a.b.e. Construction Chemicals Limited

ANNUAL REPORT 2008

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The company manufactures, imports and distributes a range of specialised products used in the construction, renovation, waterproofing and maintenance of buildings and structures.
Directors	S K Mota (Chairman)
	L F Avis
	W R G Post
	S Rault
	S P Stacey
Registered office	7 Wilcox Road
	Isipingo
	Durban
	KwaZulu-Natal
	4110
Telephone	031 913 5400
Business address	7 Wilcox Road
	Isipingo
	Durban
	KwaZulu-Natal
	4110
Postal address	P O Box 23053
	Isipingo
	Durban
	KwaZulu-Natal
	4110
Bankers	Nedbank
Auditors	BDO Spencer Steward (KZN) Incorporated
	Registered Auditors
Secretary	Lawrence Frederick Avis
Company registration number	1982/005383/06
Attorneys	Shepstone & Wylie

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Directorate

W R G Post – CA(SA) (University of Cape Town)
Non-Executive

William (Dendy) is currently CEO of the Steelwood Africa Group; a position he has held for the past 11 years. He is a Chartered Accountant and has 20 years' experience in the timber industry, followed by four years within the Murray & Roberts Industrial Division where he served as Chairman of six companies.

L F Avis – BCom, CA(SA) (University of Natal)
Financial Director

Lawrence completed a BCom degree, served his articles at Deloitte and qualified as Chartered Accountant in 1977. From 1977 to 1983, he was the Accountant for Fiat South Africa after which he joined Grindrod Shipping where he gained 15 years' experience as, firstly, Systems Accountant, then as Treasury Manager and finally as a Commodity Trader. Lawrence joined a.b.e. in 1992. He has substantial expertise in offshore operations and business takeovers; mergers as well as logistics.

S K Mota – BEng (Hons), B (B&A) (Hons) (Birmingham University - UK), MBA (Stellenbosch University)
Chairman

Kopano is a director of companies. He started his career as a Civil Engineer where he was involved in the construction of the Katse Dam in Lesotho. This was followed by involvement in structural design of large buildings. He then spent two years in strategy consulting, working in various industries. Since then Kopano has been involved in private equity for the last 10 years in various capacities.

S Rault – BSc (Phys Ed) (Hons) (Southwest Baptist University - USA)
Executive Director

Stephen started teaching in Johannesburg at a private school in 1982. In 1985, he broke away from the teaching profession and commenced his sales career as a Sales Representative in the pharmaceutical industry. He joined BPB Gypsum in 1994 where he was appointed Residential Sales Director and in 2000, joined Everite as National Sales and Marketing Director. Stephen was part of the Everite team which converted Everite from R100-million loss to profitability in 2 years. He joined a.b.e. Construction as Retail Director in 2004.

S P Stacey – BSc (Civil Engineering), Pr Eng (University of the Witwatersrand)
Chief Executive Officer

Stan obtained his civil engineering degree in 1972 and commenced his professional engineering career as Design Engineer at Bruinette Kruger and Stoffberg in 1973. In 1980 he moved on to Trescon Construction and subsequently was appointed Managing Director in 1990. During 1993, Stan joined Armco Superlite, as General Manager and was subsequently appointed Managing Director from 1994 to 1999. He joined a.b.e. as Managing Director in 1999. Stan led the return of a.b.e. and Armco Superlite to profitability and has extensive export experience in Africa, the Indian Ocean Islands, South East Asia and Pakistan.

Statement of Compliance

The Board of Directors (herein referred to as the "board") of a.b.e. Construction Chemicals Limited (herein referred to as "a.b.e.") is committed to the principles of the Code of Corporate Practices and Conduct (Code) as set out in the King Report. In supporting the Code, the Board recognises the need to conduct the business of the Company with openness, integrity and accountability. A corporate governance framework has been in operation in the company for many years and is reviewed from time to time and updated where appropriate. Currently we have three executive and two non-executive directors, none of whom is independent. We are currently addressing this and are seeking to appoint two independent non-executive directors as soon as possible.

The Board conducts its business in the best interest of the company and ensures that the company performs in the interests of its broader stakeholder Group, including present and future investors in the Company and in its products and services, its business partners and employees and the societies in which it operates.

In order to address its Accountability and Responsibility the Board:

- monitors that the Company complies with all relevant laws, regulations and codes of business practice and that it communicates with all relevant stakeholders (internal and external) openly and promptly;
- gives direction to the Company in all matters and approves the strategic plan developed by management;
- monitors implementation of the strategic plan by management;
- monitors performance through the various board committees established to assist in the discharge of its duties;
- monitors the key risk areas and key performance areas of the Company and identifies the non-financial aspects relevant to the Company and its business;
- determines the policy and processes to ensure the integrity of:
    - risk management and internal controls
    - executive and general remuneration
    - external and internal communications
    - director selection, orientation and evaluation.

Board Meetings

The Board meets at least four times a year in formal meetings.

Changes to the Board

Mr W R G Post resigned as Chairman after 14 years in that role and has been replaced by Mr Stephen Mota.

The Board

The role of chairman and group chief executive is separate and they operate under separate mandates.

The chairman who is a non-executive director presides over the Board, providing it with effective and directed leadership and ensuring that all relevant information and facts are placed before the Board for decision.

The company's chief executive is charged with the responsibility of the ongoing operations of the Company. He develops the Company's long-term strategy and recommends the business plan and budgets to the Board for consideration.

The company chief executive and the chairperson are appointed by the Board.

The remuneration committee assesses the remuneration of the Board, chairperson and senior executives.

The Board has established and mandated a number of committees to perform work on its behalf in various key areas affecting the business of the Company.

These committees are:

- audit & risk
- remuneration

The Board and each committee give attention to both new and existing matters of governance and compliance within their respective mandates.

Each committee operates according to terms of reference approved by the Board which are reviewed annually.

Whilst no formal nomination committee is in place, procedures for appointment to the board are formal and transparent. A sub-committee to approve the appointment of directors is in place.

All directors are entitled to seek professional independent advice at the Company's expense.

It is the practice of the company to ensure that non-executive directors appointed to the Board engage in a comprehensive induction process to familiarise themselves with the company.

Risk Management & Systems of Control

The Board is responsible for ensuring that risk management, including related systems of internal control, are formalised throughout the company. These systems of risk management and internal control aim to promote the efficient management of operations, protection of the company's assets, legislative compliance, business continuity, reliable reporting and the interests of all stakeholders.

The company has an insider trading policy that requires directors and officers who could be expected to have access to price-sensitive information, to be precluded from dealing in the company's shares for a period of approximately two months prior to the release of the company's results.

To ensure that dealings are not carried out at a time when other price-sensitive information may be known, directors and officers must at all times obtain permission from the chairman or financial director of the company before dealing in the shares of the company.

Audit Committee Report

In terms of Section 270A of the Companies Act of South Africa, the audit committee reports as follows:

The audit committee consists of two non-executive directors. W R G Post served as chairman of the committee and S K Mota as member during the year under review and both are financially literate, but neither is independent. The committee is aware that the Companies Act of South Africa, requires the audit committee to consist of independent non-executive directors and the board is in the process of ensuring compliance with the Act.

The audit committee operates under an approved charter to assist the Board to fulfil its corporate governance supervision responsibilities relating to accurate financial reporting and adequate financial systems and controls. It does so by evaluating the findings of external audits, actions taken and the appropriateness and adequacy of the systems of internal financial and operational controls.

The committee reviews accounting policies and financial information issued to stakeholders and recommends the appointment of external auditors and their remuneration.

The chairman of the audit committee reports to the Board on the committee's deliberations and decisions. The external auditors have unrestricted access to the committee. The independence of the external auditors is regularly reviewed and all non-audit related services are approved and reported upon.

The designated advisor, chief executive and financial director and external auditors all attend meetings by invitation.

The committee met twice during the year under review.

The audit committee is satisfied that the external auditor is independent of the company.

Terms of Reference

The committee's activities include:

- monitoring the company's accounting policies, disclosures and making recommendations to the Board to ensure compliance with International Financial Reporting Standards;
- discussing and agreeing on the scope, nature and priority of the audit;
- reviewing the external auditor's reports;
- recommending and reviewing the annual responsibility statement of directors; and
- reviewing the company's annual financial statements and the company's results; making recommendations to the Board for publication in the interim, and preliminary reports and the annual report.

The committee's terms of reference were reviewed and approved by the Board.

Risk

The audit committee assists the Board with oversight of the development and implementation of the company's risk framework.

Risk management entails the identification of risk areas, resource allocation and controls to minimise potential loss. Periodic review and formal communication is an ongoing process with each category of risk being monitored.

a.b.e. has an insurance programme covering RSA-based asset and liability risks.

Claims and Litigations

A schedule of active claims and disputes both for and against the company is maintained.

Remuneration Committee

The remuneration committee has been delegated by the board to align the company's remuneration philosophy with its business strategy to attract, retain, motivate and reward directors, senior executives and staff by the payment of fair, competitive and appropriately structured remuneration in the best interests of shareholders.

The committee comprises the chairman, W R G Post, and one member, S K Mota, who are both non-executive. The chief executive attends meetings in an ex officio capacity.

The committee met twice during the year.

The chairman of the committee reports to the Board on the committee's deliberations and decisions. The committee is responsible for considering and approving proposals regarding the remuneration, benefits and related matters of executive directors of the company, including the chief executive. The functions, role and mandate of the company chief executive are considered by the committee and his performance is assessed. Succession planning is also considered.

Compliance with Companies Act of South Africa

In terms of Section 268g(d) of the Companies Act of South Africa, I certify that the company has lodged with the Registrar of Companies all such returns as are required by the Companies Act of South Africa, and that all such returns are true, correct and up to date.

Lawrence Avis
Company secretary
Durban
30 July 2008

Chairman's Report for the Financial Year Ended 31 May 2008

Dear Shareholders

This is the first report since the listing of the company on the Alternative Exchange of the JSE Limited on 17 August 2007. The listing marked the transition of the company from a management-owned private company to a listed company.

Business Environment

For South Africa the year 2008 was marked with the effects of the financial crisis, oil price increases and higher interest rates. These factors led to a global decline in share prices. The JSE All Share Index and the a.b.e share price suffered accordingly. However, infrastructure spending continued unabatedly and construction remained buoyant, which increased the demand for our product, resulting in sales to the construction sector increasing by 23%.

Financial Results

The company delivered pleasing results. Operating profit at R29.2 million was up by 30% on 2007 and the margin at 13.3% (2006: 11.7%) is highly satisfactory. The market value of the properties increased by R9.4 million since the last valuation. The company has no gearing and notwithstanding significant capital spending, it continues to generate strong cash flows. Consequently the board decided to declare a maiden dividend of 8.5c per share.

The company is well positioned for 2009 and we look forward to a further year of growth which is supported by our first-quarter sales.

Human Resources

We have achieved significant progress with employee transformation and we continue to work on an employment equity plan.

Broad-Based Black Economic Empowerment

The BEE component of the company's share ownership is 26.00% and we continue to address the other areas where we can improve our BEE rating.

Corporate Governance

We have made good progress in putting in place the tools and the people to manage governance in the company and this is more fully detailed in the governance report.

Board of Directors

Prior to listing, the board was reconstituted with Mr Kopano Mota being appointed a non-executive director. Kopano is a valuable addition to our team and brings a wealth of experience to the table.

The directors are in the process of adopting a board charter and a code of ethics. An Audit and Risk Committee and Remuneration Committee have been set up and are fully operational.

In order to bring a fresh perspective to the company, I resigned as Chairman in August 2008 after 14 years in that position and Mr Kopano Mota was appointed as non-executive Chairman. We are in the process of appointing two independent directors as the board presently has no independent director.

Appreciation

I wish to thank my colleagues on the board and the executive management team for their help and achievements in this our first year as a listed company.

Chairman’s Report for the Financial Year Ended 31 May 2008

My thanks also to all our staff, customers, suppliers, auditors and bankers for helping us to make this a successful year.

Finally I wish to thank our shareholders who supported us at the time of listing and have remained with us notwithstanding the difficult market conditions.

I look forward to seeing as many as possible at the AGM to be held on 31 October 2008.

W R G Post
Outgoing Chairman

Chief Executive Officer's Report for the Year to 31 May 2008

2008 was a year of many milestones for the company amongst which were our 75th anniversary, the listing on the AltX and the first time turnover has exceeded the R200m mark.

It gives me great pleasure to be able to report that **a.b.e.** produced excellent results in our first year as a public company.

We exceeded our operational profit and HEPS targets as set out in the prospectus in spite of the fact that the targets were set when economic conditions in South Africa were more buoyant than currently.

Overview of a.b.e.

a.b.e. is an acronym for African Bitumen Emulsions which started out as a supplier of bitumen to Natal Municipalities some 75 years ago.

Today **a.b.e.** is a manufacturer and distributor of specialist construction products and is a market leader in most of the segments we operate in with an extensive product range backed up by technical expertise.

We have factories in Durban and Boksburg but also import ±30% of our Finished Goods from Europe.

a.b.e. has a national footprint, distributors and agents in the remote local areas, as well as in most English-speaking African countries and our products are manufactured under licence in Lahore in Pakistan and Mauritius.

a.b.e. Operations

Industries we supply to include the new-build industry and the maintenance industry.

All construction of structures including office blocks, dams & reservoirs, stadiums, factories and residential properties, utilise our types of products.

An important component of our business is maintenance products that provide us with a revenue stream even in non-boom times, so we have a substantial hedge against economic cycles.

We have two distribution channels, namely Resellers and Construction.

Resellers Division

We tend to service the domestic house builder and our bakkie builder customers through retail outlets like Ferreiras and Cashbuild and our DIY customers through retail chains like Builders Warehouse and Mica.

Construction Division

We tend to service our construction customers directly through our branches and this customer base includes large construction companies, but also small to medium building companies as well as our specialist contractors.

a.b.e. Product Markets

We categorise our products as:

- General Construction
- Waterproofing
- Silicone and Sealants
- Flooring
- Roofing
- Concrete repair
- Structural adhesives and coatings

- **General Construction**

  General Construction products make up about 20% of our sales.

- **Waterproofing**

  We have products that will waterproof almost anything from dams to roofs, to brick walls and even shower floors and koi ponds, and our liquid waterproofing super laycryl is an industry standard.

- **Silicone and Sealants**

  All structures have expansion joints to allow structures to expand and contract and engineers generally have to stop water going through them. a.b.e. has an extensive range of products to do this job.

- **Flooring**

  We have a complete range of industrial flooring products to protect concrete floors.

  Some products are used to protect concrete floors from chemical attack in process plants, while others provide extremely hard-wearing surfaces in factories and warehouses.

- **Roofing**

  a.b.e. has been in the roofing market for years.

  Our products make slate and tiled roofs water- and dustproof and protects from UV rays.

  In the last couple of years a.b.e. has introduced shingles to the market which are popular in Europe. The advantage of using them is that it allows the architect the freedom to virtually make a roof whatever shape he prefers for both commercial and residential buildings and can also be used to upgrade existing roofs and come in various colours and cladding.

- **Concrete Repair**

  All concrete deteriorates with age and unless you maintain your concrete structures you will end up demolishing them prematurely.

  Many concrete structures like bridges, harbours, reservoirs and dams tend to be State Owned assets and they are our target market.

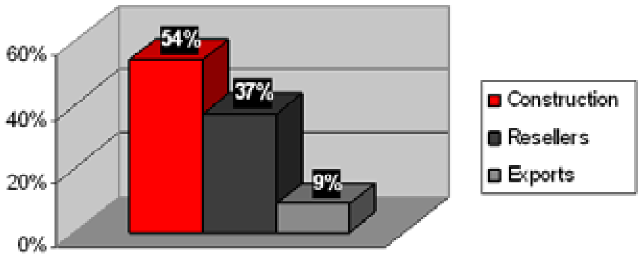
  a.b.e. has a range of concrete repair products to do this maintenance work.

- **Structural Adhesives and Coatings**

  a.b.e. has a large range of structural adhesives. We can even stick wet concrete to dry concrete and almost any material, which is used in the construction industry, to each other.

  We also have a range of products to protect concrete from chemical and atmospheric attack.

a.b.e. Revenue Model



Our construction sales grew by 23% year on year exceeding expectations, as the infrastructure boom gathered momentum, whilst our resellers sales growth was a bit below expectations due to the slowdown in this segment of the economy. Our export growth remained static in line with expectations.

The Way Forward

Concerning the way forward, our resellers team believes that as the building materials industry continues to consolidate nationally, it will continue to offer a.b.e. growth opportunities, because a.b.e. is the only supplier in our category with a national footprint. It is also easy to bolt additional products onto this distribution network.

Our construction team, whilst benefiting from the boom, are excited about the growth prospects as a result of product extensions in our flooring and concrete repair ranges, and our shingle market is starting to bear fruit as architects realise that a.b.e. can offer an alternative to traditional roofing styles.

And our potential maintenance market continues to grow as more structures are built daily in an environment characterised by skills shortages.

Listing on JSE AltX

The company listed on the Alternative Exchange of the JSE on 17 August 2007 with a share capital of 100,000,000 shares and a capitalisation of R200m.

The price subsequently declined along with the general equity market, but has recently recovered and is currently trading at 115c as of 10 September 2008.

One of the reasons for listing the company was to provide a platform for acquisitions and while we are not dependant on acquisitions for growth, we do intend to pursue them.

Financial Highlights

- Attributable earnings increased by 32% to R20,9m
- Cash on hand increased from R4.3 to R19.7m
- Operating profit increased by 30% to R29.2m
- Revenue increased by 15% to R220,3m
- Dividend declared of 8,5 cents per share post-year-end
- Exceeded forecast headline earnings per share by 3%

Flood at Isipingo

As announced by SENS we had a flood at our Isipingo site on 11 March 2008 which put the factory and distribution centre out of operation for 3 weeks. I am pleased to say that we were adequately insured and that customer service disruption was minimal as we had sufficient stocks in regional stores to meet most orders.

Report of the Independent Auditors

To the shareholders of a.b.e. Construction Chemicals Limited

We have audited the accompanying annual financial statements of a.b.e. Construction Chemicals Limited, which comprise the directors' report, the balance sheet as at 31 May 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended; a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 61.

Management's Responsibility for the Annual Financial Statements

Management is responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual 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 auditors' judgement, 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 a.b.e. Construction Chemicals Limited as of 31 May 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

BDO Spencer Steward

BDO Spencer Steward (KZN) Incorporated
Registered Auditors

Per Bronwyn Lovell
Registered Auditor
Director

30 July 2008
59 Musgrave Road
Durban

Directors' Report for the Year ended 31 May 2008

Incorporation

a.b.e. was incorporated in South Africa under the name "Quontio Investments (Proprietary) Limited" on 4 June 1982.

The company changed its name to "a.b.e. Construction Chemicals (Proprietary) Limited" on 17 June 1997 when it acquired the a.b.e. business from Murray & Roberts Holdings Limited and converted to a public company under registration number 1982/005383/06 on 23 July 2007.

History

a.b.e. was initially established in 1932 in Durban as a supplier of bitumen to municipalities in KwaZulu-Natal. For a period of time it was owned jointly by Shell and Murray & Roberts and in 1986 became a wholly-owned subsidiary of Murray & Roberts. In 1996 Murray & Roberts sold 50% of a.b.e. to Chemserve.

In 1997 Steelwood Africa (Pty) Ltd acquired 50% of a.b.e. from Murray & Roberts and the remaining 50% from Chemserve in 1999. In 2007 Steelwood disposed of its shareholding in a.b.e. to its shareholders who listed the company.

BEE Shareholders

Auburn Avenue Trading 31 (Pty) Ltd, a BEE company, acquired a 26% shareholding in a.b.e. with effect from 12 July 2007 prior to listing on the 17 August 2007.

Listing

a.b.e. listed on the Alternative Exchange of the JSE on 17 August 2007 with a Share Capital of 100,000,000 ordinary shares after a private placing of 37,000,000 shares.

Review of Activities

The company is a manufacturer and distributor of specialist high-performance products to the building, civil engineering and building maintenance industry, either directly through its branch network, or through its reseller's channel of builder's merchants and hardware stores. With a staff complement of 235 people, the company has manufacturing plants in Johannesburg (Boksburg) and in Durban (Isipingo) and has a national footprint with branches in major centres; as well as distributors and agents in rural areas and most English-speaking African countries. A range of the company's products are manufactured under licence in Pakistan and Mauritius.

Financial Results

	2008	**2007**	**Increase**
Sales	R220mil	R191mil	15%
Profit attributable to equity holders	R20,9mil	R15,8mil	32%
Basic and diluted basic earnings per share (2007: **Pro forma** basic and diluted basic earnings per share extracted from the prospectus dated 7 August 2007) (cents)	21.7	15.8	32%
Headline and diluted headline earnings per share (2007: **Pro forma** headline and diluted headline earnings per share extracted from the prospectus dated 7 August 2007) (cents)	21.2	15.6	31%

Resellers
The sale of products through the primary retailers to the domestic construction and DIY sector of the industry was below expectation as a result of the interest rate hikes and the resultant slowdown in this sector.

Construction
The sale of products to the commercial, building and civil engineering infrastructure markets, as well as the building maintenance industry, exceeded expectations at 23% sales growth.

Exports
Export sales were static, which was in line with expectations given the slowdown in the economies of most of a.b.e.'s export markets.

Growth Prospects

Resellers

It is expected that the continued national consolidation of primary retailers in the building materials supply industry will continue to offer opportunities to the resellers distribution channel because of a.b.e.'s national footprint and should there be an easing of interest rates, we expect the domestic renovations and DIY sector to improve in the year forward.

Construction

a.b.e. expects that the ongoing and escalating spend in the infrastructure and building maintenance sectors will yield good growth in this segment.

a.b.e. also anticipates that the new product offering in the roof-covering market will bear fruit in the near future in both the maintenance and new-build markets.

General

a.b.e. intends adding further product lines to the current product basket through product line extensions, acquisition of existing brands and continuing pursuing strategic technology agreements with its current European partners.

Post-Year-End Events

With the exception of the proposed dividend for 2008, there have been no material reportable events since 31 May 2008.

Dividends

As set out in the Prospectus, the divided policy, in the absence of unforeseen circumstances and subject to future cash requirements, is to declare a dividend based on a dividend cover of 2.5 times, payable annually in September.

The directors are pleased to announce the declaration of a maiden dividend of eight-and-a-half cents (8.5c) per ordinary share payable in September 2008 to shareholders registered on 19 September 2008.

Authorised and Issued Share Capital

Details are set out in Note 8 to the annual financial statements.

Borrowing Limitations

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

Directors' Report for the Year ended 31 May 2008

Directors

The directorate comprised:

Name	Position	Appointed/Resigned
W R G Post	Non-executive director	
L F Avis	Financial director	
S Rault	Executive director	
S P Stacey	Chief Executive Officer	
S K Mota	Chairman	Appointed 17 July 2007
K R Coulthard	Secretary	Resigned 17 July 2007

On 10 June 2008, W R G Post resigned as chairman of the board and S K Mota was appointed to this position.

Directors' Interests

Details of the directors' interests in the company's issued share capital are given on page 62.

Secretary

Lawrence Frederick Avis CA(SA)

Business address:
7 Wilcox Road
Isipingo
4110

Postal address:
P.O. Box 23053
Isipingo
4110

Auditors

BDO Spencer Steward (KZN) Incorporated have indicated their willingness to continue as auditors of the company. A resolution to reappoint the auditors will be proposed at the next annual general meeting of shareholders scheduled to take place on 31 October 2008.

Isipingo Site Flood

Further to the SENS announcement on 20 March 2008, the directors advise that the material loss claim has been agreed by Insurers and substantially settled.

The policy contains a loss of gross profit claim which is being pursued; however, the amount and outcome of this claim are uncertain.

Directors' Responsibilities and Approval as at 31 May 2008

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

The annual financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied opon for the preparation of the annual 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 company's cash flow forecast for the year to 31 May 2009 and, in the light of this review and the current financial position, they are satisfied that the company has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 12.

The annual financial statements set out on pages 17 to 61, which have been prepared on the going concern basis, were approved by the board of directors on 30 July 2008 and were signed on its behalf by:

L F Avis	**S K Mota**
Financial Director	**Chairman**

Balance Sheet as at 31 May 2008

Figures in Rand	Notes	2008	2007
Assets			
Non-Current Assets			
Property, plant and equipment	3	38,353,045	25,348,183
		38,353,045	**25,348,183**
Current Asset			
Inventories	4	46,222,041	30,117,035
Loan to group company	5	-	62,794
Trade and other receivables	6	43,201,761	32,666,184
Cash and cash equivalents	7	19,690,125	4,331,064
		109,113,927	**67,177,077**
Total Assets		**147,466,972**	**92,525,260**
Equity and Liabilities			
Equity			
Share capital	8	1,000,000	74
Share premium		33,635,756	-
Non-distributable reserve	9	16,373,995	7,747,729
Retained income		34,793,253	13,710,124
		85,803,004	**21,457,927**
Liabilities			
Non-Current Liabilities			
Other financial liabilities	10	2,347,654	2,564,115
Deferred tax	12	2,463,232	1,646,815
Provisions	13	2,466,608	2,833,524
		7,277,494	**7,044,454**
Current Liabilities			
Loan from group company	5	-	36,811,119
Other financial liabilities	10	1,832,327	1,129,634
Current tax payable		1,752,546	934,992
Trade and other payables	14	49,788,139	24,252,170
Provisions	13	1,013,462	894,964
		54,386,474	**64,022,879**
Total Liabilities		**61,663,968**	**71,067,333**
Total Equity and Liabilities		**147,466,972**	**92,525,260**

Income Statement for the Year ended 31 May 2008

Figures in Rand	Notes	2008	2007
Revenue	15	220,304,588	191,290,792
Cost of sales	16	(135,437,007)	(119,252,344)
Gross profit		**84,867,581**	**72,038,448**
Other income	17	9,395,634	3,978,833
Distribution costs		(8,440,769)	(7,248,278)
Administration expenses		(9,716,671)	(9,258,000)
Other expenses		(46,884,608)	(36,994,583)
Operating profit		**29,221,167**	**22,516,420**
Investment revenue	18	458,120	18,977
Finance charges	19	(528,277)	(291,424)
Profit before taxation		**29,151,010**	**22,243,973**
Taxation	20	(8,194,472)	(6,422,106)
Profit for the period		**20,956,538**	**15,821,867**
Attributable to:			
- Equity holders		20,956,538	15,821,867
Earnings per share			
- Basic and diluted basic earnings per share (cents)	23	21,7	791,1
- Headline and diluted headline earnings per share (cents)	23	21,2	781,0
Pro forma earnings and headline earnings per share (extracted from the prospectus dated 7 August 2007)			
- Pro forma basic and diluted basic earnings per share (cents)			15.8
- Pro forma headline and diluted headline earnings per share (cents)			15.6

The pro forma earnings and headline earnings per share is extracted from a.b.e.'s prospectus dated 7 August 2007 and is provided for illustrative purposes only to provide information on the 2007 comparative year. The **pro forma** financial information should be read in conjunction with the independent reporting accountants' report thereon which is available for inspection at the company's registered office. The directors of the company are responsible for the preparation of the **pro forma** financial information.

Statement of Changes in Equity for the Year ended 31 May 2008

Figures in Rand	Share capital	Share premium	Non-distributable reserves	Retained income	Total equity
Balance at 01 June 2006	**2**	**-**	**7,833,067**	**32,802,919**	**40,635,988**
Changes in equity					
Profit for the year	-	-	-	15,821,867	15,821,867
Issue of shares	72	-	-	-	72
Transfer to retained income	-	-	(85,338)	85,338	-
Dividends	-	-	-	(35,000,000)	(35,000,000)
Balance at 01 June 2007	74	-	7,747,729	13,710,124	21,457,927
Changes in equity					
Revaluation of assets	-	-	8,752,857	-	8,752,857
Profit for the year	-	-	-	20,956,538	20,956,538
Issue of shares	26	34,999,974	-	-	35,000,000
Capitalisation issue	999,900	(999,900)	-	-	-
Share issue expenses	-	(364,318)	-	-	(364,318)
Transfer to retained income	-	-	(126,591)	126,591	-
Balance at 31 May 2008	**1,000,000**	**33,635,756**	**16,373,995**	**34,793,253**	**85,803,004**
Note(s)	8		9		

Cash Flow Statement for the Year ended 31 May 2008

Figures in Rand	Notes	2008	2007
Cash flows from operating activities			
Cash generated from operations	25	29,893,317	18,352,879
Investment revenue		458,120	18,977
Finance costs		(528,277)	(291,424)
Tax paid	26	(7,287,881)	(6,749,486)
Net cash from operating activities		**22,535,279**	**11,330,946**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(5,696,995)	(4,493,467)
Proceeds on disposal / claims for property, plant and equipment		708,764	218,797
Net cash from investing activities		**(4,988,231)**	**(4,274,670)**
Cash flows from financing activities			
Proceeds on share issue	8	35,000,000	72
Share issue expenses		(364,318)	-
Proceeds / (Repayment) of other financial liabilities		(75,344)	715,847
Loans repaid to group companies		(1,748,325)	(9,037,510)
Dividend paid	27	(35,000,000)	-
Net cash from financing activities		**(2,187,987)**	**(8,321,591)**
Total cash movement for the period		**15,359,061**	**(1,265,315)**
Cash at the beginning of the period		4,331,064	5,596,379
Total cash at end of the period	7	**19,690,125**	**4,331,064**

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the Companies Act of South Africa. IFRS comprise International Financial Reporting Standards, International Accounting Standards and interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value and the revaluation of land and buildings, and incorporate the principal accounting policies set out below, which have been consistently applied.

1.1 Significant judgements

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

Trade receivables and loans and receivables

The company assesses its trade receivables and loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements 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 and loans and receivables is assessed for impairment on an individual debtor basis, based on historical data and future factors. This may or may not be adjusted for national and industry-specific economic conditions and other indicators present at the reporting date.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Property, plant and equipment

The company depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

1.2 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at balance sheet date that management have assessed as having a significant risk of causing material adjustment to carrying amounts of assets and liabilities within the next financial year.

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 company, and
- the cost of the item can be measured reliably.

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

Land and buildings are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to equity in the revaluation reserve. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset or cash-generating units are written down to their recoverable amount.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment, other than land, are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on a straight-line basis over their useful lives as follows:

Item	Average useful life
Buildings	
• walls/ foundation	5-41 years
• roof	30 years
Plant and equipment	3-10 years
Furniture and fixtures	5 years
Motor vehicles	4 years
IT equipment	3-5 years

The depreciation method, residual value and the useful life of each asset are reviewed at each financial year 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 is depreciated separately if it has a different useful life or depreciation method to the remainder of the asset.

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 Financial instruments

Initial recognition

The company 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 assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Purchases and sales of financial assets are accounted for at trade date.

Loans to / (from) group companies

These include loans to and from the company's holding company, and fellow subsidiaries and are recognised initially at fair value plus direct transaction costs.

The loans to group companies are classified as loans and receivables.

Subsequently loans to group companies are measured at fair value using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. Loans from group companies are measured at amortised cost.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment'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 receivable at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and other receivables

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

All debts are impaired in full on a case-by-case basis after taking into account any deterioration in the credit quality of any debtors outstanding for more than 120 days. Where debts are outstanding for less than 120 days and facts have come to light that indicate possible impairment, these debts are impaired in full and charged to the allowance account.

Direct reduction of impaired receivables

The carrying amount of trade receivables is reduced directly when facts about the debtor indicate that liquidation has occurred or has been applied for, and the debt has not been previously impaired. In all other cases impairment is recognised through an allowance account.

Amounts charged to the allowance account is written off against the trade receivables balance when the group becomes aware that a debt previously impaired, is no longer recoverable due to liquidation or closing down of the debtor's business, or the possibility of litigation being successful is remote.

Financial liabilities and trade and other payables

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

Trade payables are classified at amortised cost.

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.

Cash and cash equivalents are classified as fair value through profit and loss.

Foreign currency forward contracts

Derivative financial instruments, consisting of foreign exchange contracts, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

1.5 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 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.

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 balance sheet date.

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

1.6 Leases

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

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

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/(liability). This asset/(liability) is not discounted.

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

1.7 Inventories

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

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials and imported finished goods – purchase cost on a first in, first out basis; (FIFO)
Manufactured finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

1.8 Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

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.

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

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.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each year end date. An indicator of the impairment of a financial asset occurs where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

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

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own equity instruments, those treasury shares are deducted from equity.
No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

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.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

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

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The company contributes to the Steelwood Africa (Pty) Ltd pension scheme in terms of the Pension Fund Act.

1.11 Provisions and contingencies

Provisions are recognised when:

- the company 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.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 29.

1.12 Revenue

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

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company 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 company, 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, settlement discounts, 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 are recognised as an expense in the period in which they are incurred.

1.15 Research and development costs

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- the expenditure attributable to the asset during its development can be measured reliably.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition using the currency of the primary economic environment in which the entity operates (functional currency). The company's functional currency is Rands and all amounts, unless otherwise indicated, are stated in Rands.

On initial recognition transactions are recorded by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

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

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Segmental reporting

The primary basis for reporting segment information is geographical region, which is based on the location of assets and the secondary basis is operating segments. The basis is consistent with internal reporting for management purposes as well as the source and nature of business risks and returns.

2. Standards, amendments to standards and interpretations early adopted

IFRS 8 - Operating segments

This standard was adopted in the May 2007 financial statements and requires an entity to report financial and descriptive information about its reportable segments or aggregation of operating segments that meet specified criteria and based on information provided to key management. The financial information should be reported on the same basis as is used internally for evaluation operating segment performance and deciding how to allocate resources to operation segments. The statement therefore has no impact on the results, financial position and cash flows of the company.

Standards, amendments to standards and interpretations adopted for the first time

IFRS 7 - Financial instruments: Disclosures (including amendments to IAS 1) - Presentation of financial statements: Capital disclosures

This standard deals with the disclosure of information relating to qualitative and quantitative risks associated with financial instruments in addition to information provided to assess the significance of financial instruments for the entity's financial position and performance. The statement therefore does not impact the results of the company but does impact the format and extent of disclosure related to financial instruments. Comparative information has been provided where applicable. This standard was effective for annual periods beginning on or after 1 January 2007.

IFRIC 10 - Interim financial reporting and impairment

This Interpretation prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is effective for annual periods beginning on or after 1 November 2006 but was only applicable to the company on 30 November 2007. The adoption of this standard has not had a significant impact on the financial statements.

IFRIC 11 - Group and treasury share transactions

This Interpretation requires a share-based payment arrangement in which an entity received goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. The interpretation also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. This interpretation is effective for annual periods beginning on or after 1 March 2007. The effect of adopting this interpretation has had no effect on the financial statements.

Interpretations issued but not yet effective, comprise:

IFRIC 12 - Service concession arrangements

This Interpretation addresses the accounting by private sector operations involved in the provision of public sector infrastructure and services, such as schools and roads. This interpretation is effective for annual periods beginning on or after 1 January 2008. The company does not intend to adopt this standard early. This interpretation is currently not relevant to the company and therefore will have no impact on the financial statements.

IFRIC 13 - Customer loyalty programmes

This interpretation addresses accounting by entities that grant loyalty award credits (such as 'point' or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. This interpretation requires the allocation of some of the proceeds of the initial sale to the award credits and recognises these proceeds as revenue only when they have fulfilled their obligations. They may fulfil their obligations by supplying awards themselves or engaging (and paying) a third party to do so. This interpretation is effective for annual periods beginning on or after 1 July 2008. The company does not intend to adopt this standard early. This interpretation is currently not relevant to the company and therefore will have no impact on the financial statements.

2. Standards (continued)

IFRIC 14 - The limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation provides general guidance on how to assess the limit in IAS 19 Employee benefits on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. No additional liability need be recognised by the employer under this Interpretation unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. IFRIC 14 is likely to have the most impact in countries that have a minimum funding requirement and where there are restrictions on a company's ability to get refunds or reduce contributions. This interpretation is effective for annual periods beginning on or after 1 January 2008. This interpretation is currently not relevant to the company and will therefore have no impact once it becomes effective.

IFRIC 15 - Agreements for the Construction of Real Estate

The Interpretation addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements within the scope of IFRIC 15 are described as 'agreements for the construction of real estate', and may include the delivery of other goods or services. IFRIC 15 addresses two (related) issues being determining whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised. The interpretation is effective for annual periods beginning on or after 1 January 2009. This interpretation is currently not relevant to the company and will therefore have no impact once it becomes effective.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

The Interpretation provides guidance on net investment hedging, including: which foreign currency risks qualify for hedge accounting, and what amount can be designated; where within the group the hedging instrument can be held, and what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of. The interpretation is effective for annual periods beginning on or after 1 October 2008.

This interpretation is currently not relevant to the company and will therefore have no impact once it becomes effective.

Amendments to existing standards issued, but not yet effective, and for which management has not assessed its impact:

IFRS 1 - First-time Adoption of International Financial Reporting Standards

This amendment deals with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IFRS 2 - Share-Based Payment

This amendment deals with the vesting conditions and cancellations. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IFRS 3 - Business Combinations

This amendment deals with the accounting for business combinations. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009.

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

This amendment deals with plan to sell the controlling interest in a subsidiary. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009.

IFRS 7 - Financial Instruments: Disclosures

This amendment deals with presentation of finance costs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 1 - Presentation of Financial Statements

This amendment deals with amendments to structure of Financial Statements and current/non-current classification of derivatives. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

2. Standards (continued)
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

This amendment deals with status of implementation guidance. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 10 - Events after the Reporting Period

This amendment deals with dividends declared after the end of the reporting period. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 16 - Property, Plant and Equipment

This amendment deals with recoverable amount and sale of assets held for rental. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 18 - Revenue

This amendment deals with costs of originating a loan. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 19 - Employee Benefits

This amendment deals with curtailments and negative past-service cost, plan administration costs, replacement of term 'fall due' and guidance on contingent liabilities. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance

This amendment deals with government loans with a below-market rate of interest and consistency of terminology with other IFRS's. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 23 - Borrowing Costs

This amendment only allows the capitalisation model and components of borrowing costs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 27 - Consolidated and Separate Financial Statements

This amendment deals with the measurement of the cost of investments when adopting IFRS for the first time, consequential amendments from changes to Business Combinations, Measurement of subsidiary held for sale in separate and financial statements. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 28 - Investments in Associates

This amendment deals with consequential amendments from changes to Business Combinations, required disclosures when investments in associates, are accounted for at fair value through profit or loss and impairment of investment in associate. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 29 - Financial Reporting in Hyperinflationary Economies

This amendment deals with description of measurement basis in financial statements and consistency of terminology with other IFRS's. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 31 - Interests in Joint Ventures

This amendment deals with consequential amendments from changes to Business Combinations and required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 32 - Financial Instruments: Presentation

This amendment deals with certain financial instruments that will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

2. Standards (continued)
IAS 34 - Interim Financial Reporting

This amendment deals with earnings per share disclosures in interim financial reports. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 36 - Impairment of Assets

This amendment deals with disclosure of estimates used to determine recoverable amount. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 38 - Intangible Assets

This amendment deals with advertising and promotional activities and the unit of production's method of amortisation. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 39 - Financial Instruments: Recognition and Measurement

This amendment deals with reclassification of derivatives into or out of the classification of at fair value through profit or loss, designating and documenting hedges at the segment level and applicable effective interest rate on cessation of fair value hedge accounting. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 40 - Investment Property

This amendment deals with property under construction or development for future use as investment property, consistency of terminology with IAS 8 and investment property held under lease. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

3. Property, plant and equipment

	2008			2007		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
	R	**R**	**R**	**R**	**R**	**R**
Land	22,143,000	-	22,143,000	8,909,000	-	8,909,000
Buildings	10,212,105	(655,105)	9,557,000	10,333,242	(252,105)	10,081,137
Plant and machinery	5,536,446	(3,848,993)	1,687,453	5,462,066	(3,354,012)	2,108,054
Furniture and fixtures	602,585	(207,449)	395,136	431,381	(332,762)	98,619
Motor vehicles	6,659,504	(3,437,603)	3,221,901	6,594,485	(3,727,892)	2,866,593
IT equipment	2,987,202	(1,638,647)	1,348,555	2,973,888	(1,689,108)	1,284,780
Total	**48,140,842**	**(9,787,797)**	**38,353,045**	**34,704,062**	**(9,355,879)**	**25,348,183**

Reconciliation of property, plant and equipment – 2008

	Opening Balance	**Additions**	**Disposals**	**Impairment**	**Revaluation**	**Depreciation**	**Total**
	R	**R**	**R**	**R**	**R**	**R**	**R**
Land	8,909,000	-	-	-	13,234,000	-	22,143,000
Buildings	10,081,137	3,667,981	-	(26,755)	(3,753,766)	(411,597)	9,557,000
Plant and machinery	2,108,054	100,352	-	-	-	(520,953)	1,687,453
Furniture and fixtures	98,619	346,754	-	(8,109)	-	(42,128)	395,136
Motor vehicles	2,866,593	970,788	(6)	-	-	(615,474)	3,221,901
IT equipment	1,284,780	611,121	-	(15,461)	-	(531,885)	1,348,555
TOTAL	**25,348,183**	**5,696,996**	**(6)**	**(50,325)**	**9,480,234**	**(2,122,037)**	**38,353,045**

On 12 March 2008 the company experienced severe flooding resulting in damages to buildings, furniture and IT equipment at the Durban branch. These assets were impaired and replaced with proceeds from an insurance claim. (Refer to Note 17.)

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
Land	8,858,000	51,000	-	-	8,909,000
Buildings	9,041,999	1,291,243	-	(252,105)	10,081,137
Plant and machinery	2,106,771	526,382	(16,353)	(508,746)	2,108,054
Furniture and fixtures	42,718	73,960	-	(18,059)	98,619
Motor vehicles	2,109,644	1,696,418	-	(939,469)	2,866,593
IT equipment	1,004,702	854,464	-	(574,386)	1,284,780
Total	**23,163,834**	**4,493,467**	**(16,353)**	**(2,292,765)**	**25,348,183**

Certain property, plant and equipment are pledged as security over banking facilities and borrowings as detailed in Notes 7 and 10 respectively.

Assets subject to finance lease and instalment sale agreements (Net carrying amount)

	2008 R	2007 R
Motor vehicles	3,221,901	2,866,593

Details of properties

Portion 63 of the farm Vogelfontein no. 84 registration division IR, province of Gauteng. Mills Fitchet, independent valuation surveyors, performed the valuation on 101 Main Reef Road, Boksburg. The income/comparable sales approach was adopted in calculating the “open market value”. The effective date of valuation was 1 May 2008.

At cost	- 1998	1,486,744	1,486,744
Additions at cost	- 2001	284,388	284,388
	- 2003	33,891	33,891
Revaluation	- 2003	2,546,664	2,546,664
Revaluation	- 2006	3,048,313	3,048,313
Additions at cost	- 2007	864,496	864,496
Additions at cost	- 2008	256,880	-
Revaluation	- 2008	6,496,431	-
		15,017,807	**8,264,496**

		2008 R	2007 R

3. Property, plant and equipment (continued)

Remaining extent of Lot 405, Isipingo, KwaZulu-Natal measuring 1,328 hectares. Mills Fitchet, independent valuation surveyors, performed the valuation of the property situated on 7 Wilcox Road. The income/investment approach was adopted in calculating the “open market value”. The effective date of valuation was 1 May 2008.

At valuation	- 1997	1,169,000	1,169,000
Additions at cost	- 2000	21,080	21,080
	- 2001	28,864	28,864
	- 2002	55,585	55,585
	- 2003	12,540	12,540
Revaluation	- 2003	941,987	941,987
Revaluation	- 2006	5,470,944	5,470,944
Additions at cost	- 2007	236,196	236,196
Addition at cost	- 2008	3,375,750	-
Revaluation	- 2008	1,994,738	-
		13,306,684	**7,936,196**

Sections 1, 2 and 3 in the building known as Swift Park Three, sectional plan no. 290/96, situated at Erf 32461, Cape Town and measuring 102,312 and 886 square metres respectively. An undivided share in the common property of sectional title scheme 290/96. Mills Fitchet, independent valuation surveyors, performed the valuation of the property situated on Sections 1, 2, and 3. The approach used was the income/investment method of valuation. The effective date of valuation was 1 May 2008.

At cost (valuation)	- 1998	120,000	120,000
Additions at cost	- 2002	24,764	24,764
Revaluation	- 2003	1,106,276	1,106,276
Additions at cost	- 2006	157,274	157,274
Revaluation	- 2006	1,391,686	1,391,686
Additions at cost	- 2007	241,551	-
Revaluation	- 2008	989,065	-
		4,030,616	**2,800,000**

	2008 R	2007 R
3. Property, plant and equipment (continued)		
On 1 May 2008, a market valuation was performed on all the above land and buildings by independent qualified valuators. The cumulative effect of the revaluations amounts to R23,976,107. The carrying amount of land and buildings if carried under the cost model would be R7,723,893.		
	31,700,000	**19,242,242**

All of the above properties serve as security for the overdraft facilities referred to in Note 7.

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act of South Africa is available for inspection at the registered office of the company.

4. Inventories

	2008 R	2007 R
Raw materials	10,168,512	8,108,235
Work in progress	611,991	1,074,626
Finished goods	35,450,522	21,571,944
Consumable stores	119,518	67,004
Provision for obsolescence	(128,502)	(704,774)
	46,222,041	**30,117,035**

The amount of write down of inventories recognised as an expense is R5,278,620 (2007:R463,442). Of this amount, the impairment due to flood damage was R2,995,547 for raw materials and R1,410,692 for finished goods.

5. Loans to/(from) group companies

	2008 R	2007 R
Holding company		
Steelwood Africa (Pty) Ltd	-	(36,811,119)
The loan was repayable on demand, unsecured and interest free.		
Fellow subsidiary		
Kwikspace Modular Buildings (Pty) Ltd	-	62,794
The loan was repayable on demand, unsecured and interest free.		
	-	**62,794**
Current assets	-	62,794
Current liabilities	-	(36,811,119)
	-	**(36,748,325)**

No loans were impaired or written off during the year.

	2008 R	2007 R
6. Trade and other receivables		
Trade receivables	40,257,310	31,010,300
Prepaid expenses	210,529	160,567
Deposits	61,050	173,902
Value-added tax	43,965	737,736
Sundry debtors	99,852	583,679
Insurance claim	2,529,055	-
	43,201,761	**32,666,184**

Trade receivables are non-interest bearing and are generally on 30–90 day terms.
Trade receivables have been ceded to Nedbank as security for the overdraft facility referred to in Note 7.
For credit risk relating to trade receivables, refer to Note 33.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2008 R	2007 R
Cash on hand	50,100	51,500
Bank balances	19,640,025	4,279,564
	19,690,125	**4,331,064**

Extent of Facilities with Nedbank:

Overdraft facility of R3,500,000.

Forward exchange contract facility R2,000,000.

The following serve as security for overdraft facilities of the company:
Mortgage bond over portion 63 of Farm Vogelfontein no. 84 Gauteng, for the amount of R4,300,000.
Mortgage bond over Erf 405, Isipingo, KwaZulu-Natal 1,3287 hectares in extent, for the amount of R2,200,000.
Mortgage bond over unit 1,2 and 3 Swift Park Three, sectional plan no. 290/96, for the amount of R1,380,000.
Cession of trade receivables (Refer to Note 6).

	2008 R	2007 R
8. Share capital		
Authorised		
200,000,000 ordinary shares at 1 cent each (2007: 4000 of R1 each)	2,000,000	4,000

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued Share Capital		**2008**		**2007**
	Number of Shares	**Value R**	**Number of Shares**	**Value R**
Balance at the beginning of the year	74	74	2	2
Issue of 72 ordinary shares at 100 cents	-	-	72	72
Share split from 100 cents per share to 1 cent per share	7,326	-	-	-
	7,400	74	74	74
Issue of 2 600 ordinary shares at 1 cent each	2,600	26	-	-
Capitalisation issue of 99,990,000 ordinary shares at 1 cent each	99,990,000	999,900	-	-
	100,000,000	1,000,000	74	74

2008

The actual number of ordinary shares in issue at 31 May 2007 was 74. At 31 May 2007, the company sub-divided its 74 ordinary shares of 100 cents each into 7 400 ordinary shares of 1 cent each. The company issued 2 600 ordinary shares of 1 cent each to Auburn Avenue Trading 31 (Pty) Ltd at a premium of R13,461 per share on 12 July 2007, resulting in 10 000 ordinary shares in issue. The company issued an additional 99,990,000 ordinary shares in terms of a capitalisation issue on 17 August 2007 resulting in a total of 100,000,000 ordinary shares in issue before the private placing. As the private placing comprises a sale of shares by existing shareholders to select applicants, there is no effect on the number of shares after the private placing.

2007

On 31 May 2007, 72 ordinary shares of 100 cents each were issued to Steelwood (Pty) Ltd.

	2008 R	2007 R
9. Non-Distributable Reserve		
Revaluation reserve		
Comprising:		
Surpluses on revaluation of land and buildings	16,373,995	7,747,729
Reconciliation of revaluation reserve:		
Balance at the beginning of the year	7,747,729	7,833,067
Movement during the year:		
- Revaluation of assets	8,752,857	-
- Depreciation / Realisation	(126,591)	(85,338)
	16,373,995	**7,747,729**
10. Other financial liabilities		
At fair value through profit or loss		
Foreign exchange contracts liability	**680,395**	**118,819**
Held at amortised cost		
Instalment sale agreements		
Non-current liability	52,178	329,566
Current liability	22,495	58,751
Instalment sale agreements are secured over assets having a book value of R93,084 (2007: R381,926) and are repayable in monthly installments of R1,874 (2007: R8,643). Interest accrues at rates between 1.1% to 1.5% below prime interest rate per annum.		
Finance lease liability		
Non-current liability	2,295,476	2,234,549
Current liability	1,129,437	952,064
Finance leases are secured over assets having a net book value of R2,773,511 (2007: R2,484,667) and are repayable in monthly instalments of R94,120 (2007: R102,337). Interest accrues at rates between 1.0% to 2.0% below prime interest rate per annum (2007: 1,0% to 1,5% below prime interest rate).		
	3,499,586	**3,574,930**
	4,179,981	**3,693,749**
Non-current liabilities		
At amortised cost	**2,347,654**	**2,564,115**
Current liabilities		
At fair value	680,395	118,819
At amortised cost	1,151,932	1,010,815
	1,832,327	**1,129,634**
	4,179,981	**3,693,749**

	2008 R	2007 R

11. Retirement benefit fund

It is the policy of the company to provide retirement benefits to all its employees who are eligible for membership through a defined contribution plan. The Steelwood Africa Retirement Fund, which was registered on 1 July 1998, is reviewed by actuaries every year and is governed by the Pension Act, (Act 24 of 1956).

The company also contributes to the Chemical Industry Provident Fund on behalf of employees who belong to the Provident Fund. The Provident Fund is a defined contribution fund. Actuarial valuations are not performed on the fund. All eligible employees are members of the Provident Fund.

	2008 R	2007 R
Total value of contributions paid by the company to the Retirement Fund	1,966,080	1,749,797
Total value of contributions paid by company to the Provident Fund	619,236	559,449

	2008 R	2007 R
12. Deferred tax		
Deferred tax asset / (liability)		
Property, plant and equipment	(4,793,157)	(3,926,112)
Prepayments	(58,947)	(46,565)
Provisions	1,457,481	1,509,106
Finance leases	931,391	816,756
	(2,463,232)	**(1,646,815)**
Reconciliation of deferred tax asset / (liability)		
At beginning of the year	(1,646,815)	(1,914,173)
Originating temporary difference on tangible fixed assets	(139,665)	67,572
Originating temporary difference on provisions	(51,625)	193,547
Originating temporary difference on finance lease liability	114,635	(12,378)
Originating temporary difference on prepayments	(12,382)	18,617
Accounted for in equity-revaluation of land and buildings	(727,380)	-
	(2,463,232)	**(1,646,815)**
Non-current liability	(3,869,127)	(3,227,374)
Non-current asset	1,405,895	1,580,559
	(2,463,232)	**(1,646,815)**

Items charged or credited to equity

The revaluation of land and buildings was recognised directly in equity, for the amount of 2008: R8,752,857 (2007: R0).

13. Provisions

Reconciliation of provisions – 2008

	Opening Balance	Amounts reversed	Additions	Utilised during the year	Total
	R	R	R	R	R
Claims provision	186,671	(44,968)	219,000	(141,703)	219,000
Bonus provision	894,964	-	2,337,650	(2,219,152)	1,013,462
Post-retirement medical aid provision	2,646,853	-	-	(399,245)	2,247,608
	3,728,488	**(44,968)**	**2,556,650**	**(2,760,100)**	**3,480,070**

Reconciliation of provisions – 2007

	Opening Balance	Amounts reversed	Additions	Utilised during the year	Total
	R	R	R	R	R
Claims provision	232,697	-	-	(46,026)	186,671
Bonus provision	736,478	-	894,964	(736,478)	894,964
Post-retirement medical aid provision	2,467,545	-	242,676	(63,368)	2,646,853
	3,436,720	**-**	**1,137,640**	**(845,872)**	**3,728,488**

	2008 R	2007 R
Non-current liabilities	2,466,608	2,833,524
Current liabilities	1,013,462	894,964
	3,480,070	**3,728,488**

The effect of discounting is insignificant and therefore no adjustment has been processed.

Claims provision relates to possible claims for product failure.

The company has an obligation in respect of post-retirement medical costs of normal monthly contributions of certain pensioners and in respect of current employees whose employment with Murray & Roberts commenced before 1 July 1996. The number of employees entitled to this benefit is 21 (2007: 23).

14. Trade and other payables

Trade payables	33,731,849	17,312,400
Profit share / merit bonus accruals	1,456,397	1,695,145
Accrued leave pay	966,128	876,793
Accrued liabilities	13,311,869	4,057,832
Other payables	321,896	310,000
	49,788,139	**24,252,170**

	2008 R	2007 R

15. Revenue

Revenue is stated at the invoice amount less volume rebates and discounts allowed, and value-added tax.

	2008 R	2007 R
Sale of goods	227,147,281	196,406,190
Volume rebates and discounts allowed	(6,842,693)	(5,115,398)
	220,304,588	**191,290,792**

16. Cost of sales

Sale of goods

	2008 R	2007 R
Cost of goods sold	116,447,060	104,200,958
Discount received	(193,373)	(260,000)
Transport expenses	5,842,778	4,508,140
Salaries	6,817,849	5,921,303
Depreciation	856,083	636,384
Maintenance	1,113,647	983,393
Other manufacturing costs	4,552,963	3,262,166
	135,437,007	**119,252,344**

17. Operating profit

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

Other income comprises:

	2008 R	2007 R
Insurance proceeds on flood damage	(6,529,054)	-
Profit on sale of vehicles	(159,951)	(202,622)
Profit on exchange differences	(559,139)	(411,888)
Royalties	(125,397)	(80,662)
Export freight recovery	(1,707,995)	(2,541,788)
Sundry income	-	(453,751)
Training rebate	(314,098)	(288,122)
	(9,395,634)	**(3,978,833)**

Operating lease charges

	2008 R	2007 R
Premises	665,007	462,485
Equipment	450,842	376,458
	1,115,849	**838,943**

	2008 R	2007 R
17. Operating profit (continued)		
There are purchase options for the assets under operating leases, and there are escalation clauses for maintenance and the rentals are linked to the prime lending rate.		
Expenses and impairments relating to flood damage:		
Impairment of stock	4,406,239	-
Expenses due to flood	765,090	-
Impairment of property, plant and equipment	50,325	-
Repairs to building	233,833	-
Repairs to plant	249,529	-
General cost	329,192	-
	6,034,208	**-**
Depreciation on property, plant and equipment (excl. cost of sales)	1,265,954	1,656,382
Employee costs	**29,432,799**	**28,841,008**
Salaries and wages	22,015,713	21,740,042
Pension fund contributions	1,966,080	1,749,797
Provident fund contributions	619,236	559,449
Medical aid	1,554,154	1,465,793
Leave pay provision	167,190	161,444
Bonus	3,377,429	2,875,991
Change in post retirement medical aid provision	(267,003)	288,492
Research costs	206,067	583,404

18. Investment revenue

Interest income was earned on financial assets classified as loans and receivables and measured at amortised cost.

Cash invested with Nedbank on call and fixed term	(458,120)	(18,977)

19. Finance charges

Finance costs were incurred on financial liabilities classified as liabilities held at amortised cost.

Finance leases	461,151	254,453
Other	9,450	9,015
Instalment sale liabilities	15,343	19,628
Bank overdraft	42,333	8,328
	528,277	**291,424**

	2008 R	2007 R
20. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	8,102,576	6,651,734
Local income tax - recognised in current tax for prior periods	2,860	37,558
	8,105,436	**6,689,292**
Deferred		
Provisions	51,624	(193,375)
Finance leases	(114,635)	12,378
Prepayments	12,382	(18,617)
Capital allowances	139,665	(67,572)
	89,036	**(267,186)**
	8,194,472	**6,422,106**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate:

Applicable tax rate	28.00%	29.00%
Change in tax rate	0.20%	-
Prior year under accrual	0.01%	-
Non-taxable income	(0.10)%	(0.13)%
	28.11%	**28.87%**

The tax rate changed from 29% to 28% for years of assessments ending on or after 1 April 2008.

21. Auditors' remuneration		
Audit fees	457,247	363,892
Tax and accounting services	10,200	43,216
	467,447	**407,108**

22. Directors' emoluments

2008

Executive

For services as directors

	Basic salary and bonus	Company contribution to pension or provident fund and medical aid	Fringe benefit, allowances, Directors Fees	Total
	R	R	R	R
L F Avis	1,054,245	82,086	57,940	1,194,271
S P Stacey	1,798,065	132,026	116,308	2,046,399
S Rault	968,225	70,167	46,079	1,084,471
	3,820,535	**284,279**	**220,327**	**4,325,141**

Non-Executive	Fees R	Total R
For services as Director		
S K Mota	**100,000**	**100,000**

2007

Executive

For services as directors

	Basic salary and bonus	Company contribution to pension or provident fund and medical aid	Fringe benefits and allowances	Total
	R	R	R	R
L F Avis	1,215,825	91,302	30,028	1,337,155
S P Stacey	2,092,447	175,245	49,717	2,317,409
S Rault	1,051,156	103,603	27,357	1,182,116
C Slabbert	986,480	69,014	18,132	1,073,626
	5,345,908	**439,164**	**125,234**	**5,910,306**

	2008 R	2007 R

23. Earnings per share

The calculation of basic and diluted earnings per share is based on net profit attributable to ordinary shareholders of R20,956,538 (2007: R15,821,867) and a weighted average of 96,750,000 (2007: 2,000,000) shares in issue throughout the year.

The calculation of headline and diluted headline earnings per share is based on earnings of R20,484,805 (2007: R15,619,245) and a weighted average of 96,750,000 (2007: 2,000,000) shares in issue throughout the year.

Basic and diluted earnings per share	21,7 cents	791,1 cents
Headline earnings per share	21.2 cents	781,0 cents

Reconciliation of total earnings to headline earnings attributable to equity holders:

Earnings attributable to ordinary shareholders	20,956,538	15,821,867
Non-headline earnings		
Insurance proceeds relating to flood damage	(6,529,054)	-
Impairments due to flood damage	6,034,209	-
Profit on sale of fixed assets	(159,951)	(202,622)
Tax effects of adjustments	183,063	-
Headline earnings	**20,484,805**	**15,619,245**

	Number of Shares 2008	Number of Shares 2007
Reconciliation of weighted average number of shares:		
Shares at the beginning of the year	74	2
Issue on 31 May 2007	-	72
Weighted average number of shares 2007	-	2
Share split	7,326	198
Issue of shares for consideration in August - apportioned	2,275	-
Capitalisation Issue	96,740,325	1,999,800
Weighted average number of shares	**96,750,000**	**2,000,000**

24. Dividends per share

2008:

The directors have declared a maiden dividend of eight-and-a-half cents (8.5c) per ordinary share. Salient dates in respect of the dividend are as follows:

Last date to trade "cum" dividend	Friday, 12 September 2008
Shares trade "ex" dividend	Monday, 15 September 2008
Record date	Friday, 19 September 2008
Payment date	Monday, 22 September 2008

No dematerialisation or rematerialisation of share certificates may take place between Monday, 15 September 2008 and Friday, 19 September 2008, both dates inclusive.

2007:

Dividends were paid to Steelwood Africa (Pty) Limited being the holding company. The total dividend in 2007 was R35,000,000 resulting in a dividend per share of R472,972.97.

	2008 R	**2007 R**
25. Cash generated from / (used in) operations		
Profit before taxation	29,151,010	22,243,973
Adjustments for:		
Depreciation	2,122,037	2,292,766
Profit/Claims on disposals of property, plant and equipment	(658,431)	(202,622)
Interest received	(458,120)	(18,977)
Finance costs	528,277	291,424
Movements in retirement benefit assets and liabilities	(399,245)	179,308
Movements in provisions	150,827	112,460
Movement in foreign exchange contracts	561,576	298,328
Loss on disposal of investment in subsidiary	-	5,000
Changes in working capital:		
Inventories	(16,105,006)	(1,702,232)
Trade and other receivables	(10,535,577)	(4,507,487)
Trade and other payables	25,535,969	(639,062)
	29,893,317	**18,352,879**

	2008 R	2007 R
26. Tax paid		
Balance at beginning of the period	(934,992)	(995,186)
Current tax for the period recognised in income statement	(8,105,435)	(6,689,292)
Balance at end of the period	1,752,546	934,992
	(7,287,881)	**(6,749,486)**
27. Dividends paid		
Balance at beginning of the period	35,000,000	-
Dividend declared	-	(35,000,000)
Balance at end of the period	-	35,000,000
	35,000,000	**-**

The company elected that the provisions of Section 64B(5)(f) of the Income Tax Act of 1969, apply. In terms of this Section, dividends declared by a controlled group company to other companies in a group are free of STC (if elected), and the provisions of Section 64B(5)(f) are satisfied.

28. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due

	2008	2007
- within one year	677,545	567,166
- in second to fifth year inclusive	578,945	679,552
	1,256,490	**1,246,718**

Operating lease payments represent rentals payable by the company. No contingent rent is payable.

The above operating leases relate to equipment leased for a period of 4 years with no renewal clause. The equipment is serviced by their lessor within their specifications.

	2008 R	2007 R
29. Contingencies		
Tax consequences of distributed reserves		
STC on remaining reserves at 10%	3,163,023	1,523,347

Secondary tax on companies is payable on the distribution, as a dividend, of profits and retained earnings. Secondary tax on companies is currently payable at a rate of 10% (2007: 12,5%) on the amount of the dividend. The secondary tax rate has been reduced to the rate of 10% effective from 1 October 2007.

Guarantees provided by Nedbank Corporate to:

Beneficiary	Purpose	Amount	Bank
City Treasurer	Water, Lights	R35,700	Nedbank
South African Revenue Services	Custom-clearing	R505,500	Nedbank
South African Transport Services	Railage	R10,000	Nedbank

	2008	2007
30. Related parties		
Relationships		
Holding company		Steelwood Africa (Pty) Ltd
Fellow subsidiary		Armco Superlite (Pty) Ltd Kwikspace Modular Buildings (Pty) Ltd Steelwood Industrial Holdings (Pty) Ltd Steelwood International (Pty) Ltd
Current year members of key management	L F Avis I Hague W R G Post S Rault S P Stacey S K Mota	L F Avis K R Coulthard W R G Post S Rault S P Stacey C Slabbert

	2008 R	2007 R
30. Related parties (continued)		
Related party balances		
Loan accounts - Owing (to) / by related parties		
Steelwood Africa (Pty) Ltd	-	(36,811,119)
Armco Superlite (Pty) Ltd	-	-
Kwikspace Modular Buildings (Pty) Ltd	-	62,794
Terms and conditions for the loans are set out in Note 5.		
Amounts included in trade receivables		
Kwikspace Modular Buildings (Pty) Ltd	104,151	24,246
Related party transactions		
Sales to related parties		
Armco Superlite (Pty) Ltd	-	26,738
Kwikspace Modular Buildings (Pty) Ltd	797,628	163,149
Dividends paid to related parties		
Steelwood Africa (Pty) Ltd	-	35,000,000
Key management remuneration		
Short-term benefits – Directors' salaries	3,820,535	5,345,908
Company contribution to pension, provident fund and medical aid	284,279	439,164
Fringe benefits, allowances, directors' fees	320,327	125,234

For details of directors' emoluments refer to Note 22.

31. Segment analysis

Factors taken into account in identifying the entity's reportable segments include the geographical area in which the segment operates and its main business sectors. This is consistent with the manner in which internal information is disclosed to management in order to allocate resources to the segment and assess its performance. Individual operating segments have not been aggregated into a single operating segment where the individual operating segments exhibit similar long-term financial performance and economic characteristics. Each reportable segment derives its revenue from the sale of the same products which have been described below.

Management do not separate fixed assets of the business into reportable segments as they are separated into different areas based on their geographic location.

31. Segment analysis (continued)

Reportable segments

Geographical Area

	Company		Reconciling items		South Africa		Export	
	2008 R	2007 R	2008 R	2007 R	2008 R	2007 R	2008 R	2007 R
Trade receivables	40,257,310	31,010,300	(1,128,510)	(798,360)	37,748,482	29,057,426	3,637,338	2,751,234
Segment revenue - external customers	220,304,588	191,290,792	(6,842,693)	(5,115,398)	205,640,439	174,500,018	21,506,842	21,906,172
Reconciling items for segment revenue to external customers consist of:								
Settlement discount			(3,364,869)	(3,008,539)				
Rebates			(3,477,824)	(2,106,859)				
TOTAL			**(6,842,693)**	**(5,115,398)**				
Segment profit	29,151,010	22,243,973	(18,659,953)	(17,172,433)	41,671,886	32,509,823	6,139,077	6,906,583
Reconciling items for segment profit consist of:								
Head office			(7,928,999)	(6,958,190)				
National								
• Administration			(3,861,676)	(3,810,421)				
• Warehouse			(2,448,842)	(1,859,224)				
• Selling			(4,857,934)	(4,568,694)				
• Sundry			507,655	296,543				
Interest expense			(528,277)	(291,424)				
Interest received			458,120	18,977				
TOTAL			**(18,659,953)**	**(17,172,433)**				

Business Activity

	Company		Reconciling item		Resellers		Construction		Export	
	2008 R	2007 R	2008 R	2007 R	2008 R	2007 R	2008 R	2007 R	2008 R	2007 R
Segment revenue - External customers	220,304,588	191,290,792	(6,842,693)	(5,115,398)	83,076,811	74,925,795	122,563,628	99,574,223	21,506,842	21,906,172
Segment gross profit	84,867,581	72,038,448	(6,740,673)	(7,863,288)	35,516,228	32,467,869	48,824,384	39,043,387	7,267,642	8,390,480

	2008 R	2007 R
31. Segment analysis (continued)		
Sales by product category		
Waterproofing	120,173,431	102,505,887
General Construction	45,415,314	32,440,415
Silicones & Sealants	55,330,022	46,818,591
Other	6,228,514	14,641,297
Total	227,147,281	196,406,190
Reconciling items	(6,842,693)	(5,115,398)
Company	220,304,588	191,290,792

Major customers

The entity does not place significant reliance on major customers due to the vast size of its customer base. In addition, there is no individual customer from which the entity generates revenue in excess of 10% of total revenue.

Segment assets include trade receivables. The aforementioned inclusions are reflective of internal information that is regularly reported to management who are responsible for decision making.

Reconciling items with respect to segment revenue and segment assets have arisen due to differences in accounting policies applied by management in the annual financial statements as compared to internal management reports. Internal management reports reflect sales and purchases exclusive of rebates and settlement discounts. Management's difference in the allocation of centrally incurred costs in the annual financial statements as compared to the internal management reports has resulted in a reconciling item in segment profit.

32. Comparative figures

Post-retirement medical aid which was previously shown as a retirement benefit plan has been reclassified as a provision during the year.

Export freight recovery has been reclassified in the income statement from other expenses to other income.

33. Risk management

Financial instrument risk exposure and management

Risk management is fundamental to the company's business and plays a crucial role in enabling management to operate more effectively in a changing environment. Over time it has evolved into one of the company's core capabilities and is integral to the evaluation of strategic alternatives and the setting of objectives, all within a risk management framework that ensures alignment with the company's risk appetite and overall strategy.

The approach followed by the company to manage risk is to ensure that all significant risks are identified and managed. The company remains committed to the objective of increasing shareholder value by developing and growing business that is consistent with the chosen risk appetite, and through building more effective risk management capabilities.

The company's trading and financing activities expose it to various financial risks that if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks include credit risk, liquidity risk and market risk, which comprises interest rate risk and foreign currency risk.

33. Risk management (continued)

This note describes the company's overall risk management programme, focusing on the unpredictability of the financial markets and seeking to minimise the potential adverse effects on the financial performance of the company. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods, unless otherwise stated in this note. Information disclosed has not been disaggregated, as the financial instruments used by the company share the same economic characteristic and market conditions with the exception of trade receivables and trade payables.

Principle financial instruments

The principle financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Loans to group company
- Trade and other receivables
- Cash and cash equivalents
- Forward exchange contracts assets and liabilities
- Variable rate instalment sale liabilities
- Variable rate finance lease liabilities
- Loan from group company
- Trade and other payables

The directors have an overall responsibility for the determination of the company's risk management objectives and policies, and whilst retaining ultimate responsibility for them, they ensure that excess cash as generated from their operations is invested with recognised financial institutions. Finance is provided by counterparties that are well recognised financial institutions, and only trade with customers of suitable credit worthiness are accepted. The directors on a monthly basis, monitor their collections from customers, movements in the prime lending rates and exchange rates. Risks are not hedged through the direct use of financial instruments. Furthermore, financial instruments are not used for speculative purposes.

The overall objective of the board of directors is to set policies that seek to reduce risk that they are directly exposed to as far as possible without unduly affecting the company's general business operations.

Categories of financial instruments

2008	FVTPL R	Held for trading R	Loans and receivables R	Total R	Fair value R
Financial assets					
Trade receivables					
- Foreign	-	-	3,632,752	3,632,752	3,632,752
- Local	-	-	36,624,558	36,624,558	36,624,558
Cash and cash quivalents	-	-	19,690,125	19,690,125	19,690,125
Total	-	-	**59,947,435**	**59,947,435**	**59,947,435**

33. Risk management (continued)

2007	FVTPL R	Held for trading R	Loans and receivables R	Total R	Fair value R
Financial assets					
Loans to group company	-	-	62,794	62,794	62,794
Trade receivables					
- Foreign	-	-	2,751,234	2,751,234	2,751,234
- Local	-	-	28,259,066	28,259,066	28,259,066
Cash and cash equivalents	-	-	4,331,064	4,331,064	4,331,064
Total	**-**	**-**	**35,404,158**	**35,404,158**	**35,404,158**

2008	FVTPL R	Held for trading R	At Amortised cost R	Total R	Fair value R
Financial liabilities					
Derivative financial liabilities					
Forward exchange contracts liabilities	-	680,395	-	680,395	680,395
Non-derivative financial liabilities					
Instalment sale liabilities	-	-	74,673	74,673	74,673
Finance lease liabilities	-	-	3,424,913	3,424,913	3,424,913
Trade payables					
- Foreign	-	-	18,616,934	18,616,934	18,616,934
- Local	-	-	15,114,915	15,114,915	15,114,915
Total	**-**	**680,395**	**37,231,435**	**37,911,830**	**37,911,830**

2007	FVTPL R	Held for trading R	At Amortised cost R	Total R	Fair value R
Financial liabilities					
Derivative financial liabilities					
Forward exchange contracts liabilities	-	118,819	-	118,819	118,819
Non-derivative financial liabilities					
Instalment sale liabilities	-	-	388,317	388,317	388,317
Finance lease liabilities	-	-	3,186,613	3,186,613	3,186,613
Trade payables					
- Foreign	-	-	13,011,863	13,011,863	13,011,863
- Local	-	-	4,300,537	4,300,537	4,300,537
Total	**-**	**118,819**	**20,887,330**	**21,006,149**	**21,006,149**

33. Risk management (continued)

Credit Risk

The company's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Any credit risk arising from cash deposits is deemed to be insignificant on the basis that all relevant counterparties are recognised financial institutions. The company's financial instruments that are exposed to concentrations of credit risk consist primarily of trade and other receivables, however, this exposure is not considered excessive due to its diverse customer base and product lines. The company has policies in place to ensure that all sales are made to customers with an appropriate credit history. Trade debtors that are neither past due nor impaired are considered to be of a high credit quality with a historic default rate of 0.02.% (2007: 0.015.%). The company does not request collateral or other guarantees from existing or potential trade debtors, except where appropriate. To date, the company does not hold any collateral with regards to trade and loans receivable.

At each balance sheet date, the company determines on a case-by-case basis whether there is objective evidence of an impairment loss. The following factors are considered in determining whether an impairment loss should be provided for:

- The number of days that the debt is in arrears
- Whether the debtor has been liquidated or has closed down the business
- If provisional liquidation has been sought against the debtor
- Any litigation proceedings against the debtor and the likely outcomes
- Any communication from the debtor indicating an inability to pay within the agreed credit terms
- Any evidence of liquidity difficulties experienced by the debtor
- Adverse credit reports

The company does not provide for impairment losses on a general basis. Debts that are past due are impaired based on evidence of the factors cited above. Impairment losses on trade receivables amounted to R241,835 (2007: R292,080).

The maximum exposure of financial assets to credit risk equates to the carrying amounts as presented on the balance sheet and notes thereto. The maximum exposure to credit risk arising on suretyships provided equates to the amounts as described in Note 34.

Reconciliation of the doubtful debts allowance account:

	Individually Assessed		**Collectively Assessed**			**Total**
	2008 R	**2007 R**	**2008 R**	**2007 R**	**2008 R**	**2007 R**
Allowances as of 01 June 2007	798,360	512,455	-	-	798,360	512,455
Increase in provisions	571,985	577,985	-	-	571,985	577,985
Recovered amounts reversed	-	-	-	-	-	-
Written off as uncollectible	(241,835)	(292,080)	-	-	(241,835)	(292,080)
Allowances as of 31 May 2008	**1,128,510**	**798,360**	**-**	**-**	**1,128,510**	**798,360**

33. Risk management (continued)

	Carrying Amount	Of which neither impaired nor past due on the reporting date	Of which is not impaired on the reporting date but past due: Current	Greater than 30 days	Greater than 60 Days	Greater than 90 Days	Greater than 120 Days
	R	R	R	R	R	R	R
2008							
Trade debtors							
- Foreign	3,632,752	3,464,724	-	-	-	116,852	51,176
- Local	36,624,558	33,595,118	-	-	1,516,106	701,571	811,763
	40,257,310	**37,059,842**	**-**	**-**	**1,516,106**	**818,423**	**862,939**
2007							
Trade debtors							
- Foreign	2,751,234	891,991	-	-	-	1,338,984	520,259
- Local	28,259,066	20,519,777	-	-	2,795,487	1,609,720	3,334,082
	31,010,300	**21,411,768**	**-**	**-**	**2,795,487**	**2,948,704**	**3,854,341**

Financial assets that are individually impaired:

	Carrying amount before impairment	Impairment loss	Fair value of Collateral
	R	R	R
2008			
Trade debtors			
- Foreign	3,637,339	4,587	Nil
- Local	37,748,481	1,123,923	Nil
	41,385,820	**1,128,510**	**Nil**
2007			
Trade debtors			
- Foreign	2,751,234	Nil	Nil
- Local	29,057,426	798,360	Nil
	31,808,660	**798,360**	**Nil**

33. Risk management (continued)

Liquidity Risk

Liquidity risk arises from the company's management of working capital, the finance charges and the principal repayments on the debt instruments. It is the risk that the company will experience financial difficulty in meeting their obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed facilities. The company remains confident that the available cash resources and borrowing facilities will be sufficient to meet its funding requirements. There have been no defaults or breaches on the loan from group company, instalment sale liabilities, finance lease liabilities and trade payables during the course of the financial year. Furthermore, no security has been provided on the trade payables and the loan from group company. Instalment sale liabilities and finance lease liabilities have been secured with the related leased asset.

The following table presents the company's outstanding contractual maturity profile for its non-derivative financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the company's financial liabilities.

Contractual Maturity Analysis:

	Gross undiscounted cash flow				
	Due on demand/ less than 1 year	**Due between year 2 to year 5**	**Due after 5 years**	**Unearned Finance charges (adjustment)**	**Total**
	R	**R**	**R**	**R**	**R**
2008					
Financial liabilities					
Derivative financial liabilities					
Forward exchange contract liabilities	680,395	-	-	-	680,395
Non-derivative financial liabilities					
Instalment sale liabilities	25,643	60,005	-	(10,976)	74,672
Finance lease liabilities	1,287,559	2,777,589	-	(640,234)	3,424,914
Trade payables					
- Foreign	18,616,934	-	-	-	18,616,934
- Local	15,114,915	-	-	-	15,114,915
Operating lease commitments	677,545	578,945	-	-	1,256,490
Total	**36,402,991**	**3,416,539**	**-**	**(651,210)**	**39,168,320**

33. Risk management (continued)

					Gross undiscounted cash flow
	Due on demand/ less than 1 year	Due between year 2 to year 5	Due after 5 years	Unearned Finance charges (adjustment)	Total
	R	R	R	R	R
2007					
Financial liabilities					
Derivative financial liabilities					
Forward exchange contract liabilities	118,819	-	-	-	118,819
Non-derivative financial liabilities					
Instalment sale liabilities	66,388	372,410	-	(50,481)	388,317
Finance lease liabilities	1,075,832	2,525,040	-	(414,259)	3,186,613
Trade payables					
- Foreign	13,011,863	-	-	-	13,011,863
- Local	4,300,537	-	-	-	4,300,537
Operating lease commitments	567,166	679,552	-	-	1,246,718
Total	**19,140,605**	**3,577,002**	**-**	**(464,740)**	**22,252,867**

Market Risk

Interest Rate Risk

Market risk arises as a result of the company's use of variable interest rate instalment sale liabilities and finance lease liabilities carried at amortised cost. It is the risk that the future cash flow of a financial instrument will fluctuate because of changes in interest rates. Future changes to the prime lending rates will have a direct impact on the future cash payments towards the settlement of the financial obligation. The risk remains un-hedged at the reporting date. Exposure to cash flow interest rate risk on financial assets and liabilities is monitored on a continuous basis. The benefits of fixing or capping interest rates on the company's various financing activities are considered on a case-by-case basis and project-by-project basis, taking the specific and overall risk profile into consideration.

The company also holds cash and cash equivalents, which earns interest at variable rates and has variable rate debt in issue. Consequently, the company is exposed to cash flow interest rate risk.

Cash and cash equivalents comprise cash on hand and bank balances. Excess funds are deposited with reputable financial institutions on a rate quotation basis. This ensures that the company earns the most advantageous rates of interest available.

Sensitivity Analysis

The company is sensitive to the movements in the ZAR interest rates which are the primary interest rates to which the company is exposed. The company has used a sensitivity analysis technique that measures the estimated change to the income statement of an instantaneous increase or decrease of 2% (200 basis points) in market interest rates on financial liabilities from the applicable rate as at 31 May, for each class of financial instrument with all other variables remaining constant. The calculations were determined with reference to the outstanding financial liability balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in interest rates.

33. Risk management (continued)

	2008		2007	
	After tax effect on profit & loss		After tax effect on profit & loss	
	2% Increase R	2% Decrease R	2% Increase R	2% Decrease R
Variable rate instalment sale liabilities	(1,075)	1,075	(5,514)	5,514
Variable rate finance lease liabilities	(49,319)	49,319	(45,249)	45,249
Bank	283,538	(283,538)	61,502	(61,520)

Foreign Exchange Risk

Foreign exchange risk arises when recognised assets and liabilities or future commercial transactions are denominated in a currency that is not the entity's functional currency. The company trades internationally and is therefore directly exposed to foreign exchange risk through its foreign currency denominated trade debtors, trade payables and forward exchange contracts.

Currency Risk

Foreign currency monetary items are restated at each reporting date to incorporate the underlying foreign exchange movements, as prescribed by IAS 21, 'The Effects of Changes in Foreign Exchange Rates'. The company is predominantly exposed to currency risk that arises from US Dollar, Euro and British Pound denominated financial instruments. All other currencies do not result in significant foreign exchange risk. The following table indicates the company's sensitivity at year end to the indicated movements in the US Dollar, Euro and British Pound on financial instruments excluding forward exchange contracts.

Sensitivity Analysis

The company has used a sensitivity analysis technique that measures the estimated change to the income statement of an instantaneous strengthening or weakening in the rand against the US dollar, Euro and British Pound with reference to the closing exchange rates and foreign currency balances outstanding as at 31 May, for each class of financial instrument with all other variables remaining constant. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in foreign currency exchange rates. This analysis considers the impact of changes in foreign exchange rates on profit or loss.

Management are of the opinion that the exposure to exchange rates is limited in that any deterioration will effect all competitors equally and that the company can pass on to the market the impact of any deterioration in the exchange rate. Management are of the opinion that any movement will have to be greater than 20% to adversely impact the company.

33. Risk management (continued)

2008	After tax effect on profit & (loss) arising from sensitivity on the US Dollar		After tax effect on profit & (loss) arising from sensitivity on the EURO		After tax effect on profit & (loss) arising from sensitivity on the British Pound	
	4% Increase R	4% Decrease R	11% Increase R	11% Decrease R	6% Increase R	6% Decrease R
Trade payables	-	-	(797,666)	797,666	(6,479)	6,479
Trade Receivables	86,579	(86,579)	-	-	-	-

Exchange rate (Base rate) at 31 May 2008:

British Pound	R 15.077
Euro	R 11.867
US Dollar	R 7.711

2007	After tax effect on profit & (loss) arising from sensitivity on the US Dollar		After tax effect on profit & (loss) arising from sensitivity on the EURO		After tax effect on profit & (loss) arising from sensitivity on the British Pound	
	8% Increase R	8% Decrease R	18% Increase R	18% Decrease R	11% Increase R	11% Decrease R
Trade payables	(45,530)	45,530	(932,131)	932,131	(49,859)	49,859
Trade Receivables	141,972	(141,972)	-	-	-	-

Exchange rate (Base rate) at 31 May 2007:

British Pound	R 14.360
Euro	R 9.740
US Dollar	R 7.230

Forward exchange contracts

The company operates in the global business environment and many transactions are priced in a currency other than the South African rand. Accordingly the company is exposed to the risk of fluctuating exchange rates and manages this exposure through the use of financial instruments. These instruments typically comprise forward exchange contracts. Fair value foreign exchange risk arises upon mark to market of the forward exchange contracts.

33. Risk management (continued)

Sensitivity analysis

The company is predominantly exposed to the currency of the European Union (Euro), the currency of the United States Dollar and the British Pound when taking out forward exchange contracts. All other currencies do not result in significant foreign exchange risk. The table below details the company's sensitivity to a 4% (2007: 8%) fluctuation in the Rand against the US Dollar, a 11% (2007: 18%) fluctuation in the Rand against the Euro and a 6% (2007: 11%) in the Rand against the British Pound. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in foreign currency exchange rates.

		US Dollar		**EURO**		**British Pound**
2008	**4% Increase R**	**4% Decrease R**	**11% Increase R**	**11% Decrease R**	**6% Increase R**	**6% Decrease R**
Financial Assets	-	-	-	-	-	-
Financial Liabilities	(37,174)	37,174	(63,881)	63,881	(503,276)	503,276
After tax effect on Profit and Loss	**(37,174)**	**37,174**	**(63,881)**	**63,881**	**(503,276)**	**503,276**

		US Dollar		**EURO**		**British Pound**
2007	**8% Increase R**	**8% Decrease R**	**18% Increase R**	**18% Decrease R**	**11% Increase R**	**11% Decrease R**
Financial Assets	-	-	-	-	-	-
Financial Liabilities	(45,530)	45,530	(1,312,135)	1,312,135	(152,680)	152,680
After tax effect on Profit and Loss	**(45,530)**	**45,530**	**(1,312,135)**	**1,312,135**	**(152,680)**	**152,680**

34. Capital management

The capital structure of the company consists of debt which includes interest bearing borrowings, cash and cash equivalents, equity attributable to equity holders of the company which comprises issued share capital and accumulated earnings. The company's capital management objective is to achieve an effective weighted average cost of capital while continuing to safeguard the company's ability to meet its liquidity requirements, repay borrowings as they fall due and continue as a going concern, whilst concurrently ensuring that at all times its creditworthiness is considered to be at least investment grade. This policy is consistent with that of the comparative period. The company is not subjected to any external capital requirements.

Shareholder Profile as at 31 May 2008

	Number of Shareholders	%	Number of Shares	%
Shares				
Public	271	98.19	55,629,499	55.63
Non-Public	5	1.81	44,370,501	44.37
TOTAL	**276**	**100.00**	**100,000,000**	**100.00**

Spread				
1 – 1000	36	13.04	24,180	0.02
1001 – 10 000	93	33.70	448,754	0.45
10 001 – 100 000	97	35.14	3,890,533	3.89
100 001 – 1 000 000	30	10.87	11,218,236	11.22
1 000 001 and above	20	7.25	84,418,297	84.42
TOTAL	**276**	**100.00**	**100,000,000**	**100.00**

Shareholders holding 5% or more		
Liberty Life Association of Africa Limited	7,401,879	7.40
Standard Bank/Old Mutual	6,502,597	6.50

Directors' Shareholding

Director		**2008**		**2007**
	Direct	**Indirect**	**Direct**	**Indirect**
W R G Post	1,597,945	4,153,508	-	-
L F Avis	6,253,633	2,000,000	-	-
S Rault	284,743	-	-	-
S P Stacey	3,780,672	300,000	-	-
S K Moto	-	26,000,000	-	-
TOTAL	**11,916,993**	**32,453,508**	**-**	**-**

Note:

1. The Directors' interests for 2008 are as a result of the unbundling by Steelwood Africa (Pty) Limited of its interest in a.b.e. to shareholders on 3 August 2007, in proportion to their shareholding in Steelwood Africa and prior to the listing of the company on 17 August 2007.

2. The only change in Directors' interest since listing has been an acquisition by W R G Post of an indirect interest in 200 000 shares.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of the shareholders of **a.b.e.** Construction Chemicals Limited will be held at 10h00 at the Inanda Country Club, 1 Forrest Road, Inanda, Sandton on 31 October 2008, for the purpose of transacting the following business and if deemed fit, passing, with or without modification, the resolutions set out below:

1. To adopt and approve the annual financial statements of the Company for the year ended 31 May 2008, together with the report of the directors and the auditors thereon.

2. To reappoint BDO Spencer Steward as auditors of the Company as contemplated under Section 270 of the Companies Act 61 of 1973 as amended ("the Act").

3. To ratify and approve the remuneration and emoluments paid by the Company to its directors during the year ended 31 May 2008 as set out in note 22 to the annual financial statements.

4. To individually elect the following directors who retire by rotation in accordance with the articles of association of the Company and, who, being eligible, offer themselves for re-election:

   L F Avis

   W R G Post

   S P Stacey

   S Rault

   CVs of the above directors are set out on page 3 of the annual report.

5. To ratify the appointment of the following director to the board during the year:

   S K Mota

   CV of the above director is set out on page 3 of the annual report.

6. Ordinary Resolution number 1 (Shares under directors control)

   Resolved that subject to the provisions of Sections 221 and 222 of the Act and the Listings Requirements of the JSE Limited ("the Listings Requirements"), the directors of the Company are hereby authorised to allot and issue at their discretion all the remaining authorised but unissued shares of the Company for such purposes and on such terms and conditions as the directors in their sole discretion may determine.

7. Ordinary Resolution number 2 (General authority to issue shares for cash)

   Resolved that, subject to the Listings Requirements relating to a general authority of directors to issue shares for cash, the directors of the Company be and are hereby authorised, for a period of 15 months from the date of this meeting or until the date of the Company's next annual meeting, whichever period is shorter, to issue up to 50 000 000 ordinary shares of 1 cent each in the share capital of the Company for cash in accordance with the following requirements:

7.1. the relevant shares to be issued under such authority must be of a class already in issue or, where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

7.2. the shares must be issued to public shareholders as defined by the Listings Requirements and not to related parties;

7.3. issues for cash may not, in the aggregate, in any one financial year exceed 50% of the relevant issued number of shares in issue in any one financial year;

7.4. the maximum discount at which such shares may be issued may not exceed 10% of the weighted average traded price of the ordinary shares of the Company during the 30 business days preceding the date on which the price of the issue is determined or agreed by the directors; and

7.5. once the Company has issued, on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the Company will publish an announcement containing the full details for the issue, in accordance with the provisions of the Listings Requirements.

A 75% majority of votes cast by shareholders present or represented and voting at the annual general meeting will be required in order for this ordinary resolution number 2 to become effective.

8. Special Resolution number 1 (General authority to repurchase shares)

Resolved that, subject to the Listings Requirements relating to a general authority to repurchase shares, the Company and any subsidiary of the Company be hereby authorised to approve the purchase of any shares issued by the Company, on such terms and conditions as may be determined by the directors, provided that:

8.1. such repurchase is permitted in terms of the Act and the Company's articles of association;

8.2. this authority shall not extend beyond 15 months from the date of this meeting or until the date of the Company's next annual general meeting, whichever is the sooner;

8.3. this authority be limited to a maximum of 20% of the issued share capital of that class in one financial year; provided that the repurchase of shares by a subsidiary of the Company may not, in any one financial year, exceed 10% in the aggregate of the number of issued shares of the Company;

8.4. repurchases shall not be made at a price more than 10% above the weighted average traded price of the shares traded for the 5 business days immediately preceding the date on which the repurchase is effected;

8.5. the repurchase of shares be implemented through the order book operated by the JSE Limited's trading system and without any prior understanding or arrangement with any counterparty;

8.6. the Company will, at any point in time, appoint only one agent to effect any repurchase(s) on the Company's behalf;

8.7. after such repurchase(s), the Company continues to comply with the spread requirements of the Listings Requirements;

8.8. such repurchase(s) shall not occur during a prohibited period as defined in the Listings Requirements;

8.9. when 3% of the initial number, i.e. the number of shares in issue at the time that the general authority from shareholders is granted, is cumulatively repurchased and for each 3% in aggregate of the initial number acquired thereafter, an announcement shall be made in accordance with the Listings Requirements; and

8.10. a certificate by the Company's Designated Adviser in terms of paragraph 2.12 of the Listings Requirements confirming the statement by the directors regarding working capital referred to hereunder in this notice convening the meeting shall be issued before the commencement of any repurchase.

Reason for and effect of the special resolution
The reason for and effect of this special resolution is to obtain shareholder approval for the directors to repurchase shares of the Company and for any subsidiary of the Company to acquire shares issued by the Company subject to the Act and the Listings Requirements. A repurchase of shares is not contemplated at the date of this notice. However, the board believes it to be in the interest of the Company that shareholders grant a general authority to provide the Company with optimum flexibility to repurchase shares as and when an opportunity that is in the best interest of the Company arises.

Information and statements relating to this special resolution
The following information, details of which are reflected in this annual report of which this notice forms part, is indicated:

- Directors (refer to page 3)
- Major shareholders (refer to page 62)
- Directors' interests (refer to page 62)
- Share capital (refer to Note 8 to the annual financial statements)
- Directors' Statement

  The directors, whose names are given on page 3 of this annual report, collectively and individually accept full responsibility for the information given in this notice 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;
  - there have been no material changes in the financial or trading position of the Company since the publication of the financial results for the year ended 31 May 2008 and the date of this notice;
  - the directors are not aware of any information on any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had, in the previous 12 months, a material effect on the group's financial position.
- Directors' Opinion

  The directors are of the opinion, after considering the effect of a maximum repurchase of shares, that:

  - the Company will be able, in the ordinary course of business, to pay its debts;
  - the assets of the Company, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company;
  - the Company will have adequate ordinary capital and reserves, for a period of 12 months after the date of this notice; and
  - the working capital and reserves of the Company will be adequate for a period of 12 months after the date of this notice.

To transact such other business as may be transacted at an annual general meeting.

By order of the board

L F Avis
Company secretary

19 September 2008

PROXIES

Each shareholder, whether present in person or by proxy, is entitled to attend and vote at the general meeting. A form of proxy in which is set out the relevant instructions for its completion is enclosed for use by any shareholder who is unable to attend the general meeting but wishes to be represented thereat. If you have dematerialised your shares with a Central Securities Depository Participant ("CSDP") or broker you must arrange with them to provide you with the necessary authorisation to attend the general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker. Any shareholder who completes and lodges a form of proxy will not be precluded from attending and voting at the general meeting to the exclusion of the proxy appointed by him.

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of the Company) to attend, speak and vote in his/her stead. On a show of hands every shareholder who is present in person or by proxy shall have one vote and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her. The forms of proxy should be completed and forwarded to reach the offices of the Company's transfer secretaries or the company secretary at the address given below by not later than 10h00 on 29 October 2008.

7 Wilcox Road

Isipingo

Durban

KwaZulu-Natal

4110

Form of Proxy

a.b.e. CONSTRUCTION CHEMICALS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1982/008383/06)
("a.b.e." or the "the Company")
Share code: ABU
ISIN CODE: ZAE000102059

For the use only by ordinary shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with "own-name" registration, at the annual general meeting of ordinary shareholders of the company to be held on 31 October 2008 at 10h00.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

I/We

(name/s in block letters)

Of

Being the holder ______ Ordinary shares in the capital of the Company do hereby appoint (see note):

1. or failing him/her
2. or failing him/her
3. the Chairperson of the meeting

as my/our proxy to act for me/us at the annual general meeting convened for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions ("resolutions") to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions, and/or to abstain from voting for and/or against the resolutions, in respect of the ordinary shares registered in my/our name in accordance with the following instructions.

	Number of ordinary shares		
RESOLUTIONS	**For**	**Against**	**Abstain**
1. To receive, consider and adopt the annual financial statements of the Company for the year ended 31st May 2008.			
2. To approve the re-election as direct of L F Avis who retires by rotation.			
3. To approve the re-election as direct of W R G Post who retires by rotation.			
4. To approve the re-election as direct of S P Stacey who retires by rotation.			
5. To approve the re-election as direct of S Rault who retires by rotation.			
6. To approve the re-election as direct of S K Mota who retires by rotation.			
7. To approve the non-executive directors' remuneration for the financial year ending 31 May 2008.			
8. To confirm the re-appointment of BDO Spencer Steward (KZN) Inc. as auditors for the Company until the next annual general meeting.			
9. To place the authorised but unissued share capital under the control of the directors.			
10. To authorise the directors to issue authorised but unissued ordinary shares for cash.			
12. To authorise the directors to action all ordinary and special resolutions.			

Signed at on the of 2008

Signature

Assisted by (where applicable)

Each ordinary shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and vote in place of the shareholder at the annual general meeting.

a.b.e. Construction Chemicals Limited