlux SA (Pty) Limited	100 000	100	100	*	*	*	*
The Aluminium Connection (Pty) Limited	100	100	100	*	*	*	*
Uniglass Limited (United Kingdom 2413276)	£475 000	100	100	*	*	*	*
Vistalam Glass (Pty) Limited	100	100	100	*	*	*	*
West Cape Safety Glass (Pty) Limited	1 000	92,7	83,1	*	*	*	*
Total				79 321 446	78 956 049	94 195 651	90 628 677

*Notes: *Denotes indirectly held subsidiaries. Issued share capital is denominated in Rands unless otherwise stated.*

shareholding information

for the year ended 30 June 2008

Analysis of shareholders

As at 30 June 2008, an analysis of the share register showed the following:

Size of shareholding	Number of shareholders	Percentage of shareholders	Number of shares held	Percentage of shares issued
0 – 10 000	1 270	75,5	3 790 022	1,8
10 001 – 100 000	282	16,8	8 577 083	4,2
100 001 – 1 000 000	97	5,8	30 710 996	14,9
1 000 001 – 5 000 000	23	1,3	45 560 571	22,2
5 000 001 – 10 000 000	6	0,4	43 161 649	21,0
Over 10 000 000	3	0,2	73 825 726	35,9
	1 681	100,0	205 626 047	100,0

Category of shareholding

Individuals	1 358	80,8	25 922 522	12,6
Corporate bodies	109	6,5	74 105 301	36,0
Nominees and trusts	86	5,1	4 652 744	2,3
Banks, insurance and investment companies	24	1,4	36 403 379	17,7
Mutual and pension funds	104	6,2	64 542 101	31,4
	1 681	100,0	205 626 047	100,0

Shareholder spread

Public shareholders	1 658	98,6	127 286 739	61,9
Non-public shareholders	23	1,4	78 339 308	38,1
– Directors, trustees and associates	22	1,4	38 142 415	18,5
– Persons interested, directly or indirectly, in 10% or more	1	–	40 196 893	19,6

Major shareholders

Shareholders holding in excess of 5% of the issued share capital of the Company:

Darter International Incorporated	40 196 893	19,6
Alibar Investments (Pty) Limited	22 400 069	10,9
RMB Asset Management	21 132 110	10,3
Investec Asset Management	18 870 439	9,2
Cadiz African Harvest Asset Management	13 273 249	6,5
Stanlib Asset Management	11 915 095	5,8

	2008 R'000	2007 R'000
Share price		
Opening price – 1 July	R5,29	R3,30
Closing price – 30 June	R1,00	R5,29

notice of annual general meeting

Notice is hereby given that the annual general meeting of the shareholders of AG Industries Limited ("the Group" or "the Company") will be held in the boardroom, Corner Kruger Street and Mimetes Road, Denver Extension 11, Johannesburg at 10:00 on Friday, 5 December 2008 for the following purposes:

As ordinary resolutions

1. To receive and adopt the annual financial statements for the year ended 30 June 2008.
2. Reflection of retiring directors
   2.1 To approve the re-election of the retiring directors (referred to in 2.2).
   2.2 To re-elect, B E Danoher, M J E Geldenhuys, J Martingano, C P Kalil and J C Saville as directors, who retire in accordance with the provisions of the Company's Articles of Association. (Please refer to pages 6 and 7 of the annual report for a brief CV of each director standing for re-election.)
3. To authorise the audit committee to review and elect the auditors for the ensuing year, and to determine the auditors' remuneration.
4. To approve the remuneration of the directors for their services as such.
5. To consider and, if deemed fit, to pass with or without modification the following ordinary resolutions:

5.1 Ordinary Resolution Number 1

"Resolved that, the unissued authorised shares in the capital of the Company be and they are hereby placed under the control of the directors of the Company as an unconditional general authority in terms of section 221(2) of the Companies Act (Act 61 of 1973), as amended ("the Act"), with the power to allot and issue all or any portion of such shares at their discretion, subject to sections 221(3) and 221(1) of the Act and the Listings Requirements of the JSE Limited ("the JSE")."

5.2 Ordinary Resolution Number 2

"Resolved that, subject to the passing of ordinary resolution number 1 and in terms of the requirements of the JSE, the directors be given the general authority to issue ordinary shares of 0,5 cent each for cash, of a class already in issue in the share capital of the company, as and when they see fit, subject to the following limitations:

5.2.1 that this authority shall not extend beyond 15 months from the date of this general meeting;

5.2.2 that issues in the aggregate in any one financial year will not exceed 10% (ten percent) of the Company's issued share capital;

5.2.3 that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount at which securities will be issued shall be 10% (ten percent) of the weighted average traded price of the shares over the 30 days prior to the date on which the price of the issue is determined or agreed by the directors; and

5.2.4 any such issue will only be made to public shareholders as defined in the Listings Requirements of the JSE."

In terms of the Listings Requirements of the JSE, the approval of a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at this meeting is required for ordinary resolution 5.2 to become effective.

5.3 Ordinary Resolution Number 3

To consider and, if deemed fit, to pass with or without modification the following ordinary resolution:

"Resolved that, subject to the prior approval by the JSE and in terms of section 90 of the Act, the directors of the Company shall be entitled to pay by way of a *pro rata* reduction of share capital or share premium, in lieu of a dividend, an amount equal to the amount which the directors of the Company would have declared and paid out of profits in respect of the Company's interim and final dividends for the financial year ending 30 June 2008, subject to the following conditions:

- that this authority shall not extend beyond the next annual general meeting or 15 months from the date of this annual general meeting, whichever date is the earlier; and
- that any payments may not exceed 20% (twenty percent) of the Company's issued share capital, including reserves but excluding minority interest, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year."

At the time of such payment an announcement will be published in accordance with schedule 24 of the JSE Listings Requirements and in addition it will contain the relevant information required in terms of the JSE Listings Requirements. Pursuant to and in terms of the JSE Listings Requirements, the Board hereby states that:

(a) The intention of the directors of the Company is, if fiscally efficient for the Company to do so, to utilise the general authority by way of a *pro rata* reduction of share capital or share premium, in lieu of a dividend, an amount equal to the amount which the directors of the Company would have declared and paid out of profits in respect of the Company's interim and final dividends for the financial year ending 30 June 2008.

(b) The Board has considered the impact of a payment of up to 20% (twenty percent) of the Company's issued share capital, being the maximum permissible under a general authority in terms of the JSE Listings Requirements.

5.4 Ordinary Resolution Number 4

"Resolved that, in terms of clause 8.2 of the Africa Glass Industries Limited Share Incentive Trust Deed, directors be given specific authority to increase the percentage issue to the participants in the Africa Glass Industries Limited Share Incentive Scheme shares of 0,5 cent each from 7,5% to 10%, which in aggregate, will not exceed 20 562 604 shares being 10% of the issued share capital of the Company, provided that the price at which the shares shall be issued shall represent the middle market price at which the shares are traded on the JSE on the trading day immediately preceding the date of determination of the price of the issue and provided further that the authority and any issue pursuant thereto shall be in terms of the Companies Act 1973, as amended, and the Listing Requirements of the JSE".

A 75% majority of votes of all shareholders present or represented by proxy at the general meeting excluding controlling shareholder, their associates any party acting in concert, and if applicable, any shareholder who is participating in the issue and who is not regarded as public in terms of the Listing Requirements of the JSE must be cast in favour of this resolution to become effective.

6. Special Resolution Number 1

To consider and, if deemed fit, to pass, with or without modification the following special resolution:

"Resolved that the directors be and are hereby authorised to approve and implement the acquisition by the Company (or a subsidiary of the Company) of shares issued by the Company by way of a general authority, which shall only be valid until the Company's next annual general meeting, unless it is then renewed, provided it shall not extend beyond 15 months from the date of passing the special resolution, whichever period is the shorter, in terms of the Companies Act, and the rules and requirements of the JSE which provide, *inter alia*, that the Company may only make a general repurchase of its shares subject to:

- the repurchase being implemented through the order book operated by the JSE trading system, without any prior understanding or arrangement between the Company and the counterparty;
- the Company being authorised thereto by its Articles of Association;
- repurchases not being made at a price greater than 10% (ten percent) of the weighted average of the market value of the shares for the five business days immediately preceding the date on which the transaction was effected;
- the announcement being published as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares and for each 3% (three percent) in aggregate of the initial ordinary shares repurchased thereafter, containing full details of such repurchases;
- repurchases not exceeding 20% (twenty percent) in aggregate of the Company's issued ordinary share capital in any one financial year;
- the Company remaining in compliance with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread after such repurchase;
- the Company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- the Company only appointing one agent to effect any repurchases on its behalf."

The reasons for and the effect of this special resolution are to grant the Company a general approval in terms of the Companies Act, 1973 (Act 61 of 1973), as amended, for the acquisition by the Company of its own shares, which general approval shall be valid until the earlier of the next annual general meeting of the Company or its variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company provided that the general authority shall not extend beyond 15 months from the date of this general meeting. The directors do not propose to act under the authority if granted, but believe it prudent to provide for a general authority until the next annual general meeting of the Company. Any acquisition will be made by means of an acquisition through the Company's sponsor, as agent for and on behalf of the Company through the JSE trading system.

Pursuant to and in terms of the JSE Listings Requirements, the Board further states that:

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares and the *pro rata* reduction of share capital or share premium, in lieu of a dividend, in terms of the aforegoing ordinary resolution number 3 and special resolution number 1, are of the opinion that for the period of 12 months after the date of the notice of the annual general meeting:

- the Company and the Group will be able, in the ordinary course of business, to pay its debts;
- the consolidated assets of the Company and the Group, fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the Company;
- the Company and the Group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes; and

- the Company's sponsor will confirm the adequacy of the Company's working capital, in terms of schedule 25 of the JSE Listings Requirements in writing to the JSE, for the purpose of undertaking the repurchase of shares and the reduction of share capital.

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 the JSE Listings Requirements for purposes of the ordinary resolution number 3 and special resolution number 1:

- directorate – pages 6 and 7;
- major beneficial shareholders – page 67;
- directors' interests in ordinary shares – page 32;
- share capital of the Company – page 56;
- material changes – page 33.

Directors' responsibility statement

The directors, whose names are given on pages 6 and 7 of the annual financial statements, collectively and individually accept full responsibility for the accuracy of the information given and certify that to their 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 annual financial statements contain all information required in terms of the JSE Listings Requirements.

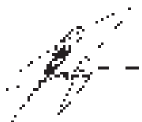
Litigation statement

The directors are not aware of any legal or arbitration proceedings active, pending or threatened against or being brought by the Company, which may have a material effect on the Group's financial position or which have had a material effect during the 12 months preceding the date of this notice of annual general meeting.

7. To attend to such other business as may be raised at the meeting.

A member who is entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. The person so appointed need not be a member of the Company. A proxy form is enclosed for use at this annual general meeting. Proxy forms are only to be completed by those shareholders who hold shares in certificated form or who are recorded in the subregister in dematerialised electronic form in own name. Proxy forms must be forwarded to reach AG Industries Limited's registered office, corner Kruger Street and Mimetes Road, Denver Extension 11, Johannesburg, not later than 10:00 on Wednesday, 3 December 2008. All other beneficial shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker must provide the relevant CSDP or broker with their voting instruction in terms of the custody agreement entered into between themselves as the beneficial owner and the relevant CSDP or broker as the case maybe. All beneficial shareholders who have dematerialised their shares through a CSDP, who wish to attend and vote in the annual general meeting, must obtain a letter of representation from their CSDP or broker.

By order of the Board



M J E Geldenhuys
Company Secretary

31 October 2008

form of proxy

AG Industries Limited
ISIN: ZAE000039467
ALPHA Code: AGI

For use by ordinary shareholders ("ordinary shareholders"), who have not dematerialised their shares or who have dematerialised their shares with own name registration, of AG Industries Limited ("the Company") for the annual general meeting of the Company to be held on Friday, 5 December 2008 at 10:00 ("the annual general meeting") at the corner of Kruger Street and Mimetes Road, Denver, Extension 11, Johannesburg.

I/We ____________________

(Name/s in block letters) ____________________

of ____________________

(Address) ____________________

being the registered holder/s of [ ] ordinary shares in the Company, appoint (see note 1):

1. ____________________ or failing him/her

2. ____________________ or failing him/her

3. the chairman of the annual general meeting

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

Agenda item	Vote for*	Vote against*	Abstain*
Ordinary resolutions 1. Adoption of annual financial statements			
2.1 Approval of re-election of the retiring directors			
2.2 Re-election of directors:			
2.2.1 B E Danoher			
2.2.2 M J E Geldenhuys			
2.2.3 J Martingano			
2.2.4 C P Kalil			
2.2.5 J C Saville			
3. Authority to audit committee to review and elect the auditors and determine the auditor's remuneration			
4. Remuneration of directors			
5.1 Placing shares under the control of directors in terms of section 221 of the Act			
5.2 Authority to directors to allot and issue shares for cash			
5.3 Authority to directors until the next annual general meeting to reduce the share premium account			
5.4 Authority to directors to increase the percentage issue of shares to the participants of the Africa Glass Industries Limited Share Incentive Trust			
Special resolution 6. General authority to repurchase shares			

Signed at ____________________ on ____________________ 2008

Signature ____________________

Assisted by me ____________________ (where applicable)

**See note 2 on the reverse side of this form.*

A member who is entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. The person so appointed need not be a member of the Company.

Note: For instructions on the completion of this form, please see the notes on the reverse side of this form.

notes to the form of proxy

1. A member who is entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. The person so appointed need not be a member of the Company. Proxy forms are only to be completed by those shareholders who hold shares in certificated form or who are recorded in the subregister in electronic form in own name. Proxy forms must be forwarded to reach AG Industries Limited's registered office, corner Kruger Street and Mimetes Road, Denver Extension 11, Johannesburg, not later than 10:00 on Wednesday, 3 December 2008. All other beneficial shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker must provide the relevant CSDP or broker with their voting instruction in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker as the case may be.
2. The person whose name stands first in the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A proxy may vote on a show of hands and on a poll. An ordinary shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that ordinary shareholder in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he deems fit in respect of the shareholder's votes exercisable thereat. Any alteration made to this form of proxy must be initialled.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form.
6. This form of proxy must be signed by all joint shareholders.
7. Proxy forms must be lodged at the registered office of the Company or posted to Mr M J E Geldenhuys, Company Secretary, AG Industries Limited, PO Box 40443, Cleveland, 2022, to be received not later than 48 hours before the time fixed for the annual general meeting (excluding Saturdays, Sundays and public holidays).

general information

Shareholders' diary

Financial year-end	30 June
Annual general meeting	5 December 2008

Reports and profit statements

Interim report for six months ended 31 December 2008	Published March 2009
Annual report for year ended 30 June 2009	Published October 2009

administration

AG Industries Limited
Incorporated in the Republic of South Africa
Registration number 1980/004051/06
Share code: AGI
ISIN: ZAE000039467

Company secretary
M J E Geldenhuys

Registered office
Corner Kruger Street and Mimetes Road
Denver Extension 11
Johannesburg 2094
Tel: +27 11 607 4500
Fax: +27 11 616 4519

Postal address
PO Box 40443, Cleveland 2022
South Africa

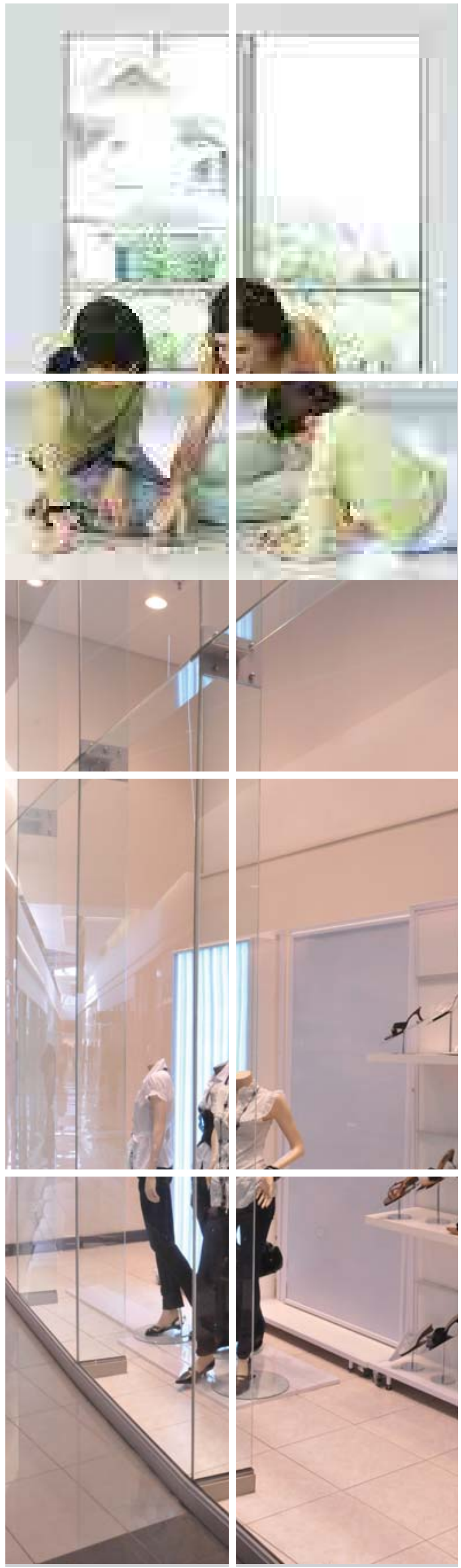
Internet address: www.ag-industries.com
Investor relations:
investor.ag-industries.com

Transfer secretaries
Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
Tel: +27 11 370 5000
Fax: +27 11 370 5487

Sponsor
Sasfin Bank Limited
(Corporate Finance Division)
Sasfin Place, North Block
13-15 Scott Street, Waverley 2090
Tel: +27 11 809 7500
Fax: +27 11 887 2489

Auditors
Deloitte & Touche
Building 1 and 2, Deloitte Place
The Woodlands Office Park
Woodlands Drive, Sandton 2146
Tel: +27 11 806 5000

Principal bankers
The Standard Bank of South Africa Limited
Standard Corporate and Merchant Bank
3 Simmonds Street, Johannesburg 2001



GRAPHICOR 38235

AG Industries Limited
Registered office
Corner Kruger Street and Mimetes Road, Denver Extension 11, Johannesburg 2094
PO Box 40443, Cleveland 2022