



**Annual Report**  
**2010**

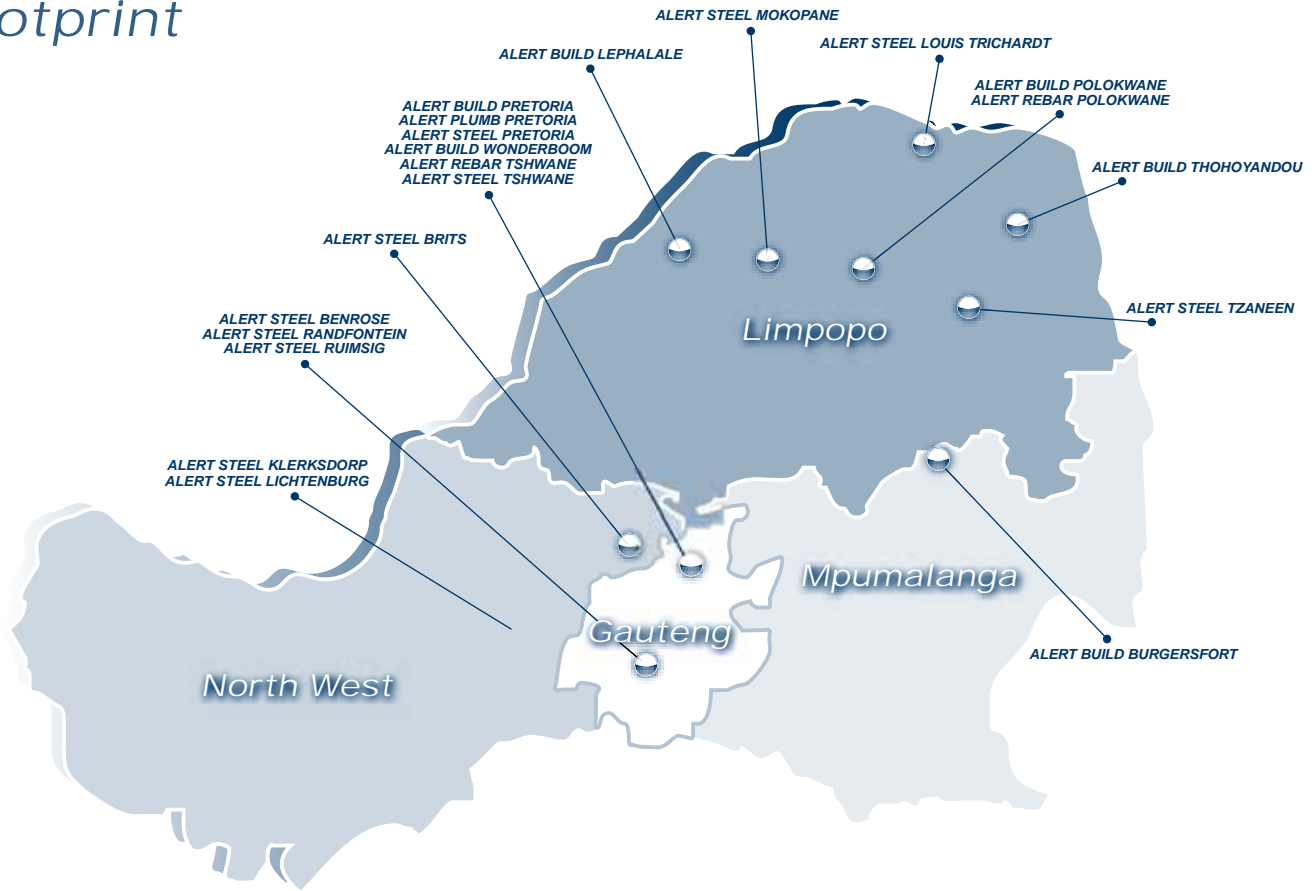
More than you can imagine...

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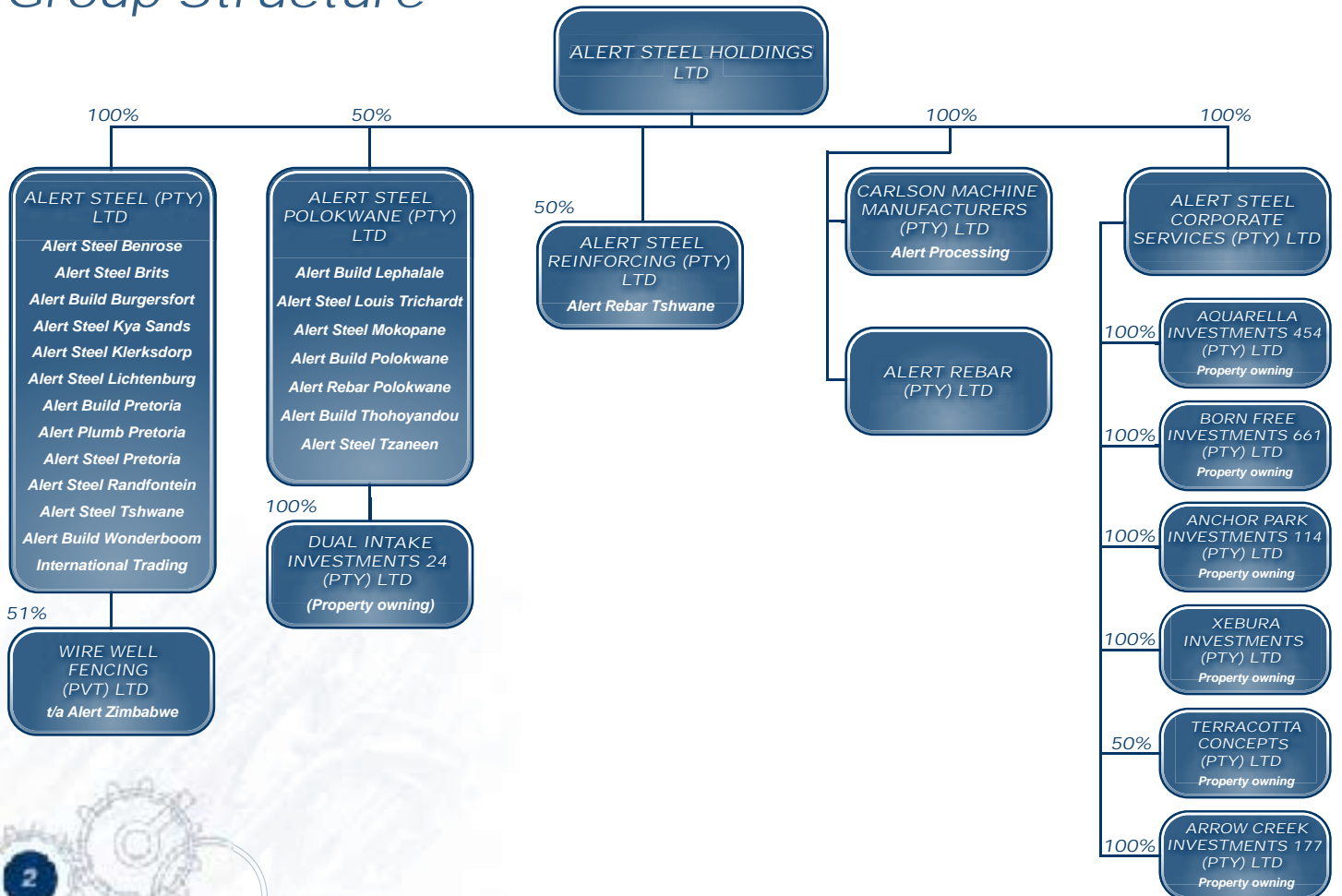
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## Footprint

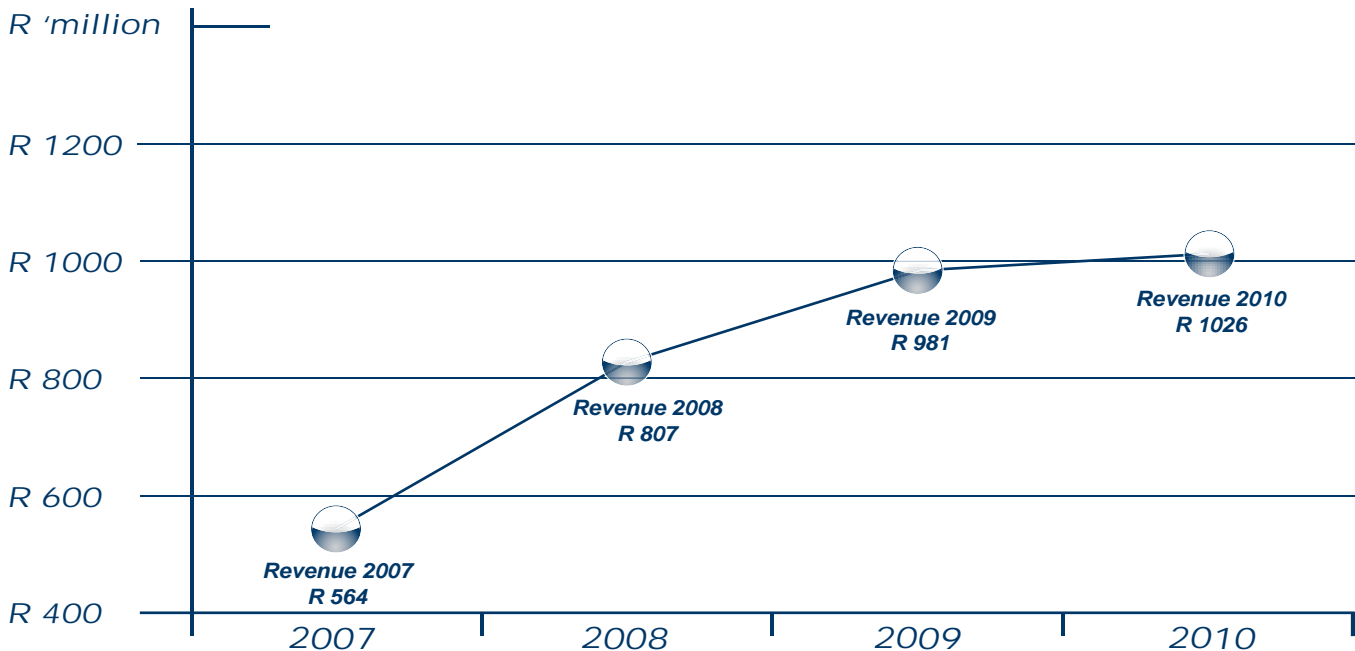


## Group Structure



## Financial Overview

### Revenue



### Comparative Figures

		2010	2009
REVENUE		R1 025,9m	R981,3m
GROSS PROFIT	(million)	R210,7	R211,1
EBITDA	(million)	(R31,0)	R28,2
(LOSS)/EARNINGS PER SHARE	(cents)	(39,8)	1,8
HEADLINE (LOSS)/EARNINGS PER SHARE	(cents)	(25,5)	1,1
NET TANGIBLE ASSET VALUE PER SHARE	(cents)	29,9	54,9
NET ASSET VALUE PER SHARE	(cents)	37,1	76,9

### Overview

Although Alert has successfully increased revenue, the main reasons for the decline of EBITDA were:

- The provision for impairment on trade receivables (R30,5m). The majority of this outstanding amount relates to subcontractors on government and local municipality contracts.
- Increase in operating costs, by 31,7% to R264,4m (2009: R201,7m) (Excluding depreciation).
- Pressure on gross profit margins.

The main cause for the differences between loss per share and headline loss per share and net tangible assets per share and net asset value per share is the impairment of goodwill to the amount of R35,3m.

Alert has suffered a total comprehensive loss of R98,9m during the 2010 financial year. Plans are currently under way to restore profitable operations, to recapitalise the group and to recover long term outstanding debt. The successful implementation of these plans will ensure Alert's ability to continue as a going concern for the next 12 months.



## Board of Directors

### *Wynand Schalekamp*

(Chairman of the Board and CEO) BCom Marketing (61)

Wynand has always been an entrepreneur and commenced his working career at a desalination plant in Upington of which he became the owner after two years. He was employed by Incedon and Silverton Engineering until 1978 when he joined Iscor in its marketing division, where he worked for 10 years. He started the business conducted by Alert Steel on a part-time basis in 1979 and resigned from Iscor in 1988 to focus on the continued growth and successes of the group.

### *Willie Mentz*

(Financial Director) BCom CA (SA) (55)

Willie completed his articles in 1981 at Van Zyl, Scheepers and Bruwer in Pretoria. He then worked for Sasol in Secunda for three years before starting his own audit practice. Willie has been involved with Alert Steel since 1989, originally on a part-time basis and since the significant growth and expansion of the group in 2000 on a full-time basis. Willie's sound knowledge and experience in financial related matters contributes significantly to the success of the group.

### *Owen Jevon*

(Independent Non-Executive Director) BSc Eng (55)

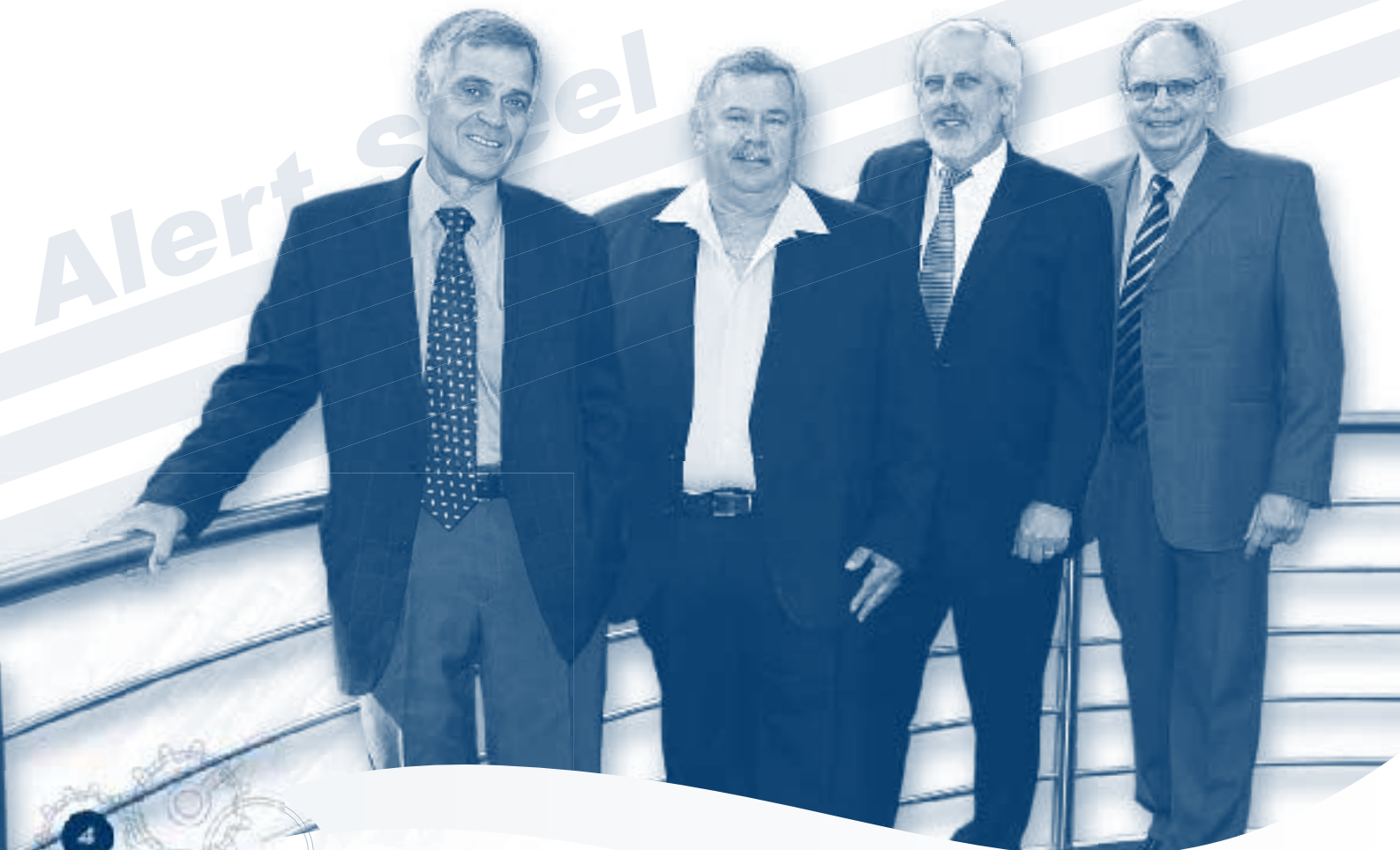
Owen is a very successful entrepreneur and business man in his own right. He founded his own construction business, DNO Projects CC, in 1986. Owen has more than 20 years' experience in the building and construction industries.

### *Rynhardt van Rooyen*

(Independent Non-Executive Director,  
Chairman of the Audit Committee & Risk Committee) CA (SA) (61)

Rynhardt retired in November 2008 after 32 years service at Sasol. During the last eight years at Sasol he was responsible, inter alia, for the following functions: Group Accounting, Group Taxation, Mergers & Acquisitions, Group Treasury, Group Financing, Sarbannes Oxley and The Sasol (Inzalo) BEE transaction. He currently acts as a director for various companies.

**From Left :** Rynhardt van Rooyen, Owen Jevon, Willie Mentz  
Wynand Schalekamp



## Chairman & CEO Report

### Operational overview of the past financial year

In contrast to the euphoria and hype created by the successful hosting of the soccer world cup, our group will remember 2010 as the worst possible trading year in our history. Our business environment has become extremely competitive and challenging due to various factors over which we, as a group, has absolutely no control or influence. Some of the more obvious aspects that influenced and threatened our very existence were:

- The on-going global financial crisis
- Job losses as a result of economic decline
- Closure and downsizing of a substantial portion of traditional customer base
- Reduced capital expenditure by local authorities
- Lack of private and public construction projects

The core pillar of our business, namely the distribution of steel and steel related products was severely affected by the volatility in steel prices. The uncertainty caused by the erratic pricing regime from Arcelor Mittal South Africa (AMSA) impacted extremely negative on our industry. We were caught up in an extreme overstock position as a result of downward industry price adjustments which in turn reduced our volumes, margins, profitability and finally threatened our liquidity. AMSA's removal of several "barriers to entry" enabled our traditional customer base to move to "direct of mill purchases" which in turn caused an over-capacity with many a steel stockist.

Notwithstanding this, we are confident that the distribution of steel and steel related products will continue to be our focus and we acknowledge that this industry sector will require a new strategic approach where the establishment of a stable and reliable supply chain resulting in competitive pricing to the end consumer is critical to our very survival. We are merely one of the industry players who trust that the agreement reached between Kumba Resources and AMSA will contribute to the prospect of much needed stability in the industry.

In order to alleviate the negative impact that was caused by the above factors, we have strategically undertaken various new ventures in different parts of the business:

- The establishment of a processing plant with a production capacity of approximately 1500 tons per month to mainly process hot rolled, cold rolled and galvanised material for roofing, lipped channel and cold formed applications. This undertaking will eventually streamline our business due to the fact that we now have the capability to supply in-group business units with steel products currently being out-sourced from various other processing plants.
- We have established a contracts department, which specialises

in the supply of products to various contractors that mainly deal with government department projects. As with all new ventures, we have encountered and negotiated several hurdles to get acquainted with this trade. We are however confident that contracts will make a significant contribution to our turnover.

- We have expanded our footprint and trading activity into Africa by the establishment of a joint venture operation in Zimbabwe, and an export department that mainly trades into Sub-Saharan Africa.

The above new ventures successfully increased our revenue, but unfortunately the pressure on gross profit margins, increased operating costs and the fact that we had to complete certain capital projects already undertaken when the recession commenced, have impacted negatively on our profitability.

Our main focus during the latter part of the past financial year was to improve efficiencies and reduce expenses. Dedicated task teams were formed within the business which had to drive down excessively high stock levels and collect outstanding trade receivables. Unfortunately the above measures did not provide for sufficient savings and working capital and our cash flow remained under severe pressure. To relieve the situation, the board of directors has decided on the recapitalisation of the group through a rights issue and the restructuring of the long and short term debt of the group.

### Prospects for the next financial year

We are in the process to implement various measures, which include:

- the restructuring of our group;
- the recapitalisation of the group to support the new structure;
- building of a young dynamic management team;
- various cost reduction activities;

We believe that when the above measures are in place towards the end of 2010, the group will be positioned for profitable growth in its market segment and the vision is to regain its position as preferred supplier of steel and steel related products.

As already mentioned, the negative impact of the slowdown in construction, mining and the DIY sector on our revenue, was counter balanced by increased levels of exports into Africa and contracts with subcontractors on various government department projects.



## Chairman & CEO Report - continued

Although these strategies will initially increase our operating costs, we remain positive that the benefits thereof will surely start flowing through during the latter part of our new financial year.

We expect the slowdown in our industry to continue for at least the next 18 months. The capital influx in our business, through the rights issue, together with the restructuring of our business model, will put us in a position not to only sustain during the next 18 months, but also to increase our revenue and footprint in the market we supply.

Alert's new and restructured model will grow our revenue through mainly:

- the existing steel retail branches by increasing the steel and steel related product range to offer a comprehensive steel product range and
- the increase of our revenue through the expansion of our footprint in identified growth areas and
- the increase in capacity of our contracts and export departments.

### Strategic objectives for the next year

Our objectives for the 2011 financial year are to:

- geographically expand our national and cross-border footprint by increasing our representation in all 9 provinces and Sub-Saharan countries via acquisitions, joint venture operations and in-group branch development.
- continue developing an "in-house" steel processing facility that will supply the group with final product at competitive pricing and improve the group's penetration into the traditional "cash and carry" trade.
- re-organise and right size our current operating business units to ensure that they are ready to take full advantage of future growth opportunities within the identified market segments we serve.
- take the necessary and required actions to return non-profitable branches to profitability. Where this can't be accomplished, we will consider the consolidation or closing-down of said business units.
- continue our focus on the rationalisation of cost.
- create enduring and mutual beneficial strategic supply chain partnerships that will provide the Alert group with a competitive advantage.
- ensure that we meet our customers' needs by distributing our product offering to the various identified market segments which we serve.

To achieve this, we will refocus on steel as our core business and we will aggressively build this image.

### Broad Based Black Economic Empowerment

Our black economic empowerment shareholder, Vunani Capital, sold its 7% shareholding in the group. This had a negative impact on our target of becoming a level 6 contributor. We are currently re-assessing our strategy and remain committed to the transformation process of broad based black economic empowerment.

### Appreciation

We wish to sincerely thank the loyal management team and employees of Alert, our suppliers, financial and other service providers as well as our directors for their collective support during this extremely challenging financial year. We are confident that our stringent controls, innovative thinking and dedicated management team will translate our strategic objectives into actions and resultant sustainable growth for the ensuing year.



**Wynand Schalekamp**

Chief Executive Officer & Chairman of the Board

*Our aim is to translate our strategic objectives into actions...*



# Corporate Governance Report

## Introduction

The directors and management of Alert Steel Holdings Ltd are dedicated to conduct the business with the highest levels of integrity, transparency and accountability.

## Statement of compliance

The board confirms that the company has complied with the principles of King II during the 2010 financial year. The board has already undertaken various actions to give effect to the required changes in compliance with the King III Report. A detailed report hereon will be given in the 2011 annual report.

## The board

During the 2010 reporting period, the board consisted of three independent non-executive directors and two executive directors and was chaired by Mr. Dube, as an independent non-executive director. Mr. Dube resigned on 15 September 2010 from the board as non-executive chairman. Mr. Schalekamp was appointed instead. The directors acknowledge that Mr. Schalekamp's dual position as chairman of the board and CEO of the company is not in line with the requirements of the Kings III report. This will be addressed during 2011 by appointing a non-executive independent chairperson or a lead independent director. However, the directors regard Mr. Schalekamp's knowledge and experience as essential factors to fulfil this position until a suitable alternative candidate is identified.

Details of directors' attendance at board & committee meetings are set out below:

Director	Board	Audit	Risk
Mr Ethan Dube	3 / 4	3 / 4	Not applicable
Mr Rynhardt van Rooyen	4 / 4	4 / 4	1 / 1
Mr Owen Jevon	4 / 4	4 / 4	1 / 1
Mr Wynand Schalekamp	4 / 4	4 / 4	1 / 1
Mr Willie Mentz	4 / 4	4 / 4	1 / 1

Board meetings are always attended by a representative of the company's designated adviser as required by the JSE Listings Requirements.

The executive directors accept full responsibility for the sound and efficient operation of the business as well as the implementation of all strategies and policies adopted by the board.

The non-executive directors do not provide any professional services to the group and do not enjoy any benefits from the company for their service as directors, apart from director's fees, potential capital gains and dividends which are disclosed on pages 41 & 42 of this annual report.

The members of the board come from diverse backgrounds. Their collective experience enables them to provide sound advice in the best interests of the group. There is a clear division of responsibilities at board level which ensures a balance of power and authority, to prevent that no one individual has unfettered powers of decision-making.

Details of each director are set out in page 4 of this annual report.

Independence of the board members is monitored annually, when formal mandatory declarations of personal interest are made by each director.

Although Mr. Jevon holds shares in the company, his shareholding does not exceed 5% of the issued share capital of the company, nor does he have the ability to influence or control the board. His shareholding is also not considered material to his personal wealth.

In terms of the board charter, board meetings are scheduled quarterly with ad-hoc special meetings convened as necessary. Notwithstanding these formal meetings, the directors interact on a regular basis, as required.

\* The risk committee was only established on 22.04.10. Before that it was part of the Audit and Risk Committee



## Corporate Governance Report - continued

The duties of the board are comprehensively set out in the board charter and include the following:

- formulate the strategy and provide direction to the group to ensure and enhance future growth;
- approval of developments and significant matters relating to finance;
- ensure sustainable leadership;
- the approval of the annual financial statements, the approval of the interim report, the valuation of unlisted investments, the declaration of dividends and the forfeiture of unclaimed dividends;
- recommend amendments to the Memorandum or Articles of the company when necessary;
- confirming the appointment, removal or replacement of the external auditor of the company;
- the approval of terms and conditions of any rights issues, public offers, capital issues or issues of convertible securities including share or convertible securities issued for acquisitions;
- appointments to and removals from the board, including the appointment of the chairman, any deputy chairman, chief executive officer, executive directors and non-executive directors and the approval of nominations of alternate directors (if any);
- monitoring activities of the executive management.

### Board appointments

In terms of the approved appointments to the board policy, all board members are required to assist with the identification and nomination of potential board candidates.

The board assesses from time to time the skills of the board to ensure that it consists of the required competency levels to be efficient and to provide strategic guidance to the group.

Should the assessment indicate a lack of competency in a certain area, the board will consider the appointment of a director to fulfil this need. The directors are invited on a continual basis to identify and nominate potential candidates who will provide a valuable contribution to the business and to the board.

### Changes to the board of directors

Mr. van Rooyen was appointed by the board on 4 November 2009 as an independent non-executive director. The efficiency and competence of the board is enhanced by Mr. van Rooyen's sound

financial knowledge and acumen. He also acts as chairman of both the audit and the risk committees.

Mr. Dube resigned on 15 September 2010 from the board as non-executive chairman to allow him more time to focus on his responsibilities as a senior executive of Vunani Limited.

Mr. Schalekamp was appointed as acting chairman of the board on 15 September 2010 and confirmed as chairman on 28 September 2010.

### Share dealings

The trading in securities policy regulates trading in securities by directors and the company secretary. No trading in securities is allowed by directors unless formal clearance has been received from the financial director. In the case of trading by the financial director, clearance must be given by the chairman of the board. All information regarding share dealings are released on the Securities Exchange News Services (SENS) within 48 hours of any trade being completed.

### Closed periods

Closed periods are exercised from the date of the reporting period until the group's results are published on SENS. Additional closed periods are enforced as required in terms of any corporate activity or when directors are in possession of price sensitive information.

Directors of the company and its major subsidiaries and the company secretary, their associates or members or immediate family are not allowed to deal directly or indirectly, at any time, in the securities of the company on the basis of unpublished price-sensitive information regarding the company's business or affairs. These individuals are made aware of restricted or closed periods for dealings and the provision of insider trading legislation.

### Conflicts of interest

In terms of the company's approved conflicts of interest policy, directors are obliged to provide the company secretary annually with a declaration of interest document, which list the nature and



## Corporate Governance Report - continued

extent of interests, directorships, direct or indirect shareholding in other companies, membership of specific entities and family connections.

Directors are furthermore, as a standard agenda point of all meetings, required to disclose any conflict of interest. In addition, should the company be entering into a contract, which is of significance in relation to the business, with a third party in which a director has a material interest, albeit directly or indirectly, such an interest must be disclosed, verbally or in writing, at or before the meeting of directors at which the question of confirming or entering into the contracts is first taken into consideration. Directors are obliged to excuse themselves from discussions or decisions in which they have a conflicting interest.

### Self-evaluation

Although the board has not formally conducted a self evaluation, they are continually reviewing processes in various areas, including its performance and strategic planning, board composition, relationship with management and other stakeholders, and succession planning. Areas requiring improvement have been identified, and are receiving attention.

### Board committees

#### Audit committee:

The following changes were made regarding the composition of the audit and the risk committee of the company during the year under review:

- The audit and the risk committee previously functioned as one committee, however during the year the two committees separated due to the different composition requirements of each committee.
- The chairman of the board, Mr. Dube, resigned as a member of the audit committee.
- Mr. van Rooyen (an independent non-executive director) was appointed as the chairman of the audit committee.
- The committee comprises only independent non-executive directors, namely: Messrs van Rooyen and Jevon.
- Due to the size of the board there are currently only two directors eligible to be members of the audit committee. The board will consider the appointment of an additional board member to fill

the vacancy of the third member of the audit committee in the ensuing year.

The audit committee confirms that it has carried out its functions in terms of the JSE Listings Requirements by:

- confirming the nomination of RSM Betty & Dickson (Tshwane) as the group's auditors and specifically Mr. den Boer in his capacity as the designated auditor and being satisfied that they are independent of the group;
- approving the terms of engagement and fees to be paid to RSM Betty & Dickson (Tshwane).
- determining the nature and extent of any non-audit services which the external auditors may provide to the company.
- satisfying itself of the appropriateness of the expertise and experience of the group's financial director, Mr. Mentz and the group's finance function.
- the audit committee has considered the adequacy of the group's system of internal control and recommends the financial statements for approval by the board.
- review the effectiveness of the internal audit function.

The chief executive officer and the financial director attend audit committee meetings by invitation and meetings are also attended by a representative of the company's designated adviser as required in terms of the JSE listings requirements. The primary role of the audit committee is to ensure the integrity of the financial reporting, the audit process and that a sound risk management and internal control system is maintained. In pursuing these objectives the audit committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function.

Although the board has delegated certain audit and financial functions to the audit committee, it remains accountable and responsible for the performance and affairs of the company.

The minutes of the audit committee meeting are made available to the board. The chairman of the audit committee reports to the board at each board meeting.

The board has determined that the audit committee has complied with its terms and reference during the year under review.

#### Risk committee:

The risk committee consists of a combination of executive and non-executive directors. The risk committee is chaired by Mr. van Rooyen and the members are Messrs Jevon, Schalekamp and Mentz.



## Corporate Governance Report - continued

The risk committee assists the board in fulfilling its responsibilities by providing a framework for managing risk throughout the group.

### Remunerations committee:

Although a remunerations committee is a recommendation in terms of The King Report it is not a requirement for AltX companies, in terms of the JSE Listing Requirements. A remunerations committee will meet as and when required.

### Internal controls and risk management processes

#### Internal Audit:

A permanent internal audit team has been established during the year under review. The group internal auditor reports to the chairman of the audit committees directly. The group internal audit manager is responsible to ensure that the team has sufficient skills and qualifications to maintain the competence of the internal audit function of the company.

An internal audit charter has been formalised which sets out the duties, responsibilities and scope of the internal audit function.

The current internal audit plan has been developed after consideration of all business related risks, systems and processes which are open to the elements of risk and exploitation to the detriment of the company. Due to the infancy of the internal audit function, the internal audit plan is currently aimed to expose obvious business risks in the branches and to implement corrective actions. Going forward, the annual reviews will include:

- review of the efficiency of operational systems and processes in the company.
- reviewing of the integrity of the financial and operational information.
- the evaluation of risk management processes (in conjunction with risk manager) and the group's overall exposure to risk.
- the evaluation of sufficiency and efficiency of control measurements.
- ensuring of processes to safeguard the assets of the company.

#### Risk management:

The board realises that their responsibility is to oversee the overall risk position of the group. Proper risk management should protect

the group's assets, personnel, business reputation and the environment. Fundamental elements of good risk management are achieving business objectives and operating in a responsible way to all stakeholders of the company.

The board has approved the position of a group risk manager. A suitable candidate will be recruited in 2011. His/her responsibility will be to analyse and manage all business risks on primary and secondary levels and to implement a risk register accordingly. The responsibility will include doing annual formal reviews of risks in the business and ensuring the implementation of proper risk management to all business units in the group.

The risk manager will report to the chairman of the risk committee directly.

The group is in the process to identify all risks in the company to formulate a proper framework to manage and mitigate these risks in the company. During the next year, all risk areas in the business will be covered by relevant policies and procedures to mitigate such risk.

#### IT Governance

The board accepts ultimate responsibility for IT governance in the company. All IT processes and systems are continually updated to uphold the company's strategic objectives and proper management of related risks.

An exco member is responsible for the group IT. He liaises closely with the IT management team to ensure efficient synergy between the IT function of the company and the overall business strategy. He furthermore provides continual feedback to the CEO and the board in terms of objectives, strategies and developments of the IT department.

A formal IT governance policy and framework will be implemented during the next financial year, which will ensure proper monitoring of the group IT function. Although these formal structures are not in place yet, the board is mainly satisfied that all IT risks in the company are appropriately mitigated and that the IT function supports the overall business strategy and growth of the group.

**“.....highest levels of integrity  
transparency and accountability.”**



## Corporate Governance Report - continued

### Company secretary

Monika Pretorius is the company secretary of the group. She attends all meetings of the board, audit committee and risk committee.

Ms Pretorius is responsible for ensuring that board procedures and all relevant regulations are fully observed. She provides guidance to the directors on their duties and obligations as directors in terms of legislation, regulation and best practice. Where necessary, she involves the designated adviser and other experts in this regard.

All directors have access to the advice and services of the company secretary. All directors are entitled to obtain independent professional advice regarding the company's affairs at the expense of the company.

### Stakeholder communication

Alert Steel acknowledges the importance of pro-active engagement with all its stakeholders. The company strives to foster sound relationships with the investment community as a whole. Timeous and relevant information is provided to investors regarding the financial performance of the company.

The company's website provides general information about the company, including up-to-date financial reports.

The board encourages shareholders to attend general and annual general meetings where they are given the opportunity to put forward questions to the board.

### Ethics

The company's code of conduct requires all directors and employees to act with honesty and integrity and to maintain the highest ethical standards. The code deals with compliance with laws and regulations, conflicts of interest, relationships with customers and suppliers, remuneration outside employment and confidentiality.



## Human Capital Report

In a year that can be best described as 'challenging', Alert's human capital managed to survive by focussing on its core values. By always maintaining a positive attitude 85% of our bursars managed to pull through and complete their studies undertaken in 2009. The loyalty that our employees have shown in Alert has been rewarded by the UNISA management programme that was launched for emerging and existing managers. Our staff's enthusiasm has excelled after team building events for staff and management. Alert and our employees have also shown mutual trust in keeping up the good work in trying times.

### Challenges faced

With the economic challenges we are faced with, the development of skills (specifically management skills) was the main human capital challenge we faced. To overcome this, Alert embarked on the identification of emerging managers within the group and selected existing managers to take part in the UNISA management programme. This covers core management skills as well as elective skills such as credit and human resources management skills. A comprehensive administration management programme has also been implemented which supports the administrative managers at branch level. The bursary programme also continued in the year under review, with Alert once again allocating industry related bursaries to current staff.

### Health & safety

Alert is proud to have created a safe working environment, by having regular safety inspections by an independent inspector and sensitising our staff around safety issues, we have managed to have zero serious incidents and to minimise minor incidents.

### HIV / AIDS

For the third year in a row, Alert participated in the annual HIV/AIDS week Bannerthon. The awareness created has shown that Alert is an employer who cares about people living with HIV/AIDS.

*Keeping up the good work in trying times...*

### Employment equity

Employment equity has been promoted in the past year by focussing on existing staff and harnessing promotion opportunities with them. We have also focussed intensively on the development of existing staff for future roles within the company in terms of employment equity.

### Internal communication

In the past year we have seen an increase in the use of our internal newsletter in getting messages across. This new technological forum for communication within Alert is being utilised in many different ways; from weekly opinion polls – that communicate to management how staff really think and feel, to the 'Ask Wynand' column where staff have the opportunity to anonymously ask the chief executive officer any question they would like answered by him.

This year has shown us that the team who works together and play together, stays together! It is our sincere wish to keep our staff motivated, enthusiastic and inspired in the years to come!



# Consolidated Annual Financial Statements

for the year ended 30 June 2010

The reports and statements set out below comprise the financial statements presented to the shareholders:

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*"acting with honesty and integrity  
to maintain the highest ethical standards"*



# Independent Auditor's Report

## To the shareholders of Alert Steel Holdings Ltd and its subsidiaries

We have audited the group financial statements of Alert Steel Holdings Limited and its subsidiaries, which comprise the director's report, statement of financial position as at 30 June 2010, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 15 - 50.

## Director's responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, the AC 500 standards as issued by the Accounting Practises Board and its successor 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 annual 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual 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 annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

## Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Alert Steel Holdings Ltd and its subsidiaries as on 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the AC 500 standards as issued by the Accounting Practises Board and its successor and in the manner required by the Companies Act of South Africa.

## Report on other legal and regulatory requirements

### Compliance with laws and regulations

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a certain unlawful act or omission committed by persons responsible for the management of Alert Steel Holdings Limited which constitute a reportable irregularity in terms of the Auditing Profession Act, 2005 (No. 26 of 2005), and have reported such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in the directors' report.

## Emphasis of matter

Without qualifying or opinion we draw attention to the condensed consolidated statement of comprehensive income for the year ended 30 June 2010 according to which a total loss of R98 974 137 was incurred during the financial year and the note on going concern in the directors' report. The ability of the group to continue as a going concern is dependent on several factors which inter alia include that profitable operations can be resumed and the successful restructuring of the group.



## RSM BETTY & DICKSON (Tshwane)

Registered Auditors  
Pretoria

Per: Paul den Boer  
Registered Auditor  
Chartered Accountant (S.A.)  
Partner

Suite 1, 267 Waterkloof Road  
Brooklyn  
11 November 2010



## Audit Committee Report

The Corporate Laws Amendment Act 24 of 2006 came into effect on 14 December 2007 ("CLAA"), in compliance with the CLAA, an audit committee was appointed by the board of directors, This committee comprises of Messrs van Rooyen (Chairman) and Jevon.

During the financial year, in addition to the duties set out in the audit committee's terms of reference (a summary is provided on page 9 of the corporate governance statement), the audit committee carried out its functions as follows:

- nominated the appointment of RSM Betty & Dickson (Tshwane) ("RSM Betty") as the registered independent auditor after satisfying itself through enquiry that RSM Betty is independent as defined in terms of the CLAA;
- determined the fees to be paid to RSM Betty and its terms of engagement;
- ensured that the appointment of RSM Betty complied with the CLAA and any other legislation relating to the appointment of auditors;
- Approved a non-audit services policy which determines the nature and extent of any non-audit services which RSM Betty may provide to the company.
- Considered and satisfied itself of the appropriateness of the expertise and experience of the company's financial function.

The audit committee has satisfied itself through enquiry that RSM Betty & Dickson (Tshwane) and Mr. Paul den Boer, the designated auditor, are independent of the company.

The audit committee recommended the financial statements for the year ended 30 June 2010 for approval to the board. The board has subsequently approved the financial statements which will be tabled for shareholders approval at the forthcoming annual general meeting.



**R van Rooyen**  
Chairman of the Audit Committee

11 November 2010

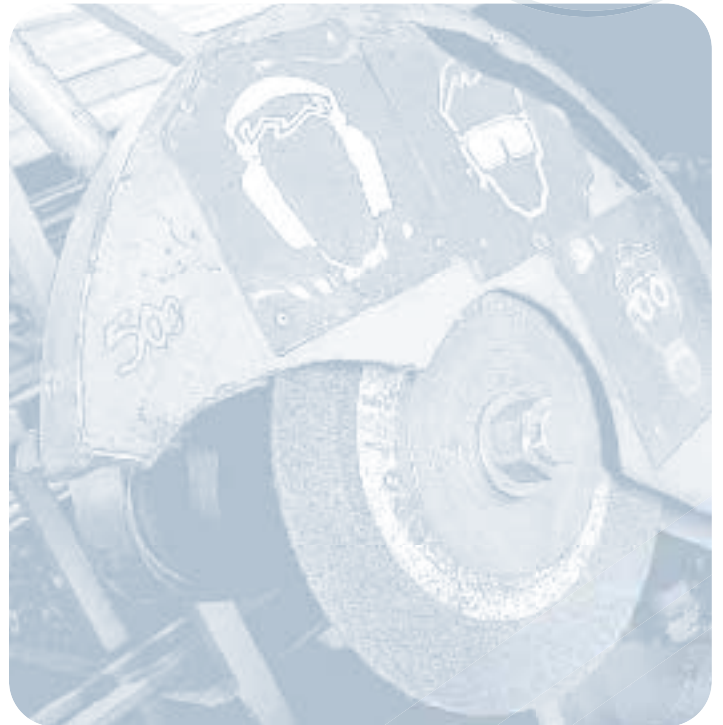
### Declaration of Company Secretary

The company secretary certifies that 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, as amended, and that all such returns are, to the best of my knowledge and belief, correct and up to date.



**Monika Pretorius**  
Company Secretary

11 November 2010



*Satisfied that the group has or has access to adequate resources to continue in operation...*



## Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the group financial statements and related financial information included in this report. It is their responsibility to ensure that the group financial statements fairly present the state of affairs of the group as at 30 June 2010 and the results of its operations and cash flows for the 12 months then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the group financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group.

While operating risk cannot be fully eliminated, the group endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the group's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future as per the explanation provided under paragraph 12 of the directors report.

The group financial statements set out on pages 14 to 50 which have been prepared on the going concern basis were approved by the board of directors at Pretoria and were signed on its behalf by:



R van Rooyen



OV Jevon



WF Schalekamp



WW Mentz

11 November 2010



# Directors' Report

The directors submit their report for the year ended 30 June 2010.

## 1. Review of activities

### Main business and operations

The group is a retailer of prime steel, building materials, hardware and plumbing products, as well as the processing of rebar steel and operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

## 2. Corporate governance

The corporate governance report is contained on pages 7 to 11 of this report

## 3. Non-current assets

Details of major changes in the nature of the non-current assets of the group during the year are as follows:

To satisfy internal growth requirements and expansion, vehicles of R5 172 277 and plant and equipment of R12 102 621 were acquired during the year. Vehicles were mainly financed through installment sale agreements.

An amount of R 8 420 712 was invested to finalise the distribution centre and head office.

## 4. Post balance sheet events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

## 5. Authorised and issued share capital

1 714 285 shares were issued during the year as final payment for the acquisition of the Steel Giant business. (2009: nil)

### Shareholder spread:

In terms of the JSE Listing Requirements, Alert Steel Holdings Limited complies with the minimum shareholder spread requirements, with 39,01% (2009: 38,58%) of ordinary shares held by the public at 30 June 2010. Details of the company's shareholder spread are recorded on page 50.

### Material shareholders

WF & JC Familie Trust	57,30%
Capital Africa Steel (Pty) Ltd	25,10%
The Alert Steel Share Incentive Scheme Trust	2,97%

	2010	2009
<b>Directors' interest in shares</b>		
WF Schalekamp	147 003 882	147 227 232
WW Mentz	1 065 135	1 065 135
OV Jevon ( Non Executive)	450 000	450 000
	<b>148 519 017</b>	<b>148 742 367</b>

There were no changes in the directors' interest up to the date of this report.

Mr. Mentz holds 65 135 beneficial direct shares of the company.

The staff of the designated advisors of Alert Steel hold 572 397(2009: 572 397) shares in the ordinary share capital of the company.

## 6. Dividends

No dividends were declared or paid during the year. (2009: Maiden dividend of 3,0 cents was declared and paid.)

## 7. Directors

Name	Capacity
R van Rooyen	Non-Executive Director (Appointed 4 Nov 2009)
OV Jevon	Non-Executive Director
WF Schalekamp	Chief Executive Officer (Chairman)
WW Mentz	Financial Director

Mr. Dube resigned from the board of directors on 15 September 2010. Mr. Schalekamp was appointed chairman of the board.

In terms of the company's articles of association, Mr. van Rooyen retired at the annual general meeting and, being eligible, offers himself for re-election.

## 8. Directors' interest in contracts

Mr. Schalekamp, a director of the company, is also the director of Schallies Beleggings (Pty) Ltd. The company has an operating lease agreement with Schallies Beleggings (Pty) Ltd. The lease period ends on 31 October 2011. The company has a 5 year renewal option.

Mr. Schalekamp, is also a director of Buffelskom Boerdery (Pty) Ltd and Gondwana Marketing (Pty) Ltd, both of which have trade debtors accounts with the Alert group (Refer note 35)



## Directors' Report - continued

### 9. Secretary

The secretary of the group is Ms Pretorius of:

Business address Cnr of Lanham and Engelbrecht Streets  
East Lynne, 0186

Postal address PO Box 29607  
Sunnyside, 0132

### 10. Interest in subsidiaries

Details of the group's investment in subsidiaries are set out in note 5.

### 11. Auditors

RSM Betty and Dickson (Tshwane) will continue in office in accordance with section 270 (2) of the Companies Act.

### 12. Going concern

The ability of the group to continue as a going concern is depended on a number of factors:

- the successful implementation of various initiatives to reduce costs and increase revenue and margins to return the group into profitable operations.
- the collection of long outstanding trade receivables. Various legal initiatives are in advance stages to collect long outstanding trade receivables and the directors are of the opinion that these measures will be successful in the recovering of at least 50% of the said receivables.
- alert raises capital by way of a partially underwritten rights offer.
- the rights offer will be partially underwritten by the WF & JC Family Trust, the company's controlling shareholder. The proceeds of the rights offer will be utilised to recapitalise the group's working capital and for future corporate actions.

### 13. Borrowing limitations

In terms of the articles of association of the group, the directors may exercise all the powers of the group to borrow money, as they consider appropriate.

### 14. Special resolutions

No special resolution was passed at the last annual general meeting.

### 15. Compliance with legislation

The following matter was reported to the Independent Regulatory Board for Auditors on 22 September 2010 by the group's external auditors, in terms of section 45(1) of the Auditing Professions Act, 2005 (No.26 of 2005).

According to the report, credit was extended by the group to entities controlled by Mr. Schalekamp a director of the group, which was not repaid in accordance with normal business practices. The amount of credit extended on 30 June 2010 was R 5 427 427.

The credit may constitute a loan granted in contravention of section 226 (1)(b) of the Companies Act, 1973, (No.61 of 1973), as no consent was given as prescribed in section 226(2) of the Act.

Undertakings have been issued, on behalf of Mr. Schalekamp, by transport attorneys administering the transport of a property sold by Mr. Schalekamp, to settle the loans from the proceeds.

Although the directors of the board take cognisance of this discrepancy, they also want to point out that Mr. Schalekamp, through his personal family trust, provides unlimited suretyship for the group's facilities, notwithstanding the fact that it is not normal practice for shareholders to provide personal surety for listed companies.



# Statement of Financial Position

Figures in Rand	Note(s)	2010 R	2009 R
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	2	5 991 156	5 991 156
Property, plant and equipment	3	152 933 460	134 486 293
Goodwill	4	17 848 170	54 665 036
Other financial assets		-	204 137
Deferred tax	9	1 019 272	3 073 553
		<b>177 792 058</b>	<b>198 420 175</b>
<b>Current Assets</b>			
Inventories	10	196 679 674	152 621 875
Loans to joint ventures	7	95 113	13 937 898
Loans to director	8	5 427 427	-
Current tax receivable		1 396 446	3 641 175
Trade and other receivables	11	167 917 204	142 148 940
Cash and cash equivalents	12	11 735 637	9 488 303
		<b>383 251 501</b>	<b>321 838 191</b>
<b>Total Assets</b>		<b>561 043 559</b>	<b>520 258 366</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	13	127 577 137	125 211 424
Reserves	14	-	2 365 713
Retained income		(35 501 384)	63 472 753
		<b>92 075 753</b>	<b>191 049 890</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Other financial liabilities	15	79 857 809	63 978 128
Deferred tax	9	329 947	628 860
		<b>80 187 756</b>	<b>64 606 988</b>
<b>Current Liabilities</b>			
Loans from joint ventures	7	16 005 975	3 260 038
Loans from director	8	1 419 089	-
Other financial liabilities	15	16 584 545	20 207 554
Current tax payable		21 414 403	665 254
Trade and other payables	17	189 281 196	111 866 791
Provisions	16	64 703	457 423
Bank overdraft	12	144 010 139	128 144 428
		<b>388 780 050</b>	<b>264 601 488</b>
<b>Total Liabilities</b>		<b>468 967 806</b>	<b>329 208 476</b>
<b>Total Equity and Liabilities</b>		<b>561 043 559</b>	<b>520 258 366</b>
		<b>cents</b>	<b>cents</b>
Number of shares in issue		248 428 570	246 714 285
Number of shares including share based payment shares		248 428 570	248 428 570
Fully diluted number of shares in issue		256 028 570	256 028 570
Net asset value per share (cents)		37,1	76,9
Net tangible asset value per share (cents)		29,9	54,9



## Statement of Comprehensive Income

Figures in Rand	Note(s)	2010 R	2009 R
Revenue	19	1 025 884 219	981 325 313
Cost of sales	20	(815 150 100)	(770 218 311)
<b>Gross profit</b>		<b>210 734 119</b>	<b>211 107 002</b>
Other income		13 297 254	10 845 680
Operating expenses		(233 949 788)	(201 633 441)
Trade receivables - Provision for impairment	11	(30 463 091)	(66 664)
<b>Operating (loss) / profit</b>	23	<b>(40 381 506)</b>	<b>20 252 577</b>
Investment revenue	21	1 726 843	2 424 601
Bargain price purchase on acquisitions		-	1 523 375
Goodwill impairment	24	(35 324 211)	-
Finance costs	22	(22 849 536)	(18 518 113)
<b>(Loss) / Profit before taxation</b>		<b>(96 828 410)</b>	<b>5 682 440</b>
Taxation	18	(2 145 727)	(1 505 108)
<b>Total comprehensive (loss) / income</b>		<b>(98 974 137)</b>	<b>4 177 332</b>
<b>Attributable to:</b>			
Ordinary shareholders		(98 974 137)	4 377 332
Minority Interest		-	(200 000)
		<b>(98 974 137)</b>	<b>4 177 332</b>
Weighted average shares in issue on which earnings are based		248 428 570	248 428 570
Fully diluted weighted average shares in issue on which earnings are based		256 028 570	256 028 570
(Loss) / earnings per share (cents)	25	(39,8)	1,8
Headline (loss) / earnings per share (cents)	26	(25,5)	1,1
Fully diluted (loss) / earnings per share (cents)	25	(39,0)	1,5
Fully diluted headline (loss) / earnings per share (cents)	26	(25,1)	0,9



## Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Acquisition SBP Reserve	Retained income	Total attributable to equity holders of the group / company	Minority interest	Total equity
<b>Balance at 01 July 2008</b>	24 671	125 186 753	125 211 424	2 365 713	66 724 850	194 301 987	-	194 301 987
<b>Changes in equity:</b>								
Acquisition share premium	-	-	-	-	-	-	200 000	200 000
Net income (expenses) recognised directly in equity	-	-	-	-	-	-	200 000	200 000
Profit for the year	-	-	-	-	4 377 332	4 377 332	(200 000)	4 177 332
Total recognised income and expenses for the year	-	-	-	-	4 377 332	4 377 332	-	4 377 332
Dividends	-	-	-	-	(7 629 429)	(7 629 429)	-	(7 629 429)
Total changes	-	-	-	-	(3 252 097)	(3 252 097)	-	(3 252 097)
<b>Balance at 30 June 2009</b>	24 671	125 186 753	125 211 424	2 365 713	63 472 753	191 049 890	-	191 049 890
<b>Changes in equity:</b>								
(Loss) for the year	-	-	-	-	(98 974 137)	(98 974 137)	-	(98 974 137)
Total recognised income and expenses for the year	-	-	-	-	(98 974 137)	(98 974 137)	-	(98 974 137)
Issue of shares	171	2 365 542	2 365 713	(2 365 713)	-	-	-	-
Total changes	171	2 365 542	2 365 713	(2 365 713)	(98 974 137)	(98 974 137)	-	(98 974 137)
<b>Balance at 30 June 2010</b>	24 842	127 552 295	127 577 137	-	(35 501 384)	92 075 753	-	92 075 753

Notes

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13

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## Statement of Cash Flows

Figures in Rand	Note(s)	2010 R	2009 R
<b>Cash flow from operating activities</b>			
Cash generated from (used in) operations	28	(21 699 491)	70 217 569
Interest income		1 726 843	2 424 601
Finance costs		(22 849 536)	(18 518 113)
Tax refund / (paid)	29	22 869 321	(22 198 644)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(19 952 863)</b>	<b>31 925 413</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	3	(29 353 758)	(76 831 316)
Sale of property, plant and equipment	3	807 512	1 638 294
Purchase of investment property	2	(160 459)	(4 084 951)
Acquisition of businesses (including subsidiaries, JV's & associates)		-	(25 548 993)
Net movement in loans from joint ventures		13 842 785	(2 305 529)
Net movement on other financial assets		-	505 174
Loans to director	8	(5 427 427)	-
<b>Net cash outflow from investing activities</b>		<b>(20 291 347)</b>	<b>(106 627 321)</b>
<b>Cash inflows from financing activities</b>			
Net movement in other financial liabilities		12 256 672	46 263 516
Loans from joint ventures		12 745 935	-
Movement in loans to managers and employees		204 137	-
Loan from director	8	1 419 089	-
Contribution by minority share holders		-	200 000
Dividends paid		-	(7 629 429)
<b>Net cash inflow from financing activities</b>		<b>26 625 833</b>	<b>38 834 087</b>
<b>Total cash movement for the year</b>		<b>(13 618 377)</b>	<b>(35 867 821)</b>
Cash shortage at the beginning of the year		(118 656 125)	(82 788 304)
<b>Total cash shortage at end of the year</b>	12	<b>(132 274 502)</b>	<b>(118 656 125)</b>



# Accounting Policies

## 1. Presentation of Financial statements

The financial statements have been prepared in accordance with 'International Financial Reporting Standards', the 500 standards as issued by the accounting practices board and its successor and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous period.

### 1.1 Significant judgments

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

#### Trade receivables

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

The impairment for trade receivables is calculated on an individual basis.

#### Allowance for slow moving, damaged or obsolete stock

An allowance was made to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items.

#### Impairment testing

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 16.

## Contingent provisions on business combinations

Contingencies recognised in the current year required estimates and judgements (refer to note 30 on acquisition of business combinations).

### Taxation

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

### 1.2 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is carried at cost less depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful Life
Property – land	Indefinite
Property – buildings	50 years

### 1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.



## Accounting Policies - continued

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

<b>Item</b>	<b>Average useful life</b>
Buildings	50 years
Plant and machinery	3 – 6 years
Furniture and fixtures	3 – 6 years
Motor vehicles	8 – 10 years
Office equipment	2 – 9 years
IT equipment	3 years
Leasehold improvements	10 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

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

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

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

### 1.4 Goodwill

Goodwill is initially measured at cost, being the excess of the business combination over the group's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is carried at cost less any accumulated impairment.

The excess of the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

Internally generated goodwill is not recognised as an asset.

### 1.5 Financial instruments

#### Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

For financial instruments which are not at fair value through profit or loss, classification is re assessed on an annual basis.

#### Initial recognition and measurement

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

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

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

Regular way purchases of financial assets are accounted for at settlement date.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Impairment of financial assets

At each statement of financial position date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.



## Accounting Policies - continued

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available for sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

### Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries and joint ventures and are recognised initially at fair value plus direct transaction costs.

Loans from group companies are classified as loans and receivables.

### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables.

### Trade and other payables

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

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### Bank overdraft and borrowings

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

## 1.6 Tax

### Current tax assets and liabilities

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

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

### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused STC credits can be utilised.

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



## Accounting Policies - continued

### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

### 1.7 Leases

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

#### Operating leases – lessee

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

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

### 1.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.9 Impairment of assets

The group assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the units.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.



## Accounting Policies - continued

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.10 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognized. Contingencies are disclosed in note 34.

### 1.12 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

### 1.13 Cost of sales

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

### 1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.



## Accounting Policies - continued

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.15 Basis of consolidation

The group consists of the consolidated financial position and the operating results and cash flow information of Alert Steel Holdings Limited (the company), its subsidiaries and its interest in joint ventures.

#### Subsidiaries

Subsidiaries are entities controlled by the group. Control exists where the group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities generally accompanying an interest of more than one half of the voting rights. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

Subsidiaries are never excluded from consolidation. If a subsidiary is acquired but control is expected to be temporary because the intention is that the subsidiary will be sold within 12 months from acquisition, the acquired subsidiary is still consolidated but is accounted for as a disposal group or a discontinued operation. The results of subsidiaries are included for the period during which the group exercises control over the subsidiary. The purchase method of accounting is used to account for the acquisition of subsidiaries of the group.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company;
- plus any costs directly attributable to the purchase of the subsidiary.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. On adjustment to the cost of a business combination, contingent or future events are included in the combination if the adjustment is probable and can be measured reliably.

If a subsidiary uses accounting policies other than those adopted in these consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

#### Joint ventures

Joint ventures are contractual agreements whereby the group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. These joint ventures may take the form of jointly controlled operations such as construction contracts, jointly controlled assets, jointly controlled partnerships or companies.

Joint ventures are accounted for by means of the proportionate consolidation method whereby the group's share of the assets, liabilities, income, expenses and cash flows of joint ventures are included on a line by line basis in the consolidated financial statements. The results of joint ventures are included for the period during which the group exercises joint control over the joint venture. If a joint venture uses accounting policies other than those adopted in these consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group interest in the joint venture, except where unrealised losses provide evidence of an impairment of the assets.

### 1.16 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the group, directly or indirectly, including all executive and non-executive directors.

Related party transactions are those where a transfer of resources or obligations between related parties occurs, regardless of whether or not a price is charged.



## Notes to the Financial Statements

### 2. Investment property

	2010 R			2009 R		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	5 991 156	-	5 991 156	5 991 156	-	5 991 156

#### Reconciliation of investment property – 2010

	Opening Balance	Additions	Impairments	Total
Investment property	5 991 156	160 459	(160 459)	5 991 156

#### Reconciliation of investment property – 2009

	Opening Balance	Additions	Additions through business combination	Total
Investment property	-	4 085 560	1 905 596	5 991 156

#### Pledged as security

Carrying value of assets pledged as security:

Erf 1889 Ellisras extension 16 (7 Stamvrug crescent)

As per bond registered over the property (Refer note 15)

Erf 1908 Ellisras extension (10 Kransberg street)

As per bond registered over the property (Refer note 15)

	2010 R	2009 R
Carrying value of assets pledged as security:		
Erf 1889 Ellisras extension 16 (7 Stamvrug crescent)	1 736 915	1 736 915
Erf 1908 Ellisras extension (10 Kransberg street)	1 798 645	1 798 645
<b>Total</b>	<b>3 535 560</b>	<b>3 535 560</b>

#### Details of property:

##### Erf 1889 Ellisras extension 16 (7 Stamvrug crescent)

- Purchase price

1 500 000

1 500 000

- Capitalised expenditure

236 915

236 915

**1 736 915**

**1 736 915**

##### Erf 1908 Ellisras extension (10 Kransberg street)

- Purchase price

1 635 500

1 635 500

- Capitalised expenditure

163 145

163 145

**1 798 645**

**1 798 645**

##### Erf 868 Wolmaransstad

- Purchase price

550 000

550 000

**550 000**

**550 000**

##### Erf424 (Portion 560 & 182) – Klerksdorp

- Purchase price

1 905 596

1 905 596

**1 905 596**

**1 905 596**

The fair value of investment properties was assessed, calculating the estimated present value of the future cash inflows from the investment properties.

The fair value of investment properties was R5 million, supported by market evidence.



## Notes to the Financial Statements - continued

### 3. Property plant and equipment

	2010 R			2009 R		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	18 307 119	-	18 307 119	18 307 119	-	18 307 119
Buildings	69 096 212	(383 312)	68 712 900	60 675 500	(261 632)	60 413 868
Plant and machinery	26 091 927	(7 182 527)	18 909 400	18 571 255	(3 412 531)	15 158 724
Furniture and fixtures	10 529 138	(2 360 322)	8 168 816	5 856 752	(977 172)	4 879 580
Motor vehicles	50 430 985	(16 777 131)	33 653 854	46 137 956	(14 746 689)	31 391 267
Office equipment	6 590 494	(4 880 540)	1 709 954	6 138 658	(4 273 053)	1 865 605
IT equipment	8 079 226	(4 710 441)	3 368 785	5 000 761	(2 657 777)	2 342 984
Leasehold improvements	1 686 196	(1 583 564)	102 632	1 667 216	(1 540 070)	127 146
<b>Total</b>	<b>190 811 297</b>	<b>(37 877 837)</b>	<b>152 933 460</b>	<b>162 355 217</b>	<b>(27 868 924)</b>	<b>134 486 293</b>

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

	Opening Balance	Additions	Additions through business combinations	Disposals	Impairment loss	Depreciation	Total
Land	18 307 119	-	-	-	-	-	18 307 119
Buildings	60 413 868	8 420 712	-	-	-	(121 680)	68 712 900
Plant and machinery	15 158 724	7 504 551	-	(62 881)	(498 166)	(3 192 828)	18 909 400
Furniture and fixtures	4 879 580	4 598 070	-	(53 190)	-	(1 255 644)	8 168 816
Motor vehicles	31 391 267	5 172 277	-	(581 811)	-	(2 327 879)	33 653 854
Office equipment	1 865 605	481 356	-	(142 971)	-	(494 036)	1 709 954
IT equipment	2 342 984	2 893 247	-	(177 987)	-	(1 689 459)	3 368 785
Leasehold improvements	127 146	18 980	-	-	-	(43 494)	102 632
	<b>134 486 293</b>	<b>29 089 193</b>	<b>-</b>	<b>(1 018 840)</b>	<b>(498 166)</b>	<b>(9 125 020)</b>	<b>152 933 460</b>

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

	Opening Balance	Additions	Additions through business combinations	Disposals	Transfers	Depreciation	Total
Land	12 440 801	266 318	5 600 000	-	-	-	18 307 119
Buildings	4 903 259	49 890 875	5 800 000	-	-	(180 266)	60 413 868
Plant and machinery	2 764 219	10 720 182	3 691 192	(291 110)	-	(1 725 759)	15 158 724
Furniture and fixtures	1 187 398	4 435 112	6 990	(19 015)	(191 821)	(539 084)	4 879 580
Motor vehicles	27 286 987	8 166 462	911 961	(1 252 939)	-	(3 721 204)	31 391 267
Office equipment	1 518 682	656 621	34 541	(1 867)	191 821	(534 193)	1 865 605
IT equipment	1 615 003	1 964 006	35 997	(58 507)	-	(1 213 515)	2 342 984
Leasehold improvements	-	-	164 946	-	-	(37 800)	127 146
	<b>51 716 349</b>	<b>76 099 576</b>	<b>16 245 627</b>	<b>(1 623 438)</b>	<b>-</b>	<b>(7 951 821)</b>	<b>134 486 293</b>



## Notes to the Financial Statements - continued

	2010 R	2009 R
<b>Pledged as security</b>		
Carrying value of assets pledged as security:		
Land and buildings (Erf 227 East Lynne, Pretoria; Erf 408 and 409 Rosslyn Ext 2) Subject to other financial liabilities (Refer note 15)	76 941 882	62 773 836
Motor Vehicles Subject to Installment Sale Agreements (Refer note 15)	19 533 521	22 252 687
Plant and Equipment Subject to Installment Sale Agreements (Refer note 15)	9 775 547	6 782 116
Furniture and fittings Subject to Installment Sale Agreements (Refer note 15)	5 081 936	1 861 538
<b>Details of properties</b>		
<b>Erf 2515 Louis Trichardt, extension ZAR</b>		
50% held through Dual Intake Investments 24 (Pty) Ltd		
- Purchase price	230 696	230 696
- Additions since purchase or valuation	487 937	487 937
	<b>718 633</b>	<b>718 633</b>
<b>Portions 2 &amp; 3 of Erf 12 situated at 271/273 Maggs Street, Waltloo, Gauteng</b>		
50% held through Alert Steel Reinforcing (Pty) Ltd		
- Purchase price	750 000	750 000
- Additions since purchase	4 050 000	4 050 000
- Capitalised expenditure	18 313	18 313
	<b>4 818 313</b>	<b>4 818 313</b>
<b>Erf 227 East Lynne, Pretoria</b>		
- Purchase price	10 312 886	10 312 886
- Additions since purchase	57 463 883	49 757 171
- Capitalised expenditure	2 565 113	1 881 616
	<b>70 341 882</b>	<b>61 951 673</b>
<b>Erf 408 &amp; Erf 409 Rosslyn Ext 2</b>		
- Purchase price	<b>6 600 000</b>	<b>6 600 000</b>
<b>Erf 6 Elcedes</b>		
- Purchase price	4 894 000	4 894 000
- Capitalised expenditure	30 503	-
	<b>4 924 503</b>	<b>4 894 000</b>

## 4. Goodwill

	2010 R			2009 R		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Goodwill	53 201 679	(35 353 509)	<b>17 848 170</b>	54 665 036	-	<b>54 665 036</b>

## Reconciliation of goodwill – 2010

	Opening Balance	Other changes	Impairment loss	Total
Goodwill	54 665 036	(29 297)	(36 787 569)	17 848 170



## Notes to the Financial Statements - continued

### Reconciliation of goodwill – 2009

	Opening Balance	Other changes	Additions	Total
Goodwill	48 593 590	-	6 071 446	54 665 036

Goodwill is carried at cost less any accumulated impairment. Goodwill was valued, using the net present value of future cash flow based on current actual contribution, discounted at a rate of 20% and extrapolated using an estimated growth rate of 8%.

The fair value of the assets acquired during the business acquisition of General Steel (Pty) Ltd was reassessed based on information received after the previous financial year end. A price reduction of R1 463 358 was accounted for in the statement of comprehensive income. (Refer note 24)

2009: Goodwill additions relate to the 100% acquisition of the business of General Steel (Pty) Ltd business on 1 August 2008. (Refer note 30)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of a cash-generating unit is determined based on the value-in-use. These calculations use cash flow projections based on financial budgets for the following year, as was approved by management. Cash flows for future years beyond the following year are extrapolated using an estimated growth rate of 8%. A discount rate of 20% was used, which reflects the pre tax weighted average cost of capital.

Key assumptions used on value-in use calculations include budgeted retail revenue streams. Such results are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management's past experience in the market in which these units operate.

Based on the above assumptions, management's calculations of recoverable amounts were less than the carrying amounts of the cash-generating units. A goodwill impairment was provided for. The impairment relates to the retail reportable segment.

Management believes that any reasonable possible change in any of its key assumptions would not cause the aggregate carrying amounts to exceed aggregate recoverable amounts.

### 5. Investments in subsidiaries

Name of company	Held by	% Holding 2010	% Holding 2009	Carrying amount 2010 R	Carrying amount 2009 R
Alert Steel (Pty) Ltd	Alert Steel Holdings Limited	100%	100%	63 145 367	80 021 426
Alert Steel Brits (Pty) Ltd	Alert Steel Holdings Limited	100%	100%	1 429 840	5 370 000
Alert Steel Tshwane (Pty) Ltd	Alert Steel Holdings Limited	100%	100%	2 969 904	4 440 000
Alert Steel Hazyview (Pty) Ltd	Alert Steel Holdings Limited	51%	51%	51	51
Alert Steel Corporate Services (Pty) Ltd	Alert Steel Holdings Limited	100%	100%	100	100
Carlson Machine Manufacturers (Pty) Ltd	Alert Steel Holdings Limited	100%	80%	100	80
Anchor Park Investments 114 (Pty) Ltd	Alert Steel Corporate Services (Pty) Ltd	100%	80%	100	80
Born Free Investments 661 (Pty) Ltd	Alert Steel Corporate Services (Pty) Ltd	100%	100%	100	100
Aquarella Investments 454 (Pty) Ltd	Alert Steel Corporate Services (Pty) Ltd	100%	100%	100	100
Xebura Investments (Pty) Ltd	Alert Steel Corporate Services (Pty) Ltd	100%	100%	100	100
Arrow Creek Investments 117 (Pty) Ltd	Alert Steel Corporate Services (Pty) Ltd	100%	100%	100	100
Alert Rebar (Pty) Ltd	Alert Steel Holdings Limited	100%	100%	100	100
Wire Well Fencing (Pvt) Ltd	Alert Steel (Pty) Ltd	51%	-	51	-
				<b>67 546 013</b>	<b>89 832 237</b>

The carrying amounts of subsidiaries are shown net of impairment losses.



## Notes to the Financial Statements - continued

### 6. Investments in joint ventures

Name of company	Held by	Carrying amount 2010 R	Carrying amount 2009 R	Profit / (Losses) 2010	Profit / (Losses) 2009
Alert Steel Polokwane (Pty) Ltd	Alert Steel Holdings Limited	15 101 199	20 299 000	(2 024 407)	224 928
Alert Steel Reinforcing (Pty) Ltd	Alert Steel Holdings Limited	4 800 050	4 800 050	(443 668)	1 075 369
Dual Intake Investments 24 (Pty) Ltd	Alert Steel Polokwane (Pty) Ltd	100	100	74 404	58 660
Terracotta Concepts (Pty) Ltd	Alert Steel Corporate Services (Pty) Ltd	1 698 993	1 698 993	4 336	(4 929)
		<b>21 600 342</b>	<b>26 798 143</b>	<b>(2 389 335)</b>	<b>1 354 028</b>

The percentage holding in all joint ventures is 50%.

The carrying amounts of joint ventures are shown net of impairment losses.

	2010 R	2009 R
<b>Summary of group's interest in joint ventures</b>		
Non-current assets	8 496 662	9 959 101
Current assets	67 028 510	59 472 055
Non-current liabilities	(51 273)	(716 845)
Current liabilities	(50 972 602)	(40 281 633)
Revenue	206 589 441	219 835 544
Expenses	(40 614 590)	(38 880 149)
Profit after taxation	(3 931 382)	1 354 028

### 7. Loans to (from) joint ventures

#### Joint ventures

Alert Steel Polokwane (Pty) Ltd - Treasury loan	(13 440 501)	13 837 089
Alert Steel Reinforcing (Pty) Ltd - Treasury loan	(1 756 991)	(3 190 839)
Alert Steel Polokwane (Pty) Ltd	(69 066)	(69 199)
Alert Steel Reinforcing (Pty) Ltd	(739 417)	-
Terracotta Concepts (Pty) Ltd	95 113	100 809
	<b>15 910 862</b>	<b>10 677 860</b>

All loans are unsecured and non interest bearing, except for the treasury loans that bear interest at the prime interest lending rate. All loans are repayable on demand.

Loans have no fixed terms of repayment and are therefore not past due. As at 30 June 2010, there were no loans impaired and provided for.

No credit rating of loans has been performed.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The company does not hold any collateral as security.

There is no material difference between the fair value of loans to and from group companies and their book value.

Current assets	95 113	13 937 898
Current liabilities	(16 005 975)	(3 260 038)
	<b>(15 910 862)</b>	<b>10 677 860</b>



## Notes to the Financial Statements - continued

8. Loans to (from) director	2010 R	2009 R
Gondwana Marketing (Pty) Ltd	3 270 959	-
Buffelskom Boerdery (Pty) Ltd	2 156 468	-
WF Schalekamp	(1 419 089)	-
	<b>4 008 338</b>	<b>-</b>
Current assets	5 427 427	-
Current liabilities	(1 419 089)	-
	<b>4 008 338</b>	<b>-</b>

The two trade debtors, Buffelskom Boerdery (Pty) Ltd and Gondwana Marketing (Pty) Ltd, ran over normal trading terms and was therefore reclassified as loans. Undertakings have been issued to the Alert group to secure the outstanding trade debtors.

The personal loan from the director, Mr. Schalekamp, was unsecured and repaid after year end.

### 9. Deferred tax

#### Deferred tax asset

Accelerated capital allowances for tax purposes	997 544	(5 417 945)
Tax losses available for set off against future taxable income	21 728	5 525 013
Temporary differences on provisions and accruals	(329 947)	2 337 625
	<b>689 325</b>	<b>2 444 693</b>

#### Reconciliation of deferred tax asset

At beginning of the year	2 444 693	1 972 396
Increase (decrease) in tax losses available for set off against future taxable income	(5 503 285)	5 525 013
Originating temporary difference on tangible fixed assets	6 415 489	(2 945 775)
Originating temporary differences on provisions and accruals	(2 667 572)	(2 106 941)
	<b>689 325</b>	<b>2 444 693</b>

#### Unrecognised deferred tax asset

Unused tax losses and temporary differences not recognized as deferred tax assets	17 931 985	-
	<b>17 931 985</b>	<b>-</b>

### 10. Inventories

Work in progress	214 428	2 124 923
Merchandise	199 162 017	152 541 556
Consumables	313 003	547 478
	199 689 448	155 213 957
Inventories (write-downs)	(3 009 774)	(2 592 082)
	<b>196 679 674</b>	<b>152 621 875</b>

Inventories are subject to a general notarial bond for the overdraft facilities. (Refer note 12)

### 11. Trade and other receivables

Trade receivables	155 549 993	120 338 073
Deposits	1 086 680	226 624
VAT	6 803 931	8 576 490
Other receivables	4 476 600	13 007 753
	<b>167 917 204</b>	<b>142 148 940</b>



## Notes to the Financial Statements - continued

**Trade receivables pledged as security**

Trade receivables were pledged as security for overdraft facilities.

**Credit quality of trade receivables**

	2010 R	2009 R
Neither past due nor impaired	64 377 232	56 425 699
Past due and not impaired	91 172 761	63 896 108
Past due and impaired	30 463 091	66 664
	<b>186 013 084</b>	<b>120 388 471</b>

No individual debtors have balances in excess of 5% of total trade receivables.

**Fair value of trade and other receivables**

There is no material difference between the fair value of receivables and their book value.

**Trade receivables past due but not impaired**

Trade receivables, which are less than 1 month past due, are not considered to be impaired. At 30 June 2010, R91 172 761 (2009: R63 896 108) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	43 283 623	36 006 661
2 months past due	19 819 618	11 398 225
3 months past due	27 945 881	16 491 222
	<b>91 049 122</b>	<b>63 896 108</b>

**Trade receivables impaired**

As of 30 June 2010, trade receivables of R 11 284 030 (2009: R15 492 484) were impaired and provided for.

The amount of the provision was R30 463 091 as of 30 June 2010 (2009: R66 664)

The ageing of these trade receivables are as follows:

3 to 6 months	1 004 164	1 380 404
Over 6 months	10 279 866	14 112 080
	<b>11 284 030</b>	<b>15 492 484</b>
Provision for impairment – 1 – 6 months	18 126 256	66 664
Provision for impairment – 6 months +	12 336 835	-
	<b>30 463 091</b>	<b>66 664</b>

**Recovery of trade receivables previously written off as uncollectable**

Bad debt recovery	2 723 306	830 233
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**Reconciliation of provision for impairment of trade receivables**

Opening balance	(66 664)	(7 975 536)
Reversal of provision	-	7 975 536
Impairment recognised	(30 463 091)	(66 664)
Amounts utilised	66 664	-
	<b>(30 463 091)</b>	<b>(66 664)</b>



## Notes to the Financial Statements - continued

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	441 805	388 296
Bank balances	9 192 264	8 973 168
Other cash and cash equivalents	2 101 568	126 839
Bank overdraft	(144 010 139)	(128 144 428)
	<b>(132 274 502)</b>	<b>(118 656 125)</b>

Current assets	11 735 637	9 488 303
Current liabilities	(144 010 139)	(128 144 428)
	<b>(132 274 502)</b>	<b>(118 656 125)</b>

Overdraft facilities	(151 250 000)	(134 189 710)
Guarantees	(546 000)	(943 832)

Secured By:

General notarial bonds over movable assets	62 000 000	10 500 000
General notarial bonds over movable assets – In process of registering	55 000 000	-
Cession of trade receivables	155 549 993	120 338 073

Cession of Lombard Insurance Group policy held by Nedbank Limited.

Nedbank holds unlimited suretyships for credit facilities granted to the company, supplied by:

The Chief Executive Officer, Mr. Schalekamp, in his personal capacity and through related companies and a trust issued guarantees for the overdraft facilities of the group.

There is no material difference between the fair value of cash and cash equivalents and their book value.

### 13. Share capital

#### Authorised

500 000 000 ordinary shares of 0,01cents each	50 000	50 000
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#### Reconciliation of number of shares issued:

Reported as at 1 July 2009	254 314 285	254 314 285
Issue of shares – ordinary shares	1 714 285	-
Treasury shares (Refer note 25)	(7 600 000)	(7 600 000)
	<b>248 428 570</b>	<b>246 714 285</b>

Unissued ordinary shares are not under the control of the directors.

<b>Issued</b>	<b>R</b>	<b>R</b>
Ordinary shares	24 842	24 671
Share premium	127 552 295	125 186 753
	<b>127 577 137</b>	<b>125 211 424</b>



## Notes to the Financial Statements - continued

### 14. Acquisition SBP Reserve

The remaining purchase consideration for the "Steel Giant" acquisition was payable 7 days after the June 2009 profits have been determined for the cash-generating unit. Payment was done by way of issue of 1 714 285 Alert Steel Holdings Limited shares.

The share based payment was provided for of 1 714 285 shares at R1,38 each.

	2010 R	2009 R
"Steel Giant" acquisition share based payment	2 365 713	2 365 713
Issue of shares	(2 365 713)	-
	-	<b>2 365 713</b>

### 15. Other financial liabilities

#### Held at amortised cost

Nedbank Limited <i>Bears interest at the prime lending rate plus 1,81% and less 0,75%. Secured over land &amp; buildings and Investment property.</i>	5 829 844	6 753 279
Imperial Bank <i>Secured over Land &amp; Buildings. Bears interest at 11,26%.</i>	60 343 104	47 737 274
Operating lease liability Carlson Machine Builders CC <i>Deed of sale payable on acquisition. Bears interest at 10% per annum. Repayable in three even installments over three years. First installment was paid on 1 August 2009.</i>	132 163	54 159
	2 507 014	3 273 698
Other financial liabilities	21 694	21 695
Installment sale agreements Liabilities under installment sale agreements at an average interest rate of Prime less 0.59% per annum repayable in monthly installments of 1 387 442.	27 608 535	26 345 577
	<b>96 442 354</b>	<b>84 185 682</b>

#### Non-current liabilities

At amortised cost	79 857 809	63 978 128
<b>Current liabilities</b>		
At amortised cost	16 584 545	20 207 554
	<b>96 442 354</b>	<b>84 185 682</b>

There is no material difference between the fair value of other borrowings and their book value.

### 16. Provisions

#### Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Other provisions	457 423	64 703	(457 423)	64 703

#### Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Total
Other provisions	1 737 079	457 423	(1 737 079)	457 423

### 17. Trade and other payables

	2010	2009
Trade payables	177 180 931	103 176 654
VAT	100 531	6 480
Deposits received	173 991	-
Other payables	11 825 743	8 683 657
	<b>189 281 196</b>	<b>111 866 791</b>

There is no material difference between the fair value of trade and other payables and their book value.



## Notes to the Financial Statements - continued

	2010 R	2009 R
<b>18. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current</b>		
Local income tax - current period	124 557	482 720
STC	-	762 943
	<b>124 557</b>	<b>1 245 663</b>
<b>Deferred</b>		
Originating and reversing temporary differences	2 021 170	259 445
	<b>2 145 727</b>	<b>1 505 108</b>
<b>Reconciliation of tax rates</b>		
	%	%
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	(28,00)%	28,00%
Tax loss not used	17,20%	5,57%
Prior year taxation over provided	-	(12,65)%
Non taxable income	(0,42)%	(7,86)%
Special tax on companies	-	13,43%
Disallowable charges	0,28%	-
Impairment of goodwill	10,64%	-
Other temporary differences not claimed	2,30%	-
Other temporary differences	0,22%	-
	<b>2,22%</b>	<b>26,49%</b>
<b>19. Revenue</b>	<b>R</b>	<b>R</b>
Sale of goods	1 015 951 080	977 252 299
Rental Income	150 000	87 200
Interest received (trading)	9 783 139	3 985 814
	<b>1 025 884 219</b>	<b>981 325 313</b>
<b>20. Cost of sales</b>		
<b>Sale of goods</b>		
Cost of goods sold	813 915 237	777 656 634
Net movement in write down of inventories to net realisable value	417 692	(7 438 323)
Employee cost	817 171	-
	<b>815 150 100</b>	<b>770 218 311</b>
R 817 171 of employee cost (Refer to note 23) form part of cost of sales as shown in the statement of comprehensive income.		
<b>21. Investment revenue</b>		
<b>Interest revenue</b>		
Joint ventures	229 443	479 421
Bank	60 863	961 998
Other interest received	1 436 537	983 182
	<b>1 726 843</b>	<b>2 424 601</b>



## Notes to the Financial Statements - continued

22. Finance costs	2010 R	2009 R
Group companies	89 721	-
Bank	13 033 478	14 578 928
Bonds	6 446 209	-
Installment sale agreements	2 852 766	3 439 123
Other interest paid	427 362	500 062
	<b>22 849 536</b>	<b>18 518 113</b>

## 23. Operating profit

Operating profit for the year is stated after accounting for the following:

**Operating lease charges**

Premises - Contractual amounts	16 828 196	13 116 932
Motor vehicles - Contractual amounts	152 364	119 325
Equipment - Contractual amounts	2 477 526	1 975 086
	<b>19 458 086</b>	<b>15 211 343</b>

Profit (loss) on sale of property, plant and equipment	(210 328)	14 856
Depreciation on property, plant and equipment	9 125 020	7 951 821
Impairment of plant and machinery	498 166	-
Investment property operating expenses	(36 285)	(58 847)
Employee costs	126 043 087	112 377 416
Amount expensed in respect of retirement contribution benefit plans	3 705 818	4 447 613
Exchange rate differences	(181 557)	-

**Defined contribution plan**

The policy of the group is to provide retirement as well as risk and funeral cover benefits to its employees. The group is a member of an umbrella fund, Orion money purchase provident fund. The fund is administered by Old Mutual and governed by die Pension Fund Act.

## 24. Impairments

Goodwill impairment	(36 787 569)	-
Adjustment to purchase price (Refer note 4)	1 463 358	-
	<b>(35 324 211)</b>	<b>-</b>

## 25. Earnings and fully diluted earnings per share

The calculation of (loss) / earnings per ordinary share is based on loss of R98 974 137 (2009: 4 377 332 profit) and a weighted average number of shares of 248 428 570 (2009: 248 428 570). The weighted average number of shares is calculated after taking into account the effect of 7 600 000 (2009: 7 600 000) treasury shares held by the Alert Steel Share Incentive Scheme Trust against the issued share capital.

The calculation of fully diluted (loss) / earnings per ordinary share is based on fully diluted loss of R99 856 067 (2009: R3 711 334 profit) and a weighted average number of shares in issue of 256 028 570 (2009: 256 028 570), after taking into account the effect of the possible issue of 7 600 000 (2009: 7 600 000) ordinary shares in the future.

**Dilutive effect on ordinary shares**

The Alert Steel Share Incentive Scheme Trust	7 600 000	7 600 000
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**Reconciliation between (loss) / earnings and fully diluted (loss) / earnings**

Attributable earnings per income statement	(98 974 137)	4 377 332
- Interest adjustment	(881 930)	(665 998)
	<b>(99 856 067)</b>	<b>3 711 334</b>



## Notes to the Financial Statements - continued

### 26. Headline earnings and fully diluted headline earnings per share

The calculation of headline (loss) / earnings per ordinary share is based on headline loss of R63 439 598 (2009: R2 843 261 profit) and a weighted average number of shares of 248 428 570 (2009: 248 428 570). The weighted average number of shares is calculated after taking into account the effect of setting off 7 600 000 (2009: 7 600 000) treasury shares held by the Alert Steel Share Incentive Scheme Trust against the issued share capital.

The calculation of fully diluted headline (loss) / earnings per ordinary share is based on fully diluted headline loss of R64 321 528 (2009: R2 177 263 profit) and a weighted average number of shares in issue of 256 028 570 (2009: 256 028 570), after taking into account the effect of possible issue of 7 600 000 (2008: 7 600 000) ordinary shares in the future.

	2010 R	2009 R
Attributable (loss) / earnings per income statement	(98 974 137)	4 377 332
- (Profit) / loss on disposal of tangible assets	210 328	(10 696)
- (Gains) / losses arising from the adjustment to the fair value of goodwill	35 324 211	-
- (Gains) / losses arising from bargain purchase price	-	(1 523 375)
Headline (loss) / earnings	(63 439 598)	2 843 261
- Interest adjustment	(881 930)	(665 998)
<b>Fully diluted headline (loss) / earnings</b>	<b>(64 321 528)</b>	<b>2 177 263</b>

### 27. Auditors' remuneration

Fees	853 681	755 380
Adjustment for previous year	-	(5 000)
	<b>853 681</b>	<b>750 380</b>

### 28. Cash generated from (used in) operations

(Loss) / Profit before taxation	(96 828 410)	5 682 440
<b>Adjustments for:</b>		
Depreciation and amortisation	9 125 020	7 951 821
(Profit) / loss on sale of assets	210 328	(14 856)
Interest received	(1 726 843)	(2 424 601)
Finance costs	22 849 536	18 518 113
Impairment loss - Goodwill	36 787 569	-
Impairment loss - Property, plant and equipment and investment property	658 865	-
Movements in provisions	(392 720)	(1 279 656)
Reversal of bargain price acquisition	-	(1 523 375)
<b>Changes in working capital:</b>		
Inventories	(44 057 800)	48 870 485
Trade and other receivables	(25 768 264)	796 277
Trade and other payables	77 443 228	(6 359 079)
	<b>(21 699 491)</b>	<b>70 217 569</b>

### 29. Tax (paid) / refunded

Balance at beginning of the year	2 975 921	(17 977 060)
Current tax for the year recognised in income statement	(124 557)	(1 245 663)
Balance at end of the year	20 017 957	(2 975 921)
	<b>22 869 321</b>	<b>(22 198 644)</b>



## Notes to the Financial Statements - continued

## 30. Acquisition of businesses

	2010 R	2009 R
<b>Fair value of assets acquired</b>		
Property, plant and equipment	-	16 245 627
Investment property	-	1 905 595
Inventories	-	6 993 633
Trade and other receivables	-	13 660 492
Trade and other payables	-	(15 748 062)
Borrowings	-	(2 056 649)
<b>Total net assets acquired</b>	-	<b>21 000 636</b>
Net assets acquired	-	21 000 636
Goodwill recognised	-	6 071 732
Surplus recognised in profits	-	(1 523 375)
	-	<b>25 548 993</b>
<b>Consideration paid</b>		
Cash	-	(25 548 993)
	-	<b>(25 548 993)</b>
<b>Net cash outflow on acquisition</b>		
Cash consideration paid	-	(25 548 993)
	-	<b>(25 548 993)</b>

2009: Acquisition of 100% of the business of General Steel (Pty) Ltd on 1 August 2008. The operations of Alert and General Steel were similar and the acquisition enhanced the geographical footprint of the Alert group.

Acquisition of 50% of the shares in Terracotta Concepts (Pty) Ltd on 25 September 2008. Terracotta concepts owns a property in Klerksdorp, earmarked for future expansion.

Acquisition of 100% of the business of Carlson Machine Builders CC on 1 August 2008. The acquisition was done to bring value add to the group's procurement.

## 31. Directors' emoluments

## Executive

2010	Remuneration	Travel Allowance	Less: Paid by joint venture	Total
WF Schalekamp	1 402 642	-	(287 616)	1 115 026
WW Mentz	785 380	143 808	-	929 188
	<b>1 900 406</b>	<b>143 808</b>	<b>(287 616)</b>	<b>2 044 214</b>

2009	Remuneration	Travel Allowance	Less: Paid by joint venture	Total
WF Schalekamp	1 351 935	201 600	(327 600)	1 225 935
WW Mentz	770 405	134 400	-	904 805
	<b>1 794 740</b>	<b>336 000</b>	<b>(327 600)</b>	<b>2 130 740</b>



## Notes to the Financial Statements - continued

### Non-executive

	Remuneration R	Total R
<b>2010</b>		
EG Dube	100 000	100 000
OV Jevon	100 000	100 000
R van Rooyen	66 667	66 667
	<b>266 667</b>	<b>266 667</b>

	Remuneration	Total
<b>2009</b>		
EG Dube	100 000	100 000
OV Jevon	100 000	100 000
	<b>200 000</b>	<b>200 000</b>

	2010	2009
<b>32. Share Incentive Scheme</b>		
	shares	shares
<b>Movement in unallocated Share Incentive Scheme shares</b>		
Opening balance (Shares)	1 219 386	10 300
Resignations	727 214	1 209 086
<b>Un-allocated scheme shares</b>	<b>1 946 600</b>	<b>1 219 386</b>

A Share Incentive Scheme exists to provide employees of the group the opportunity to acquire shares in the capital of the group and to give such employees the incentive to advance the interest of the group for the ultimate benefit of all stakeholders in the group.

The Alert Share Incentive Scheme, consists of a share purchase scheme. The directors of the group have approved that the scheme will cancel the sale of unpaid shares when the due date for payment expires and repayment was not made by the participants. All repayment terms will become due within the next financial year.

The maximum ordinary shares so held may not exceed 20% of the ordinary share capital of the company.

### 33. Commitments

#### Operating leases – as lessee (expense)

<b>Minimum lease payments due</b>		
- within one year	21 118 617	11 450 781
- in second to fifth year inclusive	89 978 653	32 224 801
- later than five years	64 933 900	44 271 600
	<b>176 031 170</b>	<b>87 947 182</b>

Operating lease payments represent rentals payable by the company for certain of its retail properties. No contingent rent is payable.

### 34. Contingencies

#### Tax consequences of undistributed reserves

STC on remaining reserves	3 559 150	11 943 327
Guarantees issued by bankers on behalf of the group (Refer note 12)	546 000	943 832



## Notes to the Financial Statements - continued

### 35. Related parties

#### Relationships

Subsidiaries	Refer to note 5
Joint ventures	Refer to note 6
Entities controlled by directors	Schallies Beleggings (Pty) Ltd Paul Kruger Street 390 Beleggings (Pty) Ltd Gondwana Marketing (Pty) Ltd Buffelskom Boerdery (Pty) Ltd Icon Suppliers (Pty) Ltd
Share Incentive Scheme	The Alert Steel Share Incentive Scheme Trust
Directors	WF Schalekamp, WW Mentz, OV Jevon, R van Rooyen

#### Related party transactions

##### Transactions with related parties

	2010 R	2009 R
Schallies Beleggings (Pty) Ltd - Property Lease	2 758 769	2 457 216
Paul Kruger Street 390 Beleggings (Pty) Ltd - Property Lease	362 520	362 520
Buffelskom Boerdery (Pty) Ltd - Trading Transactions	(989 803)	(199 884)
Gondwana Marketing (Pty) Ltd - Trading Transactions	(1 954 905)	(839 523)
Icon Suppliers (Pty) Ltd - Management Fee	(3 600)	(36 000)

Rent paid to, relates to property rental and is payable on the 1<sup>st</sup> of every month and rent received from is payable 30 days from invoice date.

#### Related party balances

	2010 R	2009 R
Buffelskom Boerdery (Pty) Ltd	2 156 468	1 125 643
Gondwana Marketing (Pty) Ltd	3 270 959	1 265 379

### 36. Risk management

#### Capital risk management

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

#### Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due. The group ensures it has sufficient cash on demand or access to facilities to meet expected operational expenses for the next 12 months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

#### At 30 June 2010

	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	(11 347 969)	(47 524 931)	(57 111 941)
Minimum lease repayments	(14 744 679)	(16 017 819)	-
Trade and other payables	(189 281 196)	-	-
Bank overdraft	(144 010 139)	-	-
Loan from director	(1 419 089)	-	-
Taxation payable	(21 414 403)	-	-

#### At 30 June 2009

	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	(9 093 616)	(40 404 146)	(67 693 ,698)
Minimum lease repayments	(13 592 844)	(15 816 054)	-
Trade and other payables	(111 866 791)	-	-
Bank overdraft	(128 144 428)	-	-



## Notes to the Financial Statements - continued

### Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, bank overdrafts, loans receivable and payable. The interest applicable to these financial instruments is on a floating basis in line with those currently available in the market.

At 30 June 2010, if interest rates on rand-denominated borrowings had been 1% higher with all other variables held constant, post-tax loss for the year would have been increased by R1 448 413.

### Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis and utilisation of credit limits is regularly monitored. Credit insurance is purchased when deemed appropriate.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified, based on the historical trends, adjusted for current economic conditions.

### 37. Financial assets by category

#### 2010

	Loans and receivables	Cash and cash equivalents	Total
Loans to joint ventures	95 113	-	95 113
Trade and other receivables	167 917 204	-	167 917 204
Cash and cash equivalents	-	11 735 637	11 735 637
Other financial assets	5 427 427	-	5 427 427
Current tax receivable	1 396 446	-	1 396 446
	<b>174 836 190</b>	<b>11 735 637</b>	<b>186 571 827</b>

#### 2009

Loans to joint ventures	13 937 898	-	13 937 898
Trade and other receivables	142 148 940	-	142 148 940
Cash and cash equivalents	-	9 488 303	9 488 303
Other financial assets	204 137	-	204 137
Current tax receivable	3 641 175	-	3 641 175
	<b>159 932 150</b>	<b>9 488 303</b>	<b>169 420 453</b>



## Notes to the Financial Statements - continued

### 38. Financial liabilities by category

2010

	Financial liabilities at amortised cost R	Cash and cash equivalents R	Total R
Loans from joint ventures	(16 005 975)	-	(16 005 975)
Loans from directors	(1 419 089)	-	(1 419 089)
Other financial liabilities	(96 442 354)	-	(96 442 354)
Trade and other payables	(189 281 196)	-	(189 281 196)
Bank overdraft	-	(144 010 139)	(144 010 139)
Current tax payable	(21 414 403)	-	(21 414 403)
	<b>(324 563 017)</b>	<b>(144 010 139)</b>	<b>(468 573 156)</b>

2009

	Financial liabilities at amortised cost	Cash and cash equivalents	Total
Loans from joint ventures	(3 260 038)	-	(3 260 038)
Other financial liabilities	(84 185 682)	-	(84 185 682)
Trade and other payables	(111 866 791)	-	(111 866 791)
Bank overdraft	-	(128 144 428)	(128 144 428)
Current tax payable	(665 254)	-	(665 254)
	<b>(199 977 765)</b>	<b>(128 144 428)</b>	<b>(328 122 193)</b>

### 39. Comparative figures

The following comparative figures have been adjusted for better presentation.

- Provision for impairment of trade receivables is shown separately from operating expenses for the year and comparative year. (Refer to statement of comprehensive income and note 11)
- Inventory provision is shown separate for the year and comparative year. (Refer to notes 10 and 20)
- A note on investment income have been added to the notes to the financial statements. (Refer note 21)
- Amounts expensed in respect of retirement contribution benefits plans are now shown. (Refer note 23)
- Operating expenses related to investment properties are now shown. (Refer note 23)
- Expenses related to joint venture have been disclosed. (Refer note 6)

### 40. Going Concern

The ability of the group to continue as a going concern is depended on a number of factors, namely the:

- successful implementation of various initiatives to reduce costs and increase revenue and margins to return the group into profitable operations.
- collection of long outstanding trade receivables. Various legal initiatives are in advance stages to collect long outstanding trade receivables and the directors are of the opinion that these measures will be successful in the recovering of at least 50% of the said receivables.
- raising of capital by way of a partially underwritten rights offer. The rights offer will be partially underwritten by the WF & JC Family Trust, the company's controlling shareholder. The proceeds of the rights offer will be utilised to recapitalise the group's working capital and for future corporate actions.

### 41. New Standards and interpretations

Refer to the Appendix on page 48



## Segmental Report

### COMPREHENSIVE INCOME

2010	Reinforcing	Retail	Total
	Manufacturing R	R	R
Revenue external	38 764 792	987 119 427	1 025 884 219
Revenue internal	16 399 138	-	16 399 138
	<b>55 163 930</b>	<b>987 119 427</b>	<b>1 042 283 357</b>
Operating loss	(2 150 870)	(38 230 636)	(40 381 506)
Goodwill impairment	-	(35 324 211)	(35 324 211)
Net finance cost	(233 086)	(20 889 607)	(21 122 693)
(Loss) before taxation	(2 383 956)	(94 444 454)	(96 828 410)
Taxation (expense) / income	667 508	(2 813 235)	(2 145 727)
<b>Reportable segment loss</b>	<b>(1 716 448)</b>	<b>(97 257 689)</b>	<b>(98 974 137)</b>

### 2009

Revenue external	67 550 313	908 531 058	976 081 371
Revenue internal	5 243 943	-	5 243 943
	<b>72 794 256</b>	<b>908 531 058</b>	<b>981 325 314</b>
Operating profit	2 142 112	18 110 465	20 252 577
Bargain price on acquisitions	-	1 523 375	1 523 375
Net finance cost	(160 184)	(15 933 328)	(16 093 512)
Profit before taxation	1 981 928	3 700 512	5 682 440
Taxation (expense) / income	(554 940)	(950 168)	(1 505 108)
<b>Reportable segment profit</b>	<b>1 426 988</b>	<b>2 750 344</b>	<b>4 177 332</b>

### FINANCIAL POSITION

2010			
Reportable segment assets (1)	22 069 880	495 460 458	517 530 338
Reportable segment liabilities (2)	14 932 553	270 855 699	285 788 252

### 2009

Reportable segment assets (1)	31 938 625	397 522 620	429 461 245
Reportable segment liabilities (2)	23 000 961	173 508 935	196 509 896

### OTHER INFORMATION

2010			
Capital expenditure	33 457	29 216 195	29 249 652
Depreciation & amortisation	234 030	8 890 990	9 125 020

### 2009

Capital expenditure	144 921	75 954 651	76 099 572
Depreciation & amortisation	199 571	7 752 250	7 951 821



## Notes to the Segmental Report

	2010 R	2009 R
<b>(1) RECONCILIATION OF SEGMENTAL ASSETS</b>		
Total assets	561 043 559	520 258 366
Other assets - Goodwill	(17 848 170)	(54 665 036)
- Investment property	(5 991 156)	(5 991 156)
- Deferred taxation	(1 019 272)	(3 073 553)
- Current taxation	(1 396 446)	(3 641 175)
- Loans receivable	(5 522 540)	(13 937 898)
- Cash and cash equivalents	(11 735 637)	(9 488 303)
<b>Segmental assets</b>	<b>517 530 338</b>	<b>429 461 245</b>
<b>(2) RECONCILIATION OF SEGMENTAL LIABILITIES</b>		
Current liabilities	388 780 049	264 601 488
Bank overdrafts	(144 010 139)	(128 144 428)
Current taxation liabilities	(21 414 403)	(665 254)
Loans payable	(17 425 064)	(3 260 038)
Non-current liabilities	79 857 809	63 978 128
<b>Segmental liabilities</b>	<b>285 788 252</b>	<b>196 509 896</b>

Transactions between reportable segments are accounted for at cost.



## Appendix - New Standards and Interpretations

### **(A) Standards and interpretations effective and adopted in the current year**

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### **IAS 1 (Revised) Presentation of Financial Statements**

The main revisions to IAS 1 (AC 101):

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2010 financial statements.

The impact of the standard had no material impact on the group.

#### **May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures**

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment had no material impact on the group.

#### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements**

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 (AC 133) Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.

The effective date of the amendment is for years beginning on or after

01 January 2009.

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment had no material impact on the group.

#### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors**

The amendment clarified that implementation guidance related to any standard is only mandatory when it is identified as an integral part of the standard.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment has had no material impact on the group.

#### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 Financial Instruments: Recognition and Measurement**

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment has had no material impact on the group.

#### **Amendments to IFRS 7: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments**

The amendment requires additional disclosures about fair value measurement, including separating fair value measures into a hierarchy. The amendments also require liquidity risk disclosure to be separated between non-derivative financial liabilities and derivative financial liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.



## Appendix - continued

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment had no material impact on the group.

### (B) Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2010 or later periods:

#### 2009 Annual Improvements Project: Amendments to IFRS 8 Operating Segments

Entities are only required to report segment assets if they are regularly reported to the chief operating decision maker.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company expects to adopt the amendment for the first time in the 2011 financial statements.

It is unlikely that the amendment will have a material impact on the group financial statements.

#### 2009 Annual Improvements Project: Amendments to IAS 7 Statement of Cash Flows

The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The group expects to adopt the amendment for the first time in the 2011 financial statements.

It is unlikely that the amendment will have a material impact on the group financial statements.

#### 2009 Annual Improvements Project: Amendments to IAS 17 Leases

The amendment removes the guidance that leases of land, where title does not transfer, are operating leases.

The amendment therefore requires that lease classification for land be assessed in the same manner as for all leases. The amendment is to be applied retrospectively, unless the information is not available. In these cases, existing leases shall be reconsidered based on facts and circumstances existing at the date of adoption of the amendment. The lease asset and lease liability shall, in these cases be recognised at their fair values on that date, with any difference in those fair values recognised in retained earnings.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company expects to adopt the amendment for the first time in the 2011 financial statements.

It is unlikely that the amendment will have a material impact on the group financial statements.

#### 2009 Annual Improvements Project: Amendments to IAS 36 Impairment of Assets

The amendment now requires that, for the purpose of goodwill testing, each group of units to which goodwill is allocated shall not be larger than an operating segment as defined in paragraph 5 of IFRS 8 (AC 145) Operating Segments. Thus the determination is now required to be made before operating segments are aggregated.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The group expects to adopt the amendment for the first time in the 2011 financial statements.

It is unlikely that the amendment will have a material impact on the group financial statements.

#### IFRS 9 - Financial instruments

The effective date of the amendment is for years beginning on or after 1 January 2013.

It is unlikely that the amendment will have a material impact on the group financial statements.



## Shareholders' Analysis

Alert Steel Holdings Limited : Shareholder Analysis Tables

Register Date : 25 June 2010

Issued Share Capital : 256 028 570

SHAREHOLDER SPREAD	No. of Shareholdings	%	No. of Shares	%
1 - 1 000 shares	231	14,40	137 809	0,05
1 001 - 10 000 shares	859	53,55	3 961 406	1,55
10 001 - 100 000 shares	451	28,12	14 470 146	5,65
100 001 - 1 000 000 shares	59	3,68	15 463 586	6,04
1 000 001 shares and over	4	0,25	221 995 623	86,71
<b>Totals</b>	<b>1 604</b>	<b>100,00</b>	<b>256 028 570</b>	<b>100,00</b>

DISTRIBUTION OF SHAREHOLDERS	No. of Shareholdings	%	No. of Shares	%
Close Corporations	38	2,37	1 547 174	0,60
Endowment Funds	5	0,31	52 500	0,02
Individuals	1 416	88,29	21 797 538	8,51
Investment Companies	1	0,06	1 861	0,00
Nominees & Trusts	94	5,86	152 122 486	59,42
Other Corporations	12	0,75	184 080	0,07
Private Companies	35	2,18	72 196 511	28,20
Public Companies	2	0,12	526 420	0,21
Share Trust	1	0,06	7 600 000	2,97
<b>Totals</b>	<b>1 604</b>	<b>100,00</b>	<b>256 028 570</b>	<b>100,00</b>

PUBLIC / NON - PUBLIC SHAREHOLDERS	No. of Shareholdings	%	No. of Shares	%
<b>Non - Public Shareholders</b>	<b>8</b>	<b>0,50</b>	<b>220 407 188</b>	<b>86,09</b>
Directors and Associates	6	0,37	148 544 017	58,02
Holding 10% or more	1	0,06	64 263 171	25,10
Share Trusts	1	0,06	7 600 000	2,97
<b>Public Shareholders</b>	<b>1 596</b>	<b>99,50</b>	<b>35 621 382</b>	<b>13,91</b>
<b>Totals</b>	<b>1 604</b>	<b>100,00</b>	<b>256 028 570</b>	<b>100,00</b>

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE	No. of Shares	%
Schalekamp, WF	147 003 882	57,42
Capital Africa Steel (Pty) Ltd	64 263 171	25,10
<b>Totals</b>	<b>211 267 053</b>	<b>82,60</b>

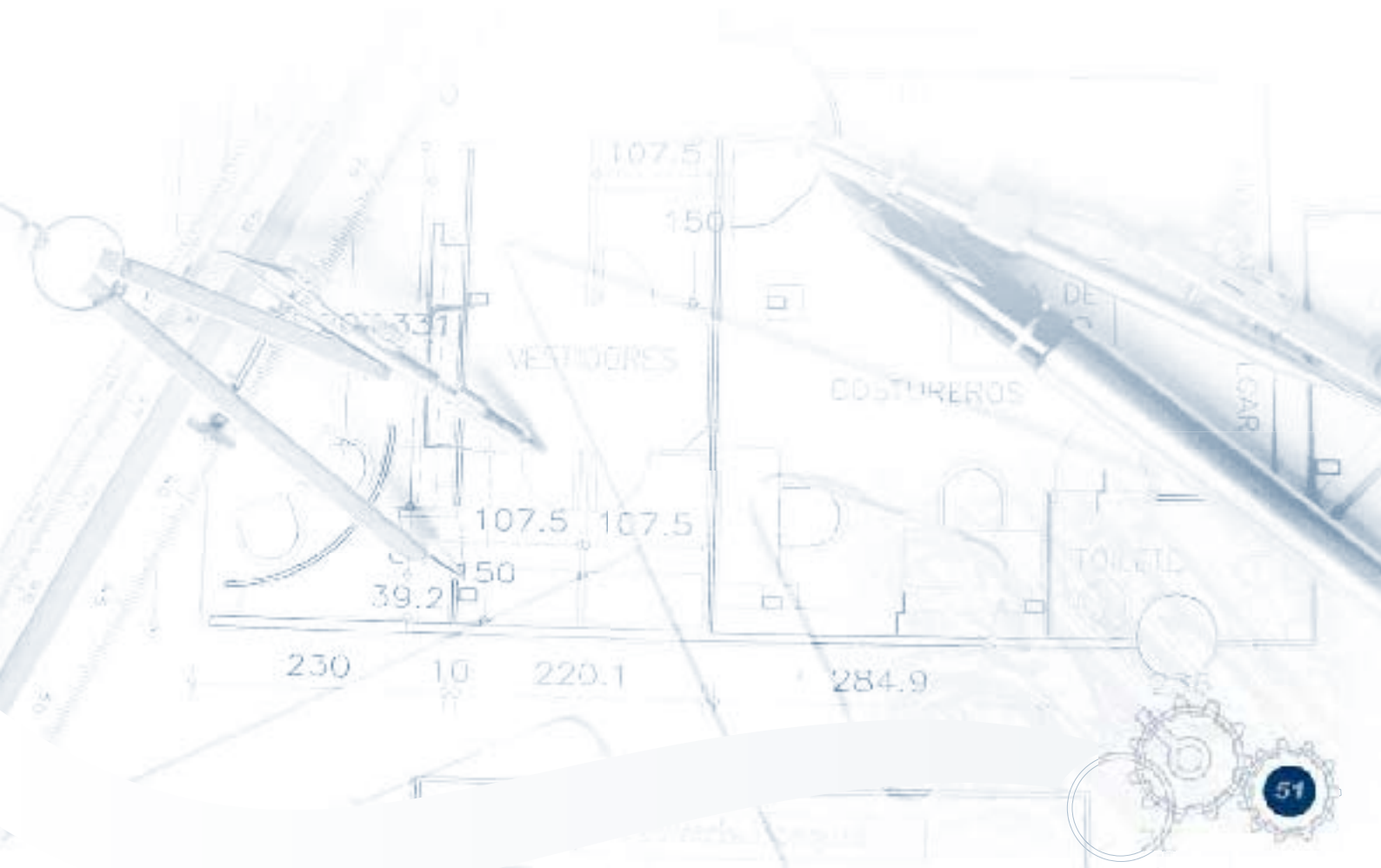


## Shareholders' Diary

Financial Yearend	30-06-2010
Announcement of Reviewed Financial Results	15-10-2010
Annual General Meeting	13-01-2011
Announcement of Interim Financial Results as on 31-12-10	to be announced

## Share Price Information

Closing price (cents)	50
High for the period (cents)	60
Low for the period (cents)	25
Volume of shares traded during the period	4 456 122
Value of shares traded during the period	R1 810 414



# Notice of Annual General Meeting 2010

## **Alert Steel Holdings Limited**

(Incorporated in the Republic of South Africa)

(Registration number 2003/005144/06)

JSE code: AET ISIN: ZAE000092847

("Alert" or "the Company")

## **Notice to shareholders**

Notice is hereby given that the 4th annual general meeting of the company's shareholders will be held in the boardroom of the company at the corner of Engelbrecht and Lanham Streets, East Lynne on 13 January 2011 at 11h00 to consider and, if deemed fit, to pass with or without modification, the following resolutions:

## **ORDINARY RESOLUTIONS**

### **Ordinary resolution number 1:**

#### **Adoption of the annual financial statements**

To receive and adopt the annual financial statements for the financial year ended 30 June 2010, including the directors' report and the report of the auditors therein.

### **Ordinary resolution number 2:**

#### **Re-election of directors**

To re-elect Mr. van Rooyen who retires in accordance with the articles of association and being eligible, offers himself for re-election as a director (CV on page 4).

### **Ordinary resolution number 3:**

#### **Re-appointment of independent auditor**

To resolve that RSM Betty & Dickson (Tshwane) be re-appointed as independent auditors of the company and that Paul den Boer be recorded the designated auditor who will undertake the audit of the company, until the next annual general meeting.

### **Ordinary resolution number 4:**

#### **Approval of non-executive directors' fees**

To resolve that the remuneration paid to the non-executive directors for the year ended on 30 June 2010 as detailed on page 42 of the annual financial statements, be approved.

### **Ordinary resolution number 5:**

#### **Authority to issue shares in terms of a rights offer.**

To resolve that subject to the Listing Requirements of the JSE Limited ("JSE") and the provisions of section 221 & 222 of the Companies Act 61 of 1973 as amended, the directors be and are hereby given the authority to issue shares forming the whole or a part of the unissued share capital of the company for the purposes of implementing a rights offer by the company.

### **Ordinary resolution number 6:**

#### **Authority to allot and issue ordinary shares for cash.**

To resolve that the general authority given to the directors of the company to allot and issue ordinary shares for cash, pursuant to the articles of association of the Company and subject to the Companies Act 61 of 1973 as amended and the Listings Requirements of the JSE, be and is hereby approved on the following basis:

- that the shares must be of a class already in issue;
- the shares may only be issued or sold, as the case may be, to public shareholders as defined in the Listings Requirements of the JSE, and not to related parties;
- that the shares may not in any one financial year in the aggregate exceed 50% of the company's issued shares of that class, the number that may be issued or sold, as the case may be, being determined in accordance with the relevant-paragraph of the Listings Requirements of the JSE;
- that the maximum discount at which such shares may be issued or sold, as the case may be, is 10% of the weighted average traded price of such shares on the JSE over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares;
- that such authorisation be valid only until the next annual general meeting or for 15 months from the date of this resolution, whichever is the earlier date;
- that this authority include any options /convertible securities that are convertible into an existing class of equity securities.
- that an announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per share, if applicable, diluted earnings per share and diluted headline earnings per share be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue.



## Notice of Annual General Meeting 2010 - continued

### VOTING

In terms of the Listings Requirements of the JSE, the approval of 75% majority of the votes cast in favour of this resolution by all shareholders present or represented by proxy (excluding the Designated Advisor and the controlling shareholders together with their associates) is required to approve this resolution.

### Ordinary resolution No. 7

#### Alert Steel Share Incentive Scheme Trust amendments in terms of the Listings Requirements of the JSE Limited ("JSE")

"RESOLVED that the Alert Steel Share Incentive Scheme Trust ("Scheme") be amended, as specific material amendments to the Scheme deed are set out below and as detailed amendments are set out in the "Salient features of the Alert Steel Share Incentive Scheme Trust as amended" attached to this notice as Annexure 1, in order for the scheme to comply with schedule 14 of the Listings Requirements of the JSE Limited ("JSE"); the updated scheme deed having been initialed by the chairman of this meeting for identification purposes and tabled at this meeting"

The updated Scheme deed will be available for inspection at the company's registered office during normal office hours from Monday to Friday, from the date of notice of the meeting until the date of this general meeting.

The specific material amendments to the scheme deed are as follows:

**Clause 1.1.10** – to amend the definition of "eligible applicants" as follows:

"shall mean a person eligible for participation in this scheme, namely, all employees who have not less than 12 (twelve) months uninterrupted service with the group and who are interested in becoming participants"

**Clause 1.1.12** – to insert a new definition for "entrenched provisions" as follows:

"shall mean such provisions of this deed which may only be amended by way of an ordinary resolution of shareholders (requiring a 75% majority of the vote cast in favour of such resolution by all equity security holders present or represented by proxy at the general meeting to approve such resolution) excluding all the votes attaching to equity securities owned or controlled by participants. These are the provisions which relate to (i) the categories of persons to which or for whose benefit scheme shares may be bought or issued in terms of the scheme (ii) the calculation of the total number of shares which may be acquired for the purpose of or pursuant to this scheme (iii) the maximum number of allocation shares and scheme shares which may be acquired by any participant (iv) the purchase price and the time period within which payment of the purchase price must be made (v) the amount payable on acceptance or exercise, as the case may be (vi) the voting, dividend, transfer and other rights, including those arising on a liquidation of the company attaching to the scheme shares and to any allocation shares (vii) the basis upon which any awards are made (viii) the treatment of any options (vested and unvested) in instances of mergers, take-overs or corporate actions and (ix) the rights of participants upon termination of employment or retirement or death insofar as it relates to the premature withdrawal from the scheme."

**Clause 3.20** – to be inserted as follows:

"Executive directors of the company may not be appointed as trustees of the scheme. Non-executive directors, subject to any restriction as contained in the Act, may be appointed as trustees of the scheme, provided they do not benefit from the scheme."

**Clauses 4.1 to 4.3** – to be replaced as follows:

4.1 The directors shall from time to time instruct the trustees to offer the opportunity to acquire rights and options to purchase allocation shares or to acquire scheme shares to eligible applicants.

4.2 The maximum number of shares which may be issued in terms of the scheme is 49 000 000 (forty nine million).

4.3 The maximum number of shares in respect of which any single participant shall have rights in terms of the scheme shall be limited to 2 450 000 (two million four hundred and fifty thousand) shares."

**Clauses 7.1 to 7.4** - to be amended as follows:

7.1 Scheme shares acquired by a participant shall be paid for by such participant in full within 30 (thirty) days of acquisition.

7.2 All amounts paid by a participant shall be applied rateably toward payment of the purchase price of all of the scheme shares which such participant has purchased unless the participant allocates, in writing at the time that he makes payment, the payment to specific scheme shares.



## Notice of Annual General Meeting 2010 - continued

- 7.3 Any amount of the share scheme debt not paid on the due date for payment thereof shall bear interest at the rate which is not less than the rate of interest stipulated from time to time in terms of the 7th (seventh) schedule of the Income Tax Act, 1962, and shall apply consistently in respect of all participants.
- 7.4 Notwithstanding the provisions of clause 7.3, the share scheme debt shall be paid in full by no later than the 4th (fourth) anniversary of the acceptance date. If the full amount of the share scheme debt is not paid in full on the payment date or by the 4th (fourth) anniversary of the acceptance date, the trustees shall have the right to call upon the participant in writing to effect such payment and if such demand is not complied with within 21 (twenty one) days of the date thereof, the trustees may claim payment of the amount due or cancel the sale and take possession of such scheme shares, in which latter mentioned event the participant shall be released from all further liability in respect of his share scheme debt. Alternatively, the trustees may, in their sole and absolute discretion, permit the participant to sell so many of the scheme shares as may be necessary to enable the participant to discharge his share scheme debt so as to procure the release of the remainder of the scheme shares to which he is entitled."

**Clause 11.4** – to be inserted as follows:

"Any adjustment to the maximum number of scheme shares referred to in clause 4.3 and/or the purchase price in respect thereof as a result of a capitalisation issue should give a participant entitlement to the same proportion of the share capital of the company as that to which he was previously entitled"

A similar type of insertion and/or amendment to be made in clause 12.

**Clause 15** – Introduction to clause 15 to be amended as follows:

"It shall be competent for the board and the trustees to amend any of the provisions of the scheme, except for the entrenched provisions which may only be amended in terms of clause 1.1.12, provided that:"

**Clause 23.3** – to be inserted as follows:

"In the event of a merger, takeover or corporate actions, the board shall stipulate that all rights and options (vested and unvested), shall be exercisable on or before the date stipulated by the board, notwithstanding the acceptance date applicable to such rights and options, so as to enable the holders of such rights and options to exercise their rights and options, provided that the board may further stipulate, notwithstanding anything to the contrary in this deed, that any rights and options not exercised on or before the date so stipulated by the board shall lapse on that date."

**Miscellaneous** – Further contextual and consequential drafting amendments to be made as will appear from the amended scheme deed, which will be made available for inspection as mentioned above.

### VOTING

In terms of the Listings Requirements of the JSE, 75% (seventy-five percent) majority of votes cast in favour of the resolution by all shareholders present or represented by proxy at the annual general meeting, excluding all the votes attaching to all equity securities owned or controlled by persons who are existing participants in the scheme.

### Opinions, recommendations

The directors of Alert who have direct and indirect interests in the issued share capital of the company support the amendments to the share Incentive scheme

### TO CONSIDER AND, IF DEEMED FIT, PASS THE FOLLOWING RESOLUTIONS AS SPECIAL RESOLUTIONS:

#### Special resolution no: 1 Increase in authorized share capital

To resolve in terms of section 75(1) (a) of the Companies Act No 61 of 1973 as amended and in terms of the memorandum & articles of association of the company that the company increase its existing authorized ordinary share capital from R50 000 divided into 500 000 000 ordinary shares of R0,0001 each to R100 000 divided into 1 000 000 000 ordinary shares of R0,0001 each by the creation of 500 000 000 shares of R0,0001 each.

#### Reason

The reason for special resolution no 2 is to increase the company's authorized share capital to allow the company to issue ordinary shares for purposes of increasing working capital and potential acquisition opportunities beneficial to the company.



# Notice of Annual General Meeting 2010 - continued

## Effect

The effect of the special resolution will be to approve the increase in the authorized ordinary share capital of the company to facilitate the issue of shares for purposes of increasing working capital and potential acquisition opportunities beneficial to the company.

## Special resolution no: 2

### Amendment to the memorandum of association

To resolve that the company hereby approves in terms of section 56 of the Companies Act No. 61 of 1973 as amended, subject to the passing of special resolution no 1 and the registration thereof by the Registrar of Companies, the amendment of the company's memorandum of association. Clause 8 (a)(1) should be deleted and replaced with the following clause:

Par value: The share capital of the company is 1 000 000 000 ordinary shares of R0,0001 each.

## Reason

The reason for special resolution no 2 is to amend the company's memorandum of association to reflect the increased authorized ordinary share capital.

## Effect

The effect of this special resolution is to update the company's memorandum of association to reflect the amendments made to the authorized ordinary share capital.

## Litigation Statement

The directors of the company, whose names are given on page 4 of this annual report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had, in the 12 months preceding the date of this notice of annual general meeting, a material effect on the group's financial position.

## Directors' responsibility statement

The directors, whose names are given on page 4 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all information required by the JSE Limited.

## Material changes

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs, financial or trading position of the group since the company's financial year end and the signature date of this annual report.

## VOTING AND PROXIES

A shareholder of the company entitled to attend, speak and vote at the annual general meeting, is entitled to appoint a proxy or proxies to attend, speak and on a poll vote in his stead. The proxy need not be a shareholder of the company. A form of proxy is attached for the convenience of any certified shareholder and own name registered dematerialised shareholder who cannot attend the annual general meeting, but who wishes to be represented.

Additional forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address set out on the inside of the back cover, to be received by no later than 10:00 on 11 January 2011. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the member subsequently decide to do so.

On a show of hands, every shareholder of the company present in person or by proxy shall have 1 (one) vote only, irrespective of the number of shares he holds or represents, provided that a proxy shall, irrespective of the number of members he represents have only 1 (one) vote. On a poll, every shareholder of the company who is present in person or represented by proxy, shall have one vote for every share held in the company by such shareholder.

Shareholders who have dematerialised their ordinary shares through a CSDP or broker, other than own name registered dematerialised shareholders, and who wish to attend the annual general meeting must request their CSDP or broker to issue them with a Letter of Representation. Alternatively dematerialised shareholders other than own name registered dematerialised shareholders, who wish to be represented, must provide their CSDP or broker with their voting instructions in terms of the custody agreement between them and their CSDP or broker in the manner and by time-frame stipulated.

In terms of the Listings Requirements any shares held by the Alert Steel's Share Incentive Scheme will not have their votes at the annual general meeting taken into account in determining the results of voting on the special and ordinary resolutions tabled thereat.

By order of the board



M Pretorius  
Company Secretary  
Date : 12 December 2010

Registered Office: 12 Gompou street  
East Lynne  
Pretoria





# Annexure 1 - Salient features of the Alert Steel Share Incentive Scheme Trust

The salient features of the Alert Steel Share Incentive Scheme Trust, which was adopted on 26 November 2006, and taking account of the proposed amendments, are set out below:

## 1. DEFINITIONS

**"Acceptance Date"**: the date of acceptance by a participant of an offer for the purchase of scheme shares in terms of clause 6 or to acquire rights and options to purchase allocation shares in terms of clause 23;

**"Eligible Applicant"**: a person eligible for participation in this scheme, namely, all employees who have not less than 12 (twelve) months uninterrupted service with the group and who are interested in becoming participants;

**"Employee"**: an employee of the group and shall include an executive director of the group to whom an offer shall have been made to acquire shares;

**"Group"**: the company and its subsidiaries;

**"Purchase Price"**: in relation to scheme shares and/or allocation shares, an amount equivalent to the middle market price of the shares on the JSE on the trading day immediately preceding that on which a resolution of the board is passed for the purposes of allotting scheme shares or granting rights and options to purchase allocation shares;

**"Scheme Shares"**: Shares purchased by a participant under this scheme for as long as the participant has not made payment in full of his share scheme debt relating to those shares, which shares shall rank pari passu in every respect with the existing ordinary issued shares of the group; and

**"Shares"**: ordinary shares in the share capital of the company;

## 2. PURPOSE AND NATURE

The purpose of the scheme is to provide an opportunity to the employees of the group to acquire shares in the share capital of the company, either directly or through the grant of options, so as to give such employees the incentive to advance the interests of the company and/or group for the ultimate benefit of all stakeholders in the group.

## 3. PURCHASE OF OR SUBSCRIPTION FOR SCHEME SHARES AND/OR ALLOCATION SHARES

- 3.1. The directors shall from time to time instruct the trustees to offer the opportunity to acquire rights and options to purchase allocation shares or to acquire scheme shares to eligible applicants. These offers will be made to eligible applicants based on their performance and seniority.
- 3.2. The maximum number of shares which may presently be issued in terms of the scheme is 49,000,000 (forty nine million) shares.
- 3.3. The maximum number of shares in respect of which any single participant shall have rights in terms of the scheme shall be limited to 2 450 000 (two million four hundred and fifty thousand) shares.
- 3.4. The directors shall forward to the trustees a certified copy of the resolution authorising an offer of scheme shares and/or allocation shares to eligible applicants and the trustees shall offer the number of scheme shares and/or allocation shares referred to in such resolution to eligible applicants.

## 4. PRICING

The trustees shall, on the authority of a resolution of the board and subject to the provisions of clause 6.2, offer eligible applicants the right to purchase scheme shares at the purchase price.

## 5. PAYMENT FOR SCHEME SHARES AND RELEASE PERIOD

- 5.1. Scheme shares acquired by a participant shall be paid for by each participant in full within 30 (thirty) days after the 4th anniversary of the acceptance date.
- 5.2. All amounts paid by a participant shall be applied rateably toward payment of the purchase price of all of the scheme shares which such participant has purchased unless the participant allocates, in writing at the time that he makes payment, the payment to specific scheme shares



## Annexure 1 - Salient features of the Alert Steel Share Incentive Scheme Trust - continued

- 5.3. Any amount of the share scheme debt not paid on the due date for payment thereof shall bear interest at the rate prescribed from time to time in terms of the 7th (seventh) schedule of the Income Tax Act, 1962, and shall apply consistently in respect of all participants.
- 5.4. If the full amount of the share scheme debt is not paid in full on the payment date as referred to in clause 7, the trustees shall have the right to call upon the participant in writing to effect such payment and if such demand is not complied with within 21 (twenty one) days of the date thereof, the trustees may claim payment of the amount due or cancel the sale and take possession of such scheme shares, in which latter mentioned event the participant shall be released from all further liability in respect of his share scheme debt. Alternatively, the trustees may, in their sole and absolute discretion, permit the participant to sell so many of the scheme shares as may be necessary to enable the participant to discharge his share scheme debt so as to procure the release of the remainder of the scheme shares to which he is entitled.
- 5.5. Once the scheme shares are paid for in full, a participant shall, subject to 3.20, be entitled to the release of his scheme shares from the operation of the scheme after the expiry of a period of:
- 5.5.1. 1 (one) year after the acceptance date, in respect of 20% (twenty percent) of the scheme shares, or part thereof;
  - 5.5.2. 2 (two) years after the acceptance date, in respect of a further 25% (twenty five percent) of the scheme shares, or part thereof;
  - 5.5.3. 3 (three) years after the acceptance date in respect of a further 25% (twenty five percent) of the scheme shares, or part thereof;
  - 5.5.4. 4 (four) years after the acceptance date in respect of the last 30% (thirty percent) of the scheme shares, or the balance of the scheme shares.
- 5.6. The number of scheme shares to be released in terms of clause 7.5 shall be computed cumulatively.
- 5.7. Any rights shares (subject to their having been paid for) and capitalisation shares in respect of the scheme shares released in terms of clause 7.5 shall also be released from the operation of the scheme, subject to the provisions of clauses 8 and 9.

### 6. DEATH, RETIREMENT OR DISABILITY OR RESIGNATION

#### 6.1. Retirement or disability

If a participant becomes retired in terms of the rules of the company's pension fund or who retires with the approval of the board or who becomes permanently incapacitated prior to the fourth anniversary of the acceptance date, shall, within 2 (two) years after his becoming retired or permanently incapacitated, have the right and obligation at his election to pay his share scheme debt in full in respect of all of his scheme shares and have them released to him or to have his scheme shares repurchased by the trustees at the repurchase price of the scheme shares, in which latter mentioned event such retired or incapacitated participant shall be released from all liability in respect of his share scheme debt.

#### 6.2. Death

If a participant dies before the arrival of the 4th (fourth) anniversary of the acceptance date, then at any time before the finalisation of his estate or within 2 (two) years after his death, whichever is the earlier, the participant's executor shall have the right and obligation at his election to pay the share scheme debt in full and have the scheme shares released or to have such scheme shares repurchased by the trustees at the repurchase price of the scheme shares, in which latter mentioned event the estate of the participant shall be released from all liability in respect of the share scheme debt.

#### 6.3. Dismissal

If the employment of a participant with the group is terminated by the group as a result of dishonesty or upon such other grounds as will justify a summary dismissal in law, the trustees shall forthwith thereafter purchase from the participant who shall sell to the trust the scheme shares which have then not been released to him at a price equal to the closing price of the shares on the JSE on the trading day immediately preceding the date of purchase. The trustees shall apply the proceeds of the sale to repay the participant's share scheme debt. Any excess of the proceeds over the share scheme debt shall be forfeited to the trust and the participant shall be released from any further liability in respect of his share scheme debt.

#### 6.4. Cessation of Employment for other Reasons

If a Participant for any reason other than his dismissal, death, retirement or permanent incapacity:

- 6.4.1. does not remain employed by the group for a period of 4 (four) years from the acceptance date; or



## Annexure 1 - Salient features of the Alert Steel Share Incentive Scheme Trust - continued

6.4.2. remains an employee of the group but desires, at any time prior to the expiry of 4 (four) years from the acceptance date, to terminate his participation in the scheme,

then within a period of 30 (thirty) days from the date upon which he ceases to be employed by the group or the date upon which he notifies the trustees in writing that he no longer wishes to participate as a member of the scheme, whichever is appropriate, the trustees in their sole and absolute discretion may repurchase the scheme shares from the participant at the repurchase price. The participant shall in the above events have no further rights or claims against the trust arising from the acquisition of his scheme shares.

### 7. CAPITALISATION ISSUES WITH RESPECT TO SCHEME SHARES

- 7.1. Every participant shall in respect of his scheme shares participate in any capitalisation issue by the company as if the purchase price of those scheme shares had, at the record date of such capitalisation issue, been paid in full.
- 7.2. Capitalisation shares arising from scheme shares shall be allotted and issued as scheme shares.
- 7.3. No participant shall be entitled to renounce his rights to any capitalisation shares or dispose thereof in any other way, and all such capitalisation shares,
  - 7.3.1. shall be allotted and issued subject to the restrictions and provisions of this deed and the company's articles of association; and
  - 7.3.2. shall, for so long as the purchase price of the scheme shares in respect of which they are allotted and issued is not paid in full, become part of a participant's holding of scheme shares and shall, mutatis mutandis be subject in all respects to the to the same rights, restrictions and provisions as attach to the scheme shares.
- 7.4. Any adjustment to the maximum number of scheme shares referred to in clause 4.3 and/or the purchase price in respect thereof as a result of a capitalisation issue should give a participant entitlement to the same proportion of the share capital of the company as that to which he was previously entitled.

### 8. ADJUSTMENTS ON THE RE-ORGANISATION OF THE SHARE CAPITAL OF THE COMPANY

- 8.1. If the company at any time before the share scheme debt owing on any scheme shares has been paid in full:
  - 8.1.1. is put into liquidation for the purposes of re-organisation; or
  - 8.1.2. is a party to a scheme of arrangement affecting the structure of its share capital; or
  - 8.1.3. reduces its share capital; or
  - 8.1.4. splits or consolidates its shares; or
  - 8.1.5. is a party to a re-organisation; or
  - 8.1.6. repurchases its own shares on a pro rata basis,

such adjustments shall be made to the number of scheme shares and/or the purchase price in respect of those scheme shares which have not been fully paid for and released, such that it gives a participant entitlement to the same proportion of the share capital of the company as that to which he was previously entitled.

- 8.2. If the company is placed in liquidation otherwise than in terms of clause 12.1.1 and save for any claims which the trust may then have against the company, the scheme shall ipso facto terminate as from the date of liquidation.

### 9. TAKE-OVER OF COMPANY AND CHANGED CIRCUMSTANCES

- 9.1. Should control of the company pass to another person or company as a result of a take-over, reconstruction, or amalgamation which makes provision for the participants to receive equity instruments allotted and issued by such other persons or in such other company in substitution of their scheme shares on terms in the opinion of the auditors (such opinion being given by them as experts and not as arbitrators or quasi arbitrators) not less favourable than those on which those participants are entitled to their scheme shares, they shall be obliged to accept such equity instruments in such other company on such terms.
- 9.2. In the event of a merger, takeover or corporate actions, the board shall stipulate that all rights and options (vested and unvested), shall be exercisable on or before the date stipulated by the board, notwithstanding the acceptance date applicable to such rights and options, so as to enable the holders of such rights and options to exercise their rights and options, provided that the board may further stipulate, notwithstanding anything to the contrary in this deed, that any rights and options not exercised on or before the date so stipulated by the board shall lapse on that date.



## Annexure 1 - Salient features of the Alert Steel Share Incentive Scheme Trust - continued

### 10. AMENDMENTS OF SCHEME

It shall be competent for the board and the trustees to amend any of the provisions of the scheme, except for the entrenched provisions which may only be amended in terms of clause 1.1.12, provided that:

- 10.1. no such amendment shall affect the vested rights of any participant;
- 10.2. no such amendment affecting any of the following matters shall be competent unless it is sanctioned by the company in general meeting and approved by the JSE in writing:
  - 10.2.1. the eligibility of participants under this scheme;
  - 10.2.2. the proportion, expressed as a percentage, which the shares that may be acquired by the trustees for purposes of the scheme, bears to the entire issued ordinary share capital of the company for the time being;
  - 10.2.3. the maximum number of scheme shares that may be acquired by any participant;
  - 10.2.4. the purchase price;
  - 10.2.5. the voting, dividend, transfer and other rights, including those arising on a liquidation of the company, attaching to the scheme shares; and
  - 10.2.6. any amendment of clause 16.2.

### 11. TRUSTEES

- 11.1. There shall at all times be a minimum of two trustees in office. Frans Badenhorst Nel (Identity Number 6101135007086) and Andries Pieter Viljoen (Identity Number 6707245180082), not being salaried directors or employees of the group, are appointed as trustees of the trust and accept that appointment by their signatures hereto;
- 11.2. No Trustee shall be eligible for participation under the scheme.
- 11.3. Executive directors of the company may not be appointed as trustees of the scheme. Non-executive directors, subject to any restriction as contained in the Act, may be appointed as trustees of the scheme, provided they do not benefit from the scheme.

### 12. ANNUAL DISCLOSURE

The group shall in its annual financial statements, provide particulars of all matters required to be contained in the financial statements by schedule 14 of the JSE Listing Requirements including, but not limited to:

- 12.1. the number of scheme shares which have been taken up by participants in terms of offers made to them and which scheme shares are subject to the scheme;
- 12.2. any changes in the number of scheme shares which have been taken up by participants during the year;
- 12.3. the number of scheme shares initially taken up by participants as scheme shares and which during the year have ceased to be scheme shares;
- 12.4. the purchase price at which employees were offered scheme shares during the year and the total number of scheme shares taken up by eligible applicants at such purchase price;
- 12.5. the total number of scheme shares still available to be taken up by eligible applicants in terms of the scheme;
- 12.6. the aggregate amount owing by participants to the trust at the end of each year.



## Form of Proxy

### Alert Steel Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 2003/005144/06)

JSE code: AET ISIN: ZAE000092847

("Alert" or "the Company")

FOR USE BY CERTIFICATED SHAREHOLDERS AND SHAREHOLDERS WHO HAVE DEMATERIALIZED THEIR SHARE CERTIFICATES AND HAVE ELECTED "OWN NAME" REGISTRATION THROUGH A CENTRAL SECURITIES DEPOSITORY PARTICIPANT ("CSDP") OR BROKER, AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON 13 JANUARY 2011 AT CNR OF ENGELBRECHT AND LANHAM STREETS EAST LYNNE.

If you are a shareholder entitled to attend and vote at the abovementioned annual general meeting you can appoint a proxy to attend, vote and speak in your stead. A proxy need not be a shareholder of the Company.

If you are a shareholder and have dematerialised your shares through a CSDP or broker, and have not selected own name registration in the sub-register maintained by a CSDP, you must not complete this form of proxy but must instruct your CSDP or broker to issue you with the necessary Letter of Representation to attend the annual general meeting, or if you do not wish to attend, you may provide your CSDP or broker with your voting instructions in terms of the custody agreement entered into with your CSDP or broker.

I/We (Name in block letters) \_\_\_\_\_

of (Address in block letters) \_\_\_\_\_

**being a member/members of Alert Steel Holdings Limited and entitled to vote, hereby appoint**

1. \_\_\_\_\_ or failing him/her \_\_\_\_\_

2. \_\_\_\_\_ or failing him/her \_\_\_\_\_

the chairman of the meeting as my/our proxy to act for me/us at the annual general meeting, to be held at offices of the company at Cnr of Engelbrecht and Lanham Streets, East Lynne on 13 January 2011 at 11h00 and at any adjournment thereof, as follows:

	Number Of Alert Steel Holdings Limited Shares (one vote per ordinary share)		
	In favour	Against	Abstain
<b>Ordinary resolutions:</b>			
1. Adoption of annual financial statements.			
2. Re-election of Mr. R van Rooyen as director.			
3. Re-appointment of RSM Betty & Dickson (Tshwane) as independent auditors with Mr. P den Boer as designated auditor until the next annual general meeting.			
4. Approval of the fees of the non-executive directors.			
5. Authority to issue shares in terms of a rights offer.			
6. Authority to issue shares for cash.			
7. Alert Steel Share Incentive Scheme Trust amendments in terms of the Listings Requirements of the JSE Limited ("JSE").			
<b>Special Resolutions</b>			
1. Increase in authorized share capital.			
2. Alteration of memorandum of association.			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2011

Signature of member \_\_\_\_\_

Assisted by (if applicable) \_\_\_\_\_



## Form of Proxy Instruction

1. On a poll a shareholder is entitled to one vote for each share held.
2. Forms of proxy must be lodged at, posted to or faxed to Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2000 (PO Box 61051, Marshalltown, 2107), to reach the Company by no later than 10h00 on 11 January 2011.
3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided, with or without deleting the words "the chairman of the annual general meeting". Any such deletion must be individually initialed by the shareholder, failing which they will not have been validly affected. The person present at the annual general meeting whose name appears first on the form of proxy and has not been deleted shall be entitled to act as proxy to the exclusion of the persons whose names follow.
4. Any alterations or corrections to this form of proxy have to be initialed by the relevant signatory (ies).
5. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder (s) of the Company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.
6. Voting instructions for each of the resolutions must be completed by filling the number of votes (one per ordinary share) under the "In Favour", "Against" or "Abstain" headings on the form of proxy. If no instructions are filled in on the form of proxy, the chairman of the annual general meeting, if the chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.
7. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. The total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the shareholder.
8. Documentary evidence establishing the authority of a person signing this form must be attached to this form of proxy unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the annual general meeting.
9. This form of proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their "own name" in electronic form in the sub-register.
10. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the annual general meeting must contact their Central Securities Depository Participant ("CSDP") or broker who will furnish them with the necessary letter of authority to attend the annual general meeting. Alternatively, they have to instruct their CSDP or broker as to how they wish to vote. This has to be done in terms of the agreement between the shareholder and the CSDP or the broker.
11. Shareholders who wish to attend and vote at the meeting must ensure that their Letter of Representation from their CSDP or broker reach the transfer secretaries not later than 10h00 on 11 January 2011.
12. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
13. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office  
Computershare Investor Services (Pty) Ltd  
70 Marshall Street, Johannesburg, 2000  
(PO Box 61051 Marshalltown 2107)



## Corporate Information

### Executive Directors

W F Schalekamp  
W W Mentz

### Non - Executive Directors

O V Jevon  
R van Rooyen

### Company Secretary and Registered Office

M Pretorius  
12 Gompou Street  
East Lynne  
0186  
(PO Box 29607, Sunnyside, 0132)

### Designated Adviser

Vunani Corporate Finance  
(Registration number 1999/024433/07)  
Athol Ridge Office Park  
151 Katherine Street  
Sandown, 2031

### Transfer Secretaries

Computershare Investor Services (Pty) Limited  
(Registration number 2004/003647/07)  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)



### Alert Steel Holdings Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2003/005144/06)  
(JSE code: AET ISIN: ZAE000092847)  
("Alert" or "the Company")

### Auditors

RSM Betty & Dickson (Tshwane)  
(Practice number 901520A )  
Suite 1, 267 Waterkloof Road  
Brooklyn, 0181  
(Private Bag X22, Brooklyn Square, 0075)

### Attorneys

Fluxmans Inc.  
(Registration number 2000/024775/21)  
11 Biermann Avenue  
Rosebank, 2196  
(Private Bag X14, Saxonwold, 2196)

### Corporate Bankers

Nedbank Limited  
(Registration number 1951/000009/06)  
Nedbank Corporate  
1st Floor F Block Nedbank Sandton  
135 Rivonia Road, Sandown, 2196  
PO Box 1144, Johannesburg, 2000 SA



## Branch Details

### Alert Build Branches

#### ALERT BUILD BURGERSFORT

Dirk Winterbach Street,  
Section 8, Leeuvallei,  
Burgersfort  
Tel: (013) 231 7187  
Fax: (013) 231 8362  
P.O. Box 390,  
Burgersfort,  
1150

#### ALERT BUILD LEPHALALE

Joe Slovo Street, Ext 16 Section 1  
Onverwacht, Lephalale,  
Tel: (014) 763 6016  
Fax: (014) 763 6020  
P.O. Box 6768,  
Onverwacht,  
0557

#### ALERT BUILD POLOKWANE

C/o Nikkel & Kobalt Street,  
Superbia, 0699  
Tel: (015) 292 2043/4  
Fax: (015) 292 2051  
P.O. Box 55930,  
Polokwane,  
0700

#### ALERT BUILD PRETORIA

12 Gompou Street  
East Lynne, 0186  
Tel: (012) 800 0000  
Fax: (012) 800 0013  
P.O. Box 29607,  
Sunnyside, 0132

#### ALERT BUILD THOHOYANDOU

Stand No. 3,  
Industrial Area, Shayandima  
Tel: (015) 964 3513 / 1940 / 1707/8/9  
Fax: (015) 964 1703  
P.O. Box 906,  
Shayandima,  
0945

#### ALERT BUILD WONDERBOOM

C/o Lavender Road West,  
C/o Tillie van Wyk Street & Chervil  
Avenue, Annlin West,  
Ext. 21, Annlin  
Tel: (012) 543 6600  
Fax: (012) 543 6633  
P.O. Box 15480,  
Sinoville,  
0129

### Alert Steel Branches

#### ALERT STEEL BENROSE

162 Main Reef Road,  
Benrose  
Tel: (011) 614 6625  
Fax: (011) 614 9112  
P.O. Box 27193,  
Benrose,  
2011

#### ALERT STEEL BRITS

21 Van Deventer Street,  
Brits, 0250  
Tel: (012) 252 0773/4  
Fax: (012) 252 0775  
P.O. Box 4403,  
Brits,  
0250

#### ALERT STEEL KLERKSDORP

3 Benji, Oliphant Road,  
Uraniaville  
Tel: (018) 469 1985  
Fax: (018) 469 1981  
P.O. Box 14647,  
Flamwood Walk,  
Klerksdorp,  
2535

#### ALERT STEEL LICHTENBURG

6 Gerrit Maritz Street,  
Lichtenburg  
Tel: (018) 632 5034  
Fax: (018) 632 1219  
P.O. Box 1179,  
Lichtenburg,  
2740

#### ALERT STEEL LOUIS TRICHARDT

Industria Street No.1,  
Louis Trichardt, 0920  
Tel: (015) 516 5737/8/6  
Fax: (015) 516 1549  
P.O. Box 1157,  
Louis Trichardt,  
0920

#### ALERT STEEL MOKOPANE

33 Sussex Street,  
Mokopane, 0600  
Tel: (015) 491 8984/5/6  
Fax: (015) 491 6082 / 2367  
P.O. Box 4406,  
Mokopane,  
0600

#### ALERT STEEL PRETORIA

C/o Engelbrecht and Lanham Street  
East Lynne, 0186  
Tel: (012) 800 0200  
Fax: (012) 800 0013  
P.O. Box 29607,  
Sunnyside,  
0132

#### ALERT STEEL RANDFONTEIN

8 Volvo Street, Aureus  
Tel: (011) 412 2037/2025  
Fax: (011) 412 2113/2399  
P.O. Box 75,  
Randfontein,  
1760

#### ALERT STEEL TSHWANE

Shop 13, Lenchen Centre,  
C/o Jakaranda & Lenchen Ave,  
Hennospark, Centurion  
Tel: (012) 653 5607/8  
Fax: (012) 653 0332 / 5608  
P.O. Box 11555,  
Wierda Park South,  
0057

#### ALERT STEEL TZANEEN

18 Kudu Street,  
Tzaneen  
Tel: (015) 307 6612 / 910  
Fax: (015) 307 6618  
P.O. Box 187,  
Tzaneen,  
0850

### Alert Plumb Branches

#### ALERT PLUMB PRETORIA

12 Gompou Street,  
East Lynne,  
Tel: (012) 800 1035/6  
Fax: (012) 800 1887  
P.O. Box 29607,  
Sunnyside,  
0132

### Alert Rebar Branches

#### ALERT REBAR TSHWANE

271 Maggs Street, Walthoo, Pretoria  
Tel: (012) 803 7864  
Fax: (012) 803 5852  
P.O. Box 15102,  
Lynn East,  
0039

#### ALERT REBAR POLOKWANE

85 Silicon Street, Ladine, 0700  
Tel: (015) 292 0111 / 0058  
Fax: (015) 292 0067  
P.O. Box 55404,  
Polokwane,  
0700





[www.alertsteel.co.za](http://www.alertsteel.co.za)  
012 800 0200

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