# a.b.e. Construction Chemicals Limited

## Annual Report 2009

eflo brixeal plastergrip abedrain abescreed duracure bituprime
ESELLERS abeplate ADHESIVES bitubond
ee seal durarep grip-a-bloc
membrane abe
Unigum silvakote creosote acrylic
super laykold
tree seal abe
CONCRETE REPAIR SEALANTS
hydroproof silicone wallseal
silicone ravenol silvakote
acrylic filler foam plastergrip indextene hydroproof
super laycryl malthoid wallseal waterstop rubber bituprime
akol duragrout abecote duragrout pain
CONSTRUCTION
COATINGS carbolineum bituseal plastic filler foam malthoid
epidermix 372 4-metal primer
super lay
tuprime paintersmate WATERPROOFING
epidermi
FLOORING indextene grip-a-bloc

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# CORPORATE PROFILE

a.b.e. is an acronym for African Bitumen Emulsions.

The company started business as a supplier of bitumen to Natal municipalities some 77 years ago.

The company owns well established brands and is the market leader in most of the product categories.

The company's products are used in residential, commercial, industrial and infrastructure construction both in the new construction and building maintenance industry.

Today a.b.e. is a manufacturer and distributor of specialist construction products in the following product categories:

*Soccer City, Johannesburg*

- Waterproofing
- Silicone and sealants
- General construction
  - Industrial flooring
  - Concrete repair
  - Structural adhesives and coatings
  - Specialist roofing materials
  - Construction commodity products

*Because of its wide range of specialist construction products a.b.e. was able to take advantage of the many opportunities that the industry had to offer over the past financial year.*

# OPERATING PROFILE

The company has three sales divisions namely resellers, construction and exports operating from a national footprint of branches in all major centres of the country with distributors and agents servicing the remote areas.

Most sub-Saharan African countries are serviced through agents.

a.b.e. has factories in Durban and Boksburg but also imports about 30% of its finished goods from Europe. Products are manufactured under license in Lahore, Pakistan and Mauritius.

**Resellers division**

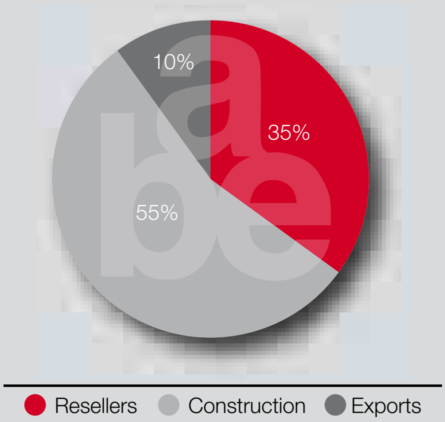
The resellers division services our residential, construction and maintenance customers through retail outlets, including Iliad and Cashbuild and our DIY customers through retail outlets including Builders Warehouse and Build-it.

**Construction division**

The construction customers are serviced through our branches. This customer base includes the big construction companies, small to medium building companies as well as our specialist application contractors.

**Export division**

This division supports our international distributors, agents and licensees.




*Product shelf in a builder's merchant*

*Moses Mabida Stadium, Durban*

# DIRECTORATE

**S K Mota**
BEng (Hons), B (B&A) (Hons), MBA
*Chairman*
Kopano 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 2 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 P Stacey**
BSc (Civil Engineering), Pr Eng
*Chief Executive Officer*
Stan commenced his professional career as a design engineer at BKS in 1972 before embarking on a career in the construction industry. He was appointed Managing Director of Trescon Construction in 1990. Subsequently he was appointed Managing Director of Armco Superlite, a road product manufacturing and galvanising business in 1994. In 1999 he was appointed Managing Director of a.b.e.

**L F Avis**
BCom, CA (SA)
*Financial Director*
Lawrence was the accountant for Fiat South Africa for 6 years and then joined Grindrod Shipping where he gained 15 years' experience as accountant, treasury manager and finally as a Commodity Trader. Lawrence joined a.b.e. in 1992.

**I Hague**
BSc (Civil Engineering) (Hons), Pr Eng
*Executive Director*
Ian graduated at Coventry University, England and emigrated to South Africa in 1975. He commenced employment as a design engineer at Stewart, Sviridov and Oliver in 1975 and joined Concor Construction in 1978 as project engineer. In 1996, Ian joined Joy Mining Machinery as marketing services manager and in 2000, he moved to Degussa, (which was later acquired by BASF Construction Chemicals) as Managing Director to Degussa and commercial director at BASF Construction Chemicals. Ian joined a.b.e. in 2007 and leads the construction division of a.b.e.

**S Rault**
BSc (Phys Ed) (Hons)
*Executive Director*
Stephen started his career in teaching but in1985 he broke away from the profession and commenced his sales career 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 joined a.b.e. in 2004 and leads the resellers division.

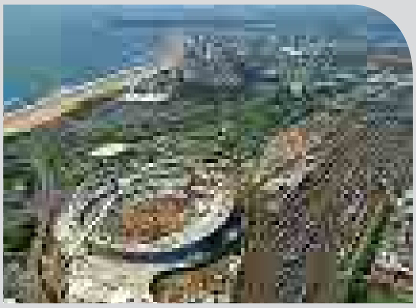
**M G Meehan**
CA (SA)
*Independent non-executive Director*
Mike practiced as a chartered accountant in Durban before commencing a 23-year career in shipping and ship owning with the Grindrod Group, where he served as a main board director, CEO of Unicorn Shipping and CEO of the listed Griffin Shipping Holdings. He subsequently co-founded and listed Trematon Capital Investments. He has filled the roles of president of the Durban Chamber of Commerce and president of the South African Ship Owners Association. Mike also serves on the boards of Rare Holdings Limited and William Tell Holdings Limited as a non-executive director.

**R B Patmore**
BCom, MBL
*Independent non-executive Director*
Ralph was a Director of Everite and later a Director of Group Five amongst other directorship positions of subsidiaries within the Unihold and Malbak Groups, prior to his appointment as CEO of Iliad in 1998. Ralph also serves on the board of William Tell Holdings Limited and ARB Holdings Limited as a non-executive director.

**W R G Post**
CA (SA)
*Non-executive Director*
William (Dendy) is currently CEO of the Steelwood Africa Group which 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.

# CHIEF EXECUTIVE OFFICER'S REPORT


*Gondola stand in builder's merchant*


*Moses Mabida Stadium, Durban*


*Blue Bay development, Moçambique*

When a.b.e. compiled its Prospectus prior to its listing on the AltX in August 2007, few could have envisaged the turmoil that would engulf so many sectors of our economy.

We are however pleased to be able to report that in spite of this a.b.e. succeeded in the delivery of the results envisaged in the Prospectus and has continued its history of sustained growth.

Because of its wide range of specialist construction products a.b.e. was able to take advantage of the many opportunities that the industry had to offer over the past financial year.

**FINANCIAL PERFORMANCE**

**Income statement**

| R millions | **2009** | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| Sales | **263,0** | 220,0 | 191,0 | 164,0 |
| Operating profit | **35,6** | 29,2 | 22,2 | 19,1 |

**Revenue**

Revenue increased by 19,2%.

**Resellers division**

Due to the resilience of the brand, resellers sales (35% of sales) increased by 15% in spite of tough economic conditions in the building material supply industry.

Consolidation of the national chain stores continued unabated and the strategy of focusing on these key accounts along with emphasis on brand and product mix were key to our success.

**Construction division**

Construction sales (55% of sales) increased by 22%.

Sales in this business segment reached R150 million for the first time. This was due to growth within the building and construction industry as infrastructure spend continued unabated, coupled with an improvement in sales in the maintenance industry.

**Export division**

Export sales (10% of sales) grew by 19%.

Exports showed a pleasing growth in turnover and margins were maintained at historical levels in spite of declining markets in sub-Saharan Africa.

## Trading margins

Trading margins increased to 41,2% from 40,3% in 2008 whilst gross margins declined to 38,1% from 38,5% due to inward transport costs.

The vast majority of a.b.e.'s products are based on raw materials associated with the petroleum industry and the margins were achieved during the oil and related chemical product cost turbulence by purchasing mechanisms and supplier relationships which allowed a.b.e. to pass on raw material price adjustments to the market timeously. Trust in the a.b.e. brand helped in the market accepting the price adjustments that were necessary.

## Operating profit

Operating profit increased by 22%. Overhead costs within the company were tightly contained below inflation and this partly offset the rise in transport and warehousing costs experienced as a result of fuel price increases.

| **Earnings per share** | | **2009** | 2008 | Percentage increase |
|---|---|---|---|---|
| Profit attributable to equity holders | (R million) | **25,2** | 20,9 | 20 |
| Basic and diluted basic earnings per share | | | | |
| (2008: based on weighted average of 96 750 000 shares in issue) | (cents) | **25,2** | 21,7 | 16 |
| Headline and diluted headline earnings per share | | | | |
| (2008: based on weighted average of 96 750 000 shares in issue) | (cents) | **25,0** | 21,2 | 18 |

Profit before tax grew by 24% (2008: 31%) and was in line with the Prospectus forecast.

The weighted average number of shares in issue increased by 3,3%, which impacted the reported earnings per share.

Profit after tax was marginally lower than the Prospectus forecast because of the tax paid on the maiden dividend, which was not included in the forecast.

## Balance sheet

Finished goods stocks increased in line with revenue growth whilst raw material stocks increased disproportionably because of a management decision to increase the levels of raw material stock to avoid price volatility.

Strong management of trade receivables resulted in a net increase of only 4% whilst revenue increased by 19,2%.

The return on capital employed was 32%.

## Cash flow

The cash flow for the year was impacted by the raw material stock increases as well as the R9,4 million dividend and STC payout. The company remains cash positive. Creditors returned to reasonable levels.

## Prospects

### Resellers division

There has been a slowdown in the demand for new residential properties, however, the demand for maintenance products is generally not as affected by the slowdown. New product ranges will be launched and additional market sectors have been identified for expansion of the resellers customer base.

We anticipate that the coming year will show further consolidation in the building supply industry as economic conditions deteriorate and the smaller independent hardware outlets come under pressure.

We will continue the strategy of key account management, focus on improving distribution channels, and we expect to grow sales in the coming year.

**Construction division**

This division can look forward to continued new build growth for the foreseeable future provided the government continues with its current and forecast infrastructure projects and the resultant allied industrial growth opportunities continue.

The building maintenance sector is expected to yield growth and will be a focus area. The a.b.e. ranges of flooring, roofing, concrete repair and waterproofing products are particularly suited and we anticipate real growth in this business during the coming year.

**Export division**

In view of economic conditions in our major trading areas we will seek to maintain sales.

**Operations**

It is envisaged that the Durban site will be upgraded to increase storage facilities and improve production and logistic efficiencies.

**Acquisitions**

In terms of our strategy businesses have been identified for acquisition, provided these can be acquired on favourable terms. These businesses will complement the existing activities of a.b.e., utilise the surplus cash and prepare the company for the time that infrastructure spend will be normalised.

**Board appointments**

Ian Hague, Mike Meehan and Ralph Patmore were appointed to the a.b.e. board in February 2009.

Mike and Ralph joined the board as independent non-executive directors. Ralph brings years of building materials distribution experience and a wealth of industrial manufacturing and construction industry experience. Mike brings a wealth of experience in business management as well as corporate governance and related business ethics compliance matters.

**Appreciation**

We thank our staff for their commitment and hard work and our customers, business partners, advisors and suppliers for their ongoing support and faith in the company.

We have once again set demanding targets for the year ahead and we are working hard to achieve them to maximise returns for our stakeholders.

**S P Stacey**
*Chief executive officer*

Durban
21 August 2009

# CORPORATE GOVERNANCE REPORT

**Introduction**

The board of Directors ("the board") of a.b.e. Construction Chemicals Limited ("a.b.e." or "the company") is committed to the principles of the Code of Corporate Practices and Conduct ("the code") as set out in the King Report on Corporate Governance ("King II"). 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.

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.

**Statement of compliance**

Other than for the specific issues mentioned in this corporate governance report, the board is of the view that the company has complied with King II in all material respects during the year under review.

**Board of directors**

The board comprises eight directors. It has four non-executive directors, two of whom are independent. During the year under review, Mike Meehan and Ralph Patmore were appointed as independent non-executive directors in order to strengthen the independence of the board. Although King II recommends a majority of non-executive directors, the board believes that the current board composition is appropriate given the presence of the newly appointed independent non-executive directors.

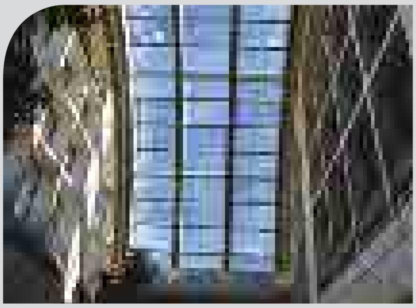
The roles of the Chairman and CEO are separate and there is an appropriate balance between the number of executive directors and non-executive directors which ensures that no director can exercise unrestricted decision-making powers. The Chairman, who is a non-executive director, provides leadership and guidance to the board and encourages proper deliberation on all matters requiring the board's attention while obtaining input from other directors.

Annually, the board endorses the company's strategy as proposed and recommended by the CEO and monitors the execution and implementation thereof as well as operational decisions in respect of the day-to-day operations.

The company's CEO 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. He is assisted in this regard by the Executive Committee. The board monitors the succession and performance of the CEO and executive management and is assisted in this task by the Remuneration Committee.

*Waterproofing on Gautrain viaduct, Johannesburg*

*One of a.b.e.'s top product brands*



*Glazing at 55 Marshall Street, Johannesburg*

Non-executive directors contribute their independent and objective knowledge and experience to board deliberations. All non-executive directors are sufficiently qualified to contribute appropriate skills and expertise.

Non-executive directors have unrestricted access to management. Directors also have access to the external auditors. All directors are entitled, at the company's expense, to seek independent professional advice on any matters pertaining to the company where they deem this to be necessary.

The board has defined levels of materiality which set out key decisions requiring board approval. It also 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

In accordance with the articles of association, one-third of the Directors of the company are required to retire by rotation at every annual general meeting and their re-appointment is subject to shareholders' approval. In addition, the appointment of all new directors are subject to confirmation by shareholders at the first annual general meeting after their initial appointment. Curricula vitae of the directors are set out on pages 4 and 5.

The board meets at least four times a year and ad hoc meetings are convened when required. In addition, an annual strategy session is held, in terms of which the board endorses the strategy as presented by executive management. Directors are provided in advance with all necessary information to enable them to discharge their responsibilities. A representative of the designated advisor (PSG Capital (Proprietary) Limited) attends all meetings of the board and the Audit Committee.

Details of directors' attendance at board meetings during the year are set out below:

| Director | Board | Audit and Risk Committee | Remuneration Committee |
|---|---|---|---|
| S K Mota (board Chairman) | 4/4 | 2/2* | 2/2 |
| S P Stacey (CEO) | 4/4 | | |
| L F Avis | 4/4 | | |
| W R G Post | 4/4 | | 1/1* |
| M G Meehan | 2/2# | 2/2^ | |
| R B Patmore | 2/2# | 2/2^ | 1/1^ |
| S Rault | 4/4 | | |
| I Hague | 2/2# | | |
| Designated advisor | 4/4 | 3/3 | |

# appointed 5 February 2009
* resigned 5 February 2009
^ appointed 5 February 2009

The board has not yet implemented an annual effectiveness evaluation in respect of the board and the board committees, but plans to do so during the forthcoming year.

The board also plans to implement a board charter detailing its composition, appointment, responsibilities and processes as well as the fiduciary duties and role of each Director.

**Board committees**

To assist the board in discharging its collective responsibilities, certain board responsibilities have been delegated to the Audit and Risk Committee and Remuneration Committee. The board recognises that it is ultimately accountable and responsible for the performance and affairs of the company and that the use of delegated authorities to board committees in no way absolves the board and its directors of the obligation to carry out their duties and responsibilities.

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 written 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 and matter for the board as a whole.

The reports of the respective committees are set out below.

**Audit and Risk Committee report**

The Audit and Risk Committee is established under a charter approved by the board. The committee reviews the charter annually and amends it to meet the changing requirements and practice of corporate governance.

S K Mota and W R G Post were the original members of the committee but they resigned on 5 February 2009. R B Patmore and M G Meehan (chairman), both independent non-executives, were appointed in their stead on the same date. Standing invitees to the committee are the financial director (FD) and the CEO and the independent members of the committee meet separately with the auditors annually. The company secretary also acts as secretary to the committee. A representative from the designated advisor, PSG Capital (Proprietary) Limited, attends all meetings of the committee.

The committee has assessed and is satisfied with the independence of the external auditors, reviewed and negotiated the audit fees, reviewed the extent of non-audit work undertaken by the external auditors and pre-approved such work, reviewed the audit plan and expressed its satisfaction on all these matters to the board. The committee has also ensured that the appointment of the external auditors complied with the Corporate Laws Amendment Act. In addition, it has reviewed all financial reports, statements, announcements as well as these annual financial statements and has recommended them to the board for submission to shareholders. Further, it has assessed and positively endorsed the experience and expertise of the FD, Lawrence Avis in his role.

The internal audit process is managed internally and the internal audit executive reports directly to the committee.

The committee has nominated, subject to the endorsement of the board and the approval of shareholders, the re-appointment of BDO Spencer Steward (KZN) Incorporated and Mrs B Lovell as the independent registered audit firm and the individual registered auditor of the company respectively.

In terms of the company's policy on non-audit services, the committee determines which services may or may not be provided by the company's external auditors.

A risk policy has been drafted and is under review. The company is very risk aware and management of risk is required of all levels of management in the organisation as part of their normal job responsibilities. Senior management review risks under the headings of enterprise risk, operational risk, financial risk and reputational risk and are populating the risk register with risks assessed under these headings. The committee has met with the insurance brokers as a step in assessing the management of risk using outside parties.

The committee meets at least three times per year. Meetings held this financial year and attendance are set out above.

**Remuneration Committee report**

The Remuneration Committee comprises R B Patmore (chairman and independent non-executive director) and S K Mota (non-executive director). The chief executive officer is invited to attend committee meetings but may not participate in discussions regarding his own remuneration. W R G Post (non-executive director and non-executive chairman of the board) chaired the first Remuneration Committee meeting in the year under review but vacated the position in line with corporate governance requirements once additional independent non-executive directors were appointed to the board.

The committee operates in terms of a written charter, approved by the board.

The main purpose of the committee is to ensure that the directors and senior executives are appropriately remunerated for their individual and joint contributions to the company's performance, with due regard for the interests of shareholders, the financial and commercial well-being of the company and recommendations from industry consultants and surveys.The committee has authority for matters relating to employee remuneration, benefits and profit incentives. Employee incentive schemes, at both executive and divisional level, are subject to the approval of the committee and are based on market conditions and the achievement of prescribed, measurable performance targets. The company's philosophy is to set appropriate remuneration levels, taking into account levels of responsibility and the need to attract, motivate and retain directors, executives and individuals of high calibre.

The committee recommends fees for non-executive directors to the board and subsequent approval by shareholders. Fee determination is based on information from industry consultants and surveys and non-executive fee structures of comparable companies.

The committee reviews the company's executive management succession plan and communicates any areas of concern to the Audit and Risk Committee. It also considers the performance of the chief executive officer and members of executive management.

The committee meets at least twice a year, and its activities and recommendations are reported to the board.

The board has determined that the remuneration committee has complied with its terms of reference for the year under review.

Directors' emoluments and shareholdings are detailed in note 22 on page 53 of the financial statements.

**Executive Committee**
The committee comprises S P Stacey (CEO), L F Avis (FD), S Rault (Director sales and marketing retail) and I Hague (Director sales and marketing construction). It meets monthly and is constituted by the CEO to assist him in executing the board-approved strategic plan and monitoring performance in accordance with this plan.

**Company secretary**
All directors have unrestricted access to the advice and services of the company secretary, who is responsible for updating the board on legislative and/or regulatory developments on an ongoing basis.

**Share dealings and disclosures of interests**
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 in closed and prohibited periods.

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.

Directors are also required to declare their shareholdings, directorships and potential conflicts of interest at each board meeting.

**Risk management, internal control and internal audit**
*Risk management*
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 Audit and Risk 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.

As regards claims and litigation, a schedule of active claims and disputes both for and against the company is maintained. Via the Audit and Risk Committee, the board monitors that the company complies with all relevant laws, regulations and codes of business practice.

*Internal control*
The board is responsible for the company's systems of internal control and risk management and is assisted in this regard by the Audit and Risk Committee. These systems of internal control are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements, to safeguard and maintain accountability of the company's assets and to identify and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. The system is therefore designed to manage rather than eliminate risk of failure and opportunity risk.

Nothing has come to the attention of the board to indicate that there has been a material breakdown in the internal systems of control during the year.

*Internal audit*
The company does not have a separate in-house internal audit function. Various internal audit aspects are however performed by the company's finance function and this includes reviewing the reliability and integrity of financial and operating information; effectiveness and efficiency of operations; systems to ensure compliance with policies and procedures; and the means of safeguarding assets.

The Audit and Risk Committee has considered the above arrangement and is satisfied with the appropriateness thereof given the size, risk and complexity of the company.

The person performing internal audit tasks reports directly to the Audit and Risk Committee.

**Code of conduct and ethics**
The company is in the process of implementing a formal code of conduct and guide to ethical business conduct. The code will set out standards of integrity and ethics in dealings with suppliers, customers, business partners, stakeholders, government and society at large.

**Stakeholder communication**
The company is committed to timely, consistent and transparent communication with all stakeholders. An open culture of communication is encouraged throughout the company through employee representative committees, pension fund trustee meetings and regular departmental and general staff meetings. In addition notice boards, the company's newsletter and website are used to communicate with staff.

Company announcements are published on SENS and posted on the company's website. Financial results announcements are also posted to shareholders. Further, the CEO and Financial Director are available to answer queries from stakeholders, including industry analysts, at all times and wherever possible engage with the financial media to ensure accurate reporting.

**Sustainability**

The board acknowledges sustainable transformation as a business imperative. Details of the company's approach in this regard are set out below.

The company is rated as a level 8 in terms of the DTI's B-BBEE Codes of Good Practice and plans are in place to improve this rating.

*Broad-based black economic empowerment*

The direct black shareholding in the company is 26%, which is held via Auburn Avenue Trading 31 (Pty) Limited and is represented on the board by S K Mota.

*Preferential procurement*

Preferential procurement is dealt with via the company's quality system, which sets out the company's objective of annually increasing the proportion of procurement from suitably qualified vendors.

*Employment equity*

The company's approach to employment equity is set out in the company's quality system, which outlines the company's commitment to non-discriminatory employment practices. Each branch has an employment equity committee.

Each business unit is responsible for developing and submitting employment equity plans, which outline employment equity goals in terms of hiring, training and promotion.

The detailed employment equity plans are made available to employees of the respective operating entities. Further targets, strategies and specific action plans are agreed and are revised annually.

Overall, the company is on track in terms of its employment equity plans.

*Skills development and training*

The company is committed to ongoing training and development to further the skills base and empower employees to perform better in their current positions and so accelerate advancement.

*Safety, health and environment*

To maintain a safe and healthy working environment, the company ensures strict compliance to the relevant safety legislation. Amendments to legislation are closely monitored and distributed to all affected staff accordingly.

*HIV/Aids*

The company has a formal policy dealing with the issue of HIV/Aids in the workplace.

*Environment*

The company's quality system covers environmental matters, outlining the procedure for identifying, eliminating and managing environmental issues that may arise as a result of its business processes and operations.

*Corporate Social Investment (CSI)*

During the year the company contributed to various CSI projects. Managers are responsible for selecting qualifying beneficiaries and submitting proposals in this regard to the Executive Committee for approval.

# 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 2009, 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 16 to 67.

**Directors' responsibility for the annual financial statements**

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, 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 at 31 May 2009, 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

59 Musgrave Road
Durban
4001

21 August 2009

# DIRECTORS' REPORT

**Review of activities**

The company manufactures and distributes specialist construction products. Further details of the company's operations and activities are set out in the CEO's report (refer to page 6). This represents no change from the prior year. Furthermore there have been no major changes in the nature of the fixed assets during the year nor any major change in the policy relating to the use of the fixed assets.

**Financial results**

The financial results for the year ended 31 May 2009 are set out in detail on pages 20 to 67 of these annual financial statements.

**Post financial year-end events**

With the exception of the proposed dividend for 2009, the directors are not aware of any material matter or circumstance arising since the end of the financial year and the date of this report.

**Dividend**

A maiden divided of 8,5 cents per ordinary share was paid in September 2008.

The directors are pleased to announce the declaration of a dividend of 10 cents per ordinary share payable in September 2009 to shareholders registered on Friday, 18 September 2009.

STC relating to this dividend amounts to R1 000 000.

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**Directors**

The changes in the directorate for the year were:

| Name | Position | Appointed |
|---|---|---|
| I Hague | Executive director | appointed 5 February 2009 |
| R B Patmore | Independent non-executive director | appointed 5 February 2009 |
| M G Meehan | Independent non-executive director | appointed 5 February 2009 |

The directorate and their CV's are detailed on pages 4 and 5.

**Directors' interests**

Details of the directors' interests in the company's issued share capital are given on page 68.

There has been no change to these interests since the end of the financial year and the date of this report.

**Secretary**

W R Somerville
Corporate Statutory Services
20 Lurgan Road
Parkview
2193

Postal address:
20 Lurgan Road
Parkview
2193

**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 19 November 2009 at 14:30.

**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. The main form of borrowings is through the use of finance leases.

**Authorised and issued share capital**

Details of share capital are included in note 7 to the annual financial statements. The directors have control of the unissued ordinary shares in the authorised share capital of the company.

**Powers to amend the financial statements**

The entity's owners and others do not have the power to amend the annual financial statements after issue.

**Going concern**

The directors consider that the company has adequate resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the company's financial statements.

**Special resolution**

At the annual general meeting on 31 October 2008, a special resolution was passed by the shareholders to afford the directors of the company a general authority to affect a buy-back of the company's shares on the JSE Limited. This authority will expire at the next annual general meeting.

# DIRECTORS' RESPONSIBILITY AND APPROVAL

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 on 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 2010 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 15.

The annual financial statements set out on pages 20 to 67, which have been prepared on the going concern basis, were approved by the board of directors on 21 August 2009 and were signed on its behalf by:

| | | |
|---|---|---|
| **S P Stacey** | **L F Avis** | **S K Mota** |
| *CEO* | *Financial Director* | *Chairman* |

# CERTIFICATE BY THE COMPANY SECRETARY

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 returns as are required by the Companies Act of South Africa, and that all such returns are true, correct and up to date.

**W R Somerville**
*Company secretary*

Durban
21 August 2009

# BALANCE SHEET as at 31 May 2009

| | Notes | 2009 R | 2008 R |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | **40 329 282** | 38 353 045 |
| | | **40 329 282** | 38 353 045 |
| **Current assets** | | | |
| Inventories | 4 | **57 608 628** | 46 222 041 |
| Trade and other receivables | 5 | **42 366 997** | 43 201 761 |
| Cash and cash equivalents | 6 | **21 915 282** | 19 690 125 |
| | | **121 890 907** | 109 113 927 |
| **Total assets** | | **162 220 189** | 147 466 972 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 7 | **1 000 000** | 1 000 000 |
| Share premium | | **33 635 756** | 33 635 756 |
| Non-distributable reserve | 8 | **16 247 404** | 16 373 995 |
| Retained income | | **51 599 950** | 34 793 253 |
| | | **102 483 110** | 85 803 004 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | 9 | **3 534 035** | 2 347 654 |
| Deferred tax | 10 | **2 728 840** | 2 463 232 |
| Employee benefit liability | 11 | **2 364 000** | 2 164 815 |
| Provisions | 12 | **15 000** | 219 000 |
| | | **8 641 875** | 7 194 701 |
| **Current liabilities** | | | |
| Financial liabilities | 9 | **2 232 651** | 1 832 327 |
| Current tax payable | | **2 053 882** | 1 752 546 |
| Trade and other payables | 13 | **45 538 373** | 49 788 139 |
| Employee benefit liability | 11 | **38 900** | 82 793 |
| Provisions | 12 | **1 231 398** | 1 013 462 |
| | | **51 095 204** | 54 469 267 |
| **Total liabilities** | | **59 737 079** | 61 663 968 |
| **Total equity and liabilities** | | **162 220 189** | 147 466 972 |

# INCOME STATEMENT for the year ended 31 May 2009

| | Notes | 2009<br>R | 2008<br>R |
|---|---|---|---|
| Revenue | 14 | **262 728 926** | 220 304 588 |
| Cost of sales | 15 | **(162 574 217)** | (135 437 007) |
| **Gross profit** | | **100 154 709** | 84 867 581 |
| Other income | 16 | **2 270 800** | 9 395 634 |
| Distribution costs | | **(8 637 896)** | (8 440 769) |
| Administration expenses | | **(10 258 810)** | (9 716 671) |
| Other expenses | | **(47 971 801)** | (46 884 608 |
| **Operating profit** | 16 | **35 557 002** | 29 221 167 |
| Investment revenue | 17 | **1 085 932** | 458 120 |
| Finance charges | 18 | **(616 914)** | (528 277) |
| **Profit before taxation** | | **36 026 020** | 29 151 010 |
| Taxation | 19 | **(10 845 914)** | (8 194 472) |
| **Profit for the period** | | **25 180 106** | 20 956 538 |
| **Attributable to:** | | | |
| Equity holders | | **25 180 106** | 20 956 538 |
| **Earnings per share** | | | |
| Basic and diluted basic earnings per share (cents) | 23 | **25,2** | 21,7 |
| Headline and diluted headline earnings per share (cents) | 23 | **25,0** | 21,2 |

# STATEMENT OF CHANGES IN EQUITY for the year ended 31 May 2009

| | Share capital* R | Share premium R | Non-distributable reserves** R | Retained income R | Total equity R |
|---|---|---|---|---|---|
| **Balance at 1 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 1 June 2008** | 1 000 000 | 33 635 756 | 16 373 995 | 34 793 253 | 85 803 004 |
| *Changes in equity* | | | | | |
| Profit for the year | – | – | – | 25 180 106 | 25 180 106 |
| Dividend paid | – | – | – | (8 500 000) | (8 500 000) |
| Transfer to retained income | – | – | (126 591) | 126 591 | – |
| **Balance at 31 May 2009** | **1 000 000** | **33 635 756** | **16 247 404** | **51 599 950** | **102 483 110** |

* *Refer to note 7*

** *Refer to note 8*

# CASH FLOW STATEMENT for the year ended 31 May 2009

| | Notes | 2009 R | 2008 R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 25 | **23 518 221** | 29 893 317 |
| Investment revenue | | **1 085 932** | 458 120 |
| Finance costs | | **(616 914)** | (528 277) |
| Tax paid | 26 | **(10 278 970)** | (7 287 881) |
| **Net cash from operating activities** | | **13 708 269** | 22 535 279 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | **(4 828 301)** | (5 696 995) |
| Proceeds on disposal/claims for property, plant and equipment | | **545 124** | 708 764 |
| **Net cash from investing activities** | | **(4 283 177)** | (4 988 231) |
| **Cash flows from financing activities** | | | |
| Proceeds on share issue | 7 | **–** | 35 000 000 |
| Share issue expenses | | **–** | (364 318) |
| Proceeds/(repayment) of other financial liabilities | | **1 300 065** | (75 344) |
| Loans repaid to group companies | | **–** | (1 748 325) |
| Dividend paid | 27 | **(8 500 000)** | (35 000 000) |
| **Net cash from financing activities** | | **(7 199 935)** | (2 187 987) |
| **Total cash movement for the period** | | **2 225 157** | 15 359 061 |
| Cash at the beginning of the period | | **19 690 125** | 4 331 064 |
| **Total cash at end of the period** | 6 | **21 915 282** | 19 690 125 |

# ACCOUNTING POLICIES

**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 reassessed by the Financial Director on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

**Deferred taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The company recognises the net future tax benefit related to deferred income tax assets

1. **Presentation of annual financial statements** continued

1.1 **Significant judgements** continued

**Deferred taxation** continued

to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the year-end date could be impacted. Deferred tax is provided for on a basis that is reflective of management's intention at year-end relating to the expected manner of recovery of the carrying amount of the asset, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

**Employee benefit obligation**

Significant assumptions were made by the actuarial valuator, which have been assessed by management to be reasonable (refer to note 11).

**Impairment of property, plant and equipment**

Management used their judgement and applied the internal and external impairment indicators to investments and property, plant and equipment. No impairment indicators were identified and as such the recoverable amounts of the aforementioned assets were not calculated.

**Allowance for obsolete inventory**

Inventory is assessed on a continuous basis in order to ensure that it is correctly valued at the lower of cost or net realisable value. An allowance is made against stock to write stock down to the lower of cost or net realisable value when it is determined to be incorrectly valued as a consequence of changes in market conditions or it is considered to be damaged or unsaleable.

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 incurred subsequently to add to or replace part of 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.

**1. Presentation of annual financial statements** continued

**1.3 Property, plant and equipment** continued

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 or revalued amount, 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 or revalued amount, less residual value, on a straight-line basis over their useful lives as follows:

| Item | Average useful life |
|---|---|
| Buildings | |
| – walls/foundation | 3 – 40 years |
| – roof | 30 years |
| Plant and equipment | 3 – 7 years |
| Furniture and fixtures | 5 years |
| Motor vehicles | 4 years |
| IT equipment | 3 – 4 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. On initial measurement of a financial instrument any day one profit or loss is accounted for through the income statement.

1. **Presentation of annual financial statements** continued

1.4 **Financial instruments** continued

**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 considered for impairment on a case-by-case basis after taking into account any deterioration in the credit quality.

**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 company 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.

**Other 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.

**1. Presentation of annual financial statements** continued

**1.5 Tax** continued

**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. **Presentation of annual financial statements** continued

### 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 (FIFO) basis; and
- 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.

**1. Presentation of annual financial statements** continued

**1.8 Impairment of assets** continued

**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 uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit 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.

**1. Presentation of annual financial statements** continued

**1.10 Employee benefits** continued

**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 Fussell Umbrella Fund pension scheme in terms of the Pension Funds Act.

**Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) that are payable after the completion of employment. Post-employment benefit plans are arrangements under which an entity provides post-employment benefits to employees. Defined contribution benefit plans are where there are no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The company operates a single defined benefit plan. The company provides certain post-employment healthcare benefits to specifically identified employees. These benefits are unfunded. The cost of providing defined benefits is determined using the projected unit credit method. Valuations are conducted with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Actuarial gains and losses, i.e. differences between the previous actuarial assumptions and what actually occurred and changes in actuarial assumptions, are recognised immediately in profit or loss.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in profit or loss when the company is demonstrably committed to the curtailment or settlement.

Past service costs, i.e. increases or decreases in the present value of the defined benefit obligation for employee service in prior periods resulting from the introduction of, or changes to, post-employment benefits or other long-term employee benefits, are recognised immediately in profit or loss to the extent that the benefits have already vested. Otherwise they are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs.

**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.

# ACCOUNTING POLICIES continued

**1. Presentation of annual financial statements** continued

### 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; or
- the expenditure attributable to the asset during its development can be measured reliably.

**1. Presentation of annual financial statements** continued

### 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 the Rand 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

Segment accounting policies are consistent with those adopted for the preparation of the company financial statements. Segment information is determined on the same basis as the information used by the chief operating decision maker for the purposes of allocating resources to segments and assessing segments' performance. All intersegment transactions are eliminated on consolidation

### 1.18 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the party in making financial and operational decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning.

### 1.19 Headline earnings per share

The company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Headline earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 8/2007 issued by the South African Institute of Chartered Accountants ("SAICA").

### 1.20 Dividend distribution

Dividend distribution to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's board of directors.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 May 2009

**2. Standards, amendments to standards interpretations and amendments to interpretations**
**Standards adopted for the first time:**

**IFRS 8 – Operating Segments**
This standard requires an entity to report financial and descriptive information about its reportable segments or aggregation of operating segments that meet specified criteria. The financial information should be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This standard is effective for annual periods beginning on or after 1 January 2009. The company adopted this standard early in the prior year. The adoption did not impact the results, financial position and cash flows of the company but it has had an impact on the measurement and disclosure of segment results.

**IFRS 7 – Financial Instrument Disclosure**
This standard addresses the significance of financial instruments for an entity's financial position and performance. It requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures relating to exposure to risks arising from financial instruments describe management's objectives, policies and processes for managing those risks, while the quantitative disclosures provide information about the extent to which the entity is exposed to risk. The quantitative disclosures are based on information provided internally to the entity's key management personnel. These disclosures are to provide an overview of the entity's use of financial instruments and the exposures to risk they create. This standard is effective for annual periods beginning on or after 1 January 2007. The company adopted this standard in the prior year. The adoption has not impacted the results, financial position and cash flow of the company but it has had an impact on the disclosure.

**Interpretations and amendments to interpretations issued but not yet effective, comprise:**
Management is of the opinion that the adoption of these new interpretations will not have an impact on the financial statements. The company does not intend to early adopt neither the following new interpretations nor any amendments to interpretations:

2. **Standards, amendments to standards interpretations and amendments to interpretations** continued

| **Amendment** | **Description** | **Effective date** |
|---|---|---|
| **IFRIC 9** | **Reassessment of embedded derivatives** This amendment confirms that in addition to business combinations as defined by IFRS 3 (2008), derivatives acquired in the formation of a joint venture and in common control transactions are outside the scope of IFRIC 9. | **1 July 2009** |
| **IFRIC 13** | **Customer Loyalty Programmes** This interpretation addresses the 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. | **1 July 2008** |
| **IFRIC 15** | **Agreements for the Construction of Real Estate** This 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. | **1 January 2009** |
| **IFRIC 16** | **Hedges of a Net Investment in a Foreign Operation** This 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 company the hedging instrument can be held; and what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of.<br>A further amendment was made to clarify that hedging instruments may be held by any entity or entities within the company. This includes a foreign operation that itself is being hedged. | **1 October 2008**<br><br><br><br><br>**1 July 2009** |
| **IFRIC 17** | **Distribution of Non-cash Assets to Owners** This interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders | **1 July 2009** |
| **IFRIC 18** | **Transfers of Assets from Customers** This interpretation provides guidance on when an item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient. It addresses measurement on the date of transfer and the corresponding credit entry. The interpretation is to be applied prospectively to the transfer of assets from customers received on or after the effective date. | **1 July 2009** |

2. **Standards, amendments to standards interpretations and amendments to interpretations** continued
**Amendments to existing standards issued, but not yet effective comprise:**
Management is of the opinion that the adoption of these amendments will not have a significant impact on the financial statements. The company does not intend to early adopt the following amendments:

| Amendment | Description | Effective date |
|---|---|---|
| **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. | **1 January 2009** |
| **IFRS 2** | **Share-based Payments** This amendment deals with vesting conditions and cancellations. A further amendment confirms that in addition to business combinations as defined in IFRS 3 (2008) – Business Combinations, contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2 – Share-based Payments. | **1 January 2009**<br>**1 July 2009** |
| **IFRS 3** | **Business Combinations** This amendment deals with the accounting for business combinations. | **1 July 2009** |
| **IFRS 5** | **Non-current Assets Held for Sale and Discontinued Operations** This amendment deals with plans to sell the controlling interest in a subsidiary. A further amendment has been made to clarify that IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations specifies the disclosures required in respect of non-current assets (or disposal companies) classified as held for sale or discontinued operations. | **1 July 2009**<br>**1 January 2010** |
| **IFRS 7** | **Financial Instruments: Disclosures** This amendment deals with the presentation of finance costs. A further amendment has been made that deals with enhanced disclosures about fair value measurements and liquidity risk. | **1 January 2009** |
| **IFRS 8** | **Operating Segments** A textual amendment has been made to the standard to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. | **1 January 2010** |
| **IAS 1** | **Presentation of Financial Statements** This amendment deals with amendments to the structure of financial statements and current/non-current classification of derivatives. A further amendment has been made to clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. | **1 January 2009**<br>**1 January 2010** |
| **IAS 7** | **Statement of Cash Flows** This amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. | **1 January 2010** |
| **IAS 8** | **Accounting Policies, Changes in Accounting Estimates and Errors** This amendment deals with the status of implementation guidance. | **1 January 2009** |
| **IAS 10** | **Events after the Reporting Period** This amendment deals with dividends declared after the end of the reporting period. In conjunction with IFRIC 17 a further amendment has been made to IAS 10 that clarifies the recognition of a liability for a dividend payable. | **1 January 2009**<br>**1 July 2009** |

2. **Standards, amendments to standards interpretations and amendments to interpretations** continued

| Amendment | Description | Effective date |
|---|---|---|
| **IAS 16** | **Property, Plant and Equipment** This amendment deals with the recoverable amount and sale of assets held for rental. | **1 January 2009** |
| **IAS 17** | **Leases** This amendment resulted in the deletion of specific guidance regarding the classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification. As a consequence, the classification of land as finance or operating lease should be established by the application of the general principles of IAS 17. | **1 January 2010** |
| **IAS 18** | **Revenue** This amendment deals with the costs of originating a loan. | **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. | **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 IFRSs. | **1 January 2009** |
| **IAS 23** | **Borrowing Costs** This amendment only allows the capitalisation model and components of borrowing costs. | **1 January 2009** |
| **IAS 27** | **Consolidated and Separate Financial Statements** The amendment deals with the measurement of the cost of investments when adopting IFRS for the first time. Further amendments deal with consequential amendments from changes to Business Combinations and measurement of a subsidiary held for sale in the separate financial statements. | **1 January 2009**<br>**1 July 2009** |
| **IAS 28** | **Investments in Associates** The amendment deals with consequential amendments from changes to Business Combinations. Further amendments deal with required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of investment in associate. | **1 July 2009**<br>**1 January 2009** |
| **IAS 29** | **Financial Reporting in Hyperinflationary Economies** This amendment deals with the description of measurement basis in financial statements and consistency of terminology with other IFRSs. | **1 January 2009** |
| **IAS 31** | **Interests in Joint Ventures** This amendment deals with consequential amendments from changes to Business Combinations and requires disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss. | **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. | **1 January 2009** |
| **IAS 34** | **Interim Financial Reporting** This amendment deals with earnings per share disclosures in interim financial reports. | **1 January 2009** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 May 2009

**2. Standards, amendments to standards interpretations and amendments to interpretations** continued

| Amendment | Description | Effective date |
|---|---|---|
| **IAS 36** | **Impairment of Assets** This amendment deals with disclosure of estimates used to determine the recoverable amount. A further amendment was made to clarify that the largest cash-generating unit (or company of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8 – Operating Segments (i.e. before the aggregation of segments with similar economic characteristics permitted by IFRS 8.12). | **1 January 2009**<br>**1 January 2010** |
| **IAS 38** | **Intangible Assets** This amendment deals with advertising activities, promotional activities and unit of production method of amortisation. Two further amendments were made. One includes clarifying the requirements under IFRS 3 (2008) regarding accounting for intangible assets acquired in a business combination. The second amendment clarifies the description of the valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. | **1 January 2009**<br>**1July 2009**<br>**1 January 2010** |
| **IAS 39** | **Financial Instruments: Recognition and Measurement** This amendment deals with the 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. Several further amendments have been processed that are effective at different dates. Amendments effective for annual periods beginning on or after 1 January 2010 deal with treating loan prepayment penalties as closely related embedded derivatives, scope exemption for business combination contracts, cash flow hedge accounting and hedging using internal contracts. An amendment effective for annual periods beginning on or after 1 July 2009 deals with the clarification of two hedge accounting issues surrounding inflation in a financial hedged item and a one-sided risk in a hedged item. An amendment effective for annual periods ending on or after 30 June 2009 deals with embedded derivatives when reclassifying financial instruments. | **1 January 2009**<br>**1 January 2010**<br>**1 July 2009**<br>**30 June 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. | **1 January 2009** |
| **IAS 41** | **Agriculture** This amendment deals with the discount rate for fair value calculations, additional biological transformation, examples of agricultural produce and products and point-of-sale costs. | **1 January 2009** |

**Note** All interpretations and amendments to both standards and interpretations are effective for annual periods beginning on or after the specified effective date with the exception of IFRIC 18.

## 3. Property, plant and equipment

| | 2009 Cost/ valuation R | 2009 Accumulated depreciation R | 2009 Carrying value R | 2008 Cost/ valuation R | 2008 Accumulated depreciation R | 2008 Carrying value R |
|---|---|---|---|---|---|---|
| Land | **22 143 000** | **–** | **22 143 000** | 22 143 000 | – | 22 143 000 |
| Buildings | **10 292 064** | **(1 050 027)** | **9 242 037** | 10 212 105 | (655 105) | 9 557 000 |
| Plant and machinery | **6 248 091** | **(3 994 547)** | **2 253 544** | 5 536 446 | (3 848 993) | 1 687 453 |
| Furniture and fixtures | **724 375** | **(310 236)** | **414 139** | 602 585 | (207 449) | 395 136 |
| Motor vehicles | **8 306 951** | **(3 710 591)** | **4 596 360** | 6 659 504 | (3 437 603) | 3 221 901 |
| IT equipment | **3 782 777** | **(2 102 575)** | **1 680 202** | 2 987 202 | (1 638 647) | 1 348 555 |
| Total | **51 497 258** | **(11 167 976)** | **40 329 282** | 48 140 842 | (9 787 797) | 38 353 045 |

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

| | Opening balance R | Additions R | Disposals R | Impairment R | Revaluation R | Depreciation R | Total R |
|---|---|---|---|---|---|---|---|
| Land | **22 143 000** | **–** | **–** | **–** | **–** | **–** | **22 143 000** |
| Buildings | **9 557 000** | **79 958** | **–** | **–** | **–** | **(394 921)** | **9 242 037** |
| Plant and machinery | **1 687 453** | **817 973** | **–** | **–** | **–** | **(251 882)** | **2 253 544** |
| Furniture and fixtures | **395 136** | **128 454** | **–** | **–** | **–** | **(109 451)** | **414 139** |
| Motor vehicles | **3 221 901** | **2 737 200** | **(243 678)** | **–** | **–** | **(1 119 063)** | **4 596 360** |
| IT equipment | **1 348 555** | **1 064 716** | **(97 344)** | **–** | **–** | **(635 725)** | **1 680 202** |
| Total | **38 353 045** | **4 828 301** | **(341 022)** | **–** | **–** | **(2 511 042)** | **40 329 282** |

**Reconciliation of property, plant and equipment – 2008**

| | Opening balance R | Additions R | Disposals R | Impairment R | Revaluation R | Depreciation R | Total 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 |

Certain property, plant and equipment are pledged as security over banking facilities and borrowings as detailed in notes 6 and 9 respectively.

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

| | 2009 R | 2008 R |
|---|---|---|
| Motor vehicles | **4 596 360** | 3 221 901 |

**3. Property, plant and equipment** continued

**Details of properties**

Portion 63 of the farm Vogelfontein number 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.

| | | **2009**<br>**R** | 2008<br>R |
|---|---|---|---|
| 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** | 256 880 |
| Revaluation | 2008 | **6 496 431** | 6 496 431 |
| Additions at cost | 2009 | **21 330** | – |
| | | **15 039 137** | 15 017 807 |

Remaining extent of Erf 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.

| | | **2009**<br>**R** | 2008<br>R |
|---|---|---|---|
| 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** | 3 375 750 |
| Revaluation | 2008 | **1 994 738** | 1 994 738 |
| Addition at cost | 2009 | **58 628** | – |
| | | **13 365 312** | 13 306 684 |

**3. Property, plant and equipment** continued

Units 1, 2 and 3 in the building known as Swift Park Three, sectional plan number 290/96, situated at Erf 32461, Cape Town and measuring 102 312 and 886 square meters 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 Units 1, 2 and 3. The approach used was the income/investment method of valuation. The effective date of valuation was 1 May 2008.

| | | **2009** | 2008 |
|---|---|---|---|
| | | **R** | R |
| 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 |
| Revaluations | 2006 | **1 391 686** | 1 391 686 |
| Additions at cost | 2007 | **241 551** | 241 551 |
| Revaluation | 2008 | **989 065** | 989 065 |
| | | **4 030 616** | 4 030 616 |

| | **2009** | 2008 |
|---|---|---|
| | **R** | R |
| Total value of properties | **31 385 037** | 31 700 000 |

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 208 012.

All of the above properties serve as security for the overdraft facilities referred to in note 6.

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**

| | **2009** | 2008 |
|---|---|---|
| | **R** | R |
| Raw materials | **14 624 019** | 10 168 512 |
| Work in progress | **315 365** | 611 991 |
| Finished goods | **42 624 212** | 35 450 522 |
| Consumable stores | **73 325** | 119 518 |
| Provision for obsolescence | **(28 293)** | (128 502) |
| | **57 608 628** | 46 222 041 |

The amount of write-down of inventories recognised as an expense is R1 137 613 (2008: R5 278 620, of this amount, the impairment due to flood damage was R2 995 547 for raw materials and R1 410 692 for finished goods.)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 May 2009

| | | 2009<br>R | 2008<br>R |
|---|---|---|---|
| **5.** | **Trade and other receivables** | | |
| | Trade receivables | **41 904 042** | 40 257 310 |
| | Prepaid expenses | **244 717** | 210 529 |
| | Deposits | **63 339** | 61 050 |
| | Value added tax | **–** | 43 965 |
| | Sundry debtors | **154 899** | 99 852 |
| | Insurance claim | **–** | 2 529 055 |
| | | **42 366 997** | 43 201 761 |

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 6.

For credit risk relating to trade receivables, refer to note 32.

| | | 2009<br>R | 2008<br>R |
|---|---|---|---|
| **6.** | **Cash and cash equivalents** | | |
| | Cash and cash equivalents consist of: | | |
| | Cash on hand | **50 100** | 50 100 |
| | Bank balances | **21 865 182** | 19 640 025 |
| | | **21 915 282** | 19 690 125 |

**Extent of facilities with Nedbank:**
Overdraft facility of R3 500 000;
Guarantees by the bank R1 500 000; and
Forward exchange contract facility of R2 000 000.

**The following serve as security for overdraft facilities of the company:**
Mortgage bond over portion 63 of farm Vogelfontein number 84 Gauteng, for the amount of R4 300 000;
Mortgage bond over Erf 406, Isipingo, KwaZulu-Natal, Ext 1 3287, for the amount of R2 200 000;
Mortgage bond over Units 1, 2 and 3 in Swift Park Three, sectional plan number 290/96, for the amount of R1 380 000; and
Cession of trade receivables (refer to note 5).

| | 2009 R | 2008 R |
|---|---|---|
| **7. Share capital** | | |
| **Authorised** | | |
| 200 000 000 ordinary shares at 1 cent each | **2 000 000** | 2 000 000 |

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. Shares in issue are fully paid up.

| | **2009** | | 2008 | |
|---|---|---|---|---|
| Issued share capital | **Number of shares** | **Value R** | Number of shares | Value R |
| Balance at the beginning of the year | **100 000 000** | **1 000 000** | 74 | 74 |
| Share split from 100 cents per share to 1 cent per share | **–** | **–** | 7 326 | – |
| | **100 000 000** | **1 000 000** | 7 400 | 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** | 100 000 000 | 1 000 000 |

**2009**

There were 100 000 000 ordinary shares in issue for the full year.

**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) Limited 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.

| | | 2009<br>R | 2008<br>R |
|---|---|---|---|
| **8.** | **Non-distributable reserve** | | |
| | **Revaluation reserve** | | |
| | **Comprising:** | | |
| | Surpluses on revaluation of land and buildings | **16 373 995** | 16 373 995 |
| | **Reconciliation of revaluation reserve:** | | |
| | Balance at the beginning of the year | **16 373 995** | 7 747 729 |
| | Movement during the year: | | |
| | Revaluation of assets | **–** | 8 752 857 |
| | Depreciation/realisation | **(126 591)** | (126 591) |
| | | **16 247 404** | 16 373 995 |
| **9.** | **Other financial liabilities** | | |
| | **At fair value through profit or loss** | | |
| | Foreign exchange contracts liability | **967 035** | 680 395 |
| | **Held at amortised cost** | | |
| | *Instalment sale agreements* | | |
| | Non-current liability | **–** | 52 178 |
| | Current liability | **–** | 22 495 |
| | *Finance lease liability* | | |
| | Non-current liability | **3 534 035** | 2 295 476 |
| | Current liability | **1 265 616** | 1 129 437 |
| | Finance leases and instalment sale agreement are secured over assets having a net book value of R4 596 360 (2008: R2 773 511) and are repayable in monthly instalments of R105 468 (2008: R94 120). Interest accrues at rates between prime to 1% below prime interest rate per annum (2008: 1,0% to 2,0% below prime interest rate). | | |
| | | **4 799 651** | 3 499 586 |
| | | **5 766 686** | 4 179 981 |
| | **Non-current liabilities** | | |
| | At amortised cost | **3 534 035** | 2 347 654 |
| | **Current liabilities** | | |
| | At fair value | **967 035** | 680 395 |
| | At amortised cost | **1 265 616** | 1 151 932 |
| | | **2 232 651** | 1 832 327 |
| | | **5 766 686** | 4 179 981 |

| | | 2009 R | 2008 R |
|---|---|---|---|
| **10.** | **Deferred tax** | | |
| | **Deferred tax asset/(liability)** | | |
| | Property, plant and equipment | **(5 651 652)** | (4 793 157) |
| | Prepayments | **(20 283)** | (58 947) |
| | Provisions | **1 667 349** | 1 457 481 |
| | Finance leases | **1 275 746** | 931 391 |
| | | **(2 728 840)** | (2 463 232) |
| | **Reconciliation of deferred tax asset/(liability)** | | |
| | At beginning of the year | **(2 463 232)** | (1 646 815) |
| | Originating temporary difference on tangible fixed assets | **(858 495)** | (139 665) |
| | Originating temporary difference on prepayments | **38 664** | (12 382) |
| | Originating temporary difference on provisions | **209 868** | (51 625) |
| | Originating temporary difference on finance lease liability | **344 355** | 114 635 |
| | Accounted for in equity revaluation of land and buildings | **–** | (727 380) |
| | | **(2 728 840)** | (2 463 232) |

**Items charged or credited to equity**

There was no revaluation of land and buildings in 2009 (2008: R8 752 857).

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**11. Employee benefit liability**

The company has an obligation in respect of post-retirement medical costs of normal monthly contributions of certain current employees whose employment with Murray & Roberts commenced before 1 July 1996. The number of employees entitled to this benefit is 19 (2008: 21). The obligation was actuarially valued, for the first time, as at 31 May 2009 by Alexander Forbes Health (Pty) Limited.

| | **2009** | 2008 |
|---|---|---|
| | **R** | R |
| Non-current | **2 364 000** | 2 164 815 |
| Current | **38 900** | 82 793 |
| | **2 402 900** | 2 247 608 |

Principal assumptions

| **Valuation date** | **31 May 2009** |
|---|---|
| Discount rate | 9,25% per annum |
| Health care cost inflation | 8,00% per annum |
| CPI inflation | 6,00% per annum |
| Expected retirement age | 63 |
| Membership discontinued at retirement | 0% |

We have assumed that the current contribution table(s) of the medical scheme(s) would continue to apply in the future, with allowance for inflationary increases of 8% per annum. We have assumed that health care cost inflation exceeds CPI inflation by an average of 2,00% per annum over the long term.

The annualised compound rates of increase for the ten-year period 1998 to 2007 are:

| | |
|---|---|
| CPIX inflation | 6,4% |
| Medical care and health expense inflation | 9,3% |
| Registered medical schemes contribution inflation | 9,6% |

Based on current industry data, a starting proportion of 15% of average remuneration is assumed at the start of the first year. The proportion is monitored over a period of 40 years. We assumed that average remuneration inflation would equal CPI inflation.

**11. Employee benefit liability** continued

**Sensitivity analysis**

| | | | Health care cost inflation | |
|---|---|---|---|---|
| | | **Central assumption 8%** | **-1%** | **+1%** |
| Accrued liability 31 May 2009 | (Rand) | 2 402 900 | 2 056 882 | 2 828 213 |
| Change | (%) | – | -14,4 | +17,7 |
| Current service cost plus interest cost 2009/10 | (Rand) | 328 000 | 279 128 | 389 992 |
| Change | (%) | – | -14,9 | +18,9 |

| | | | Health care cost inflation | |
|---|---|---|---|---|
| | | **Central assumption 8%** | **+5% for five years** | **+10% for five years** |
| Accrued liability 31 May 2009 | (Rand) | 2 402 900 | 2 984 402 | 3 676 437 |
| Change | (%) | – | +24,2 | +53,0 |

| | | | Discount rate | |
|---|---|---|---|---|
| | | **Central assumption 9,25%** | **-1%** | **+1%** |
| Accrued liability 31 May 2009 | (Rand) | 2 402 900 | 2 828 213 | 2 061 688 |
| Change | (%) | – | +17,7 | -14,2 |

| | | | Expected retirement age | |
|---|---|---|---|---|
| | | **Central assumption 63 years** | **One year younger** | **One year older** |
| Accrued liability 31 May 2009 | (Rand) | 2 402 900 | 2 599 938 | 2 208 265 |
| Change | (%) | – | +8,2 | -8,1 |

## 12. Provisions

**Reconciliation of provisions – 2009**

| | Opening balance R | Amounts reversed R | Additions R | Utilised during the year R | Total R |
|---|---|---|---|---|---|
| Claims provision | **219 000** | **–** | **244 659** | **(448 659)** | **15 000** |
| Bonus provision | **1 013 462** | **–** | **2 773 329** | **(2 555 393)** | **1 231 398** |
| | **1 232 462** | **–** | **3 017 988** | **(3 004 052)** | **1 246 398** |

**Reconciliation of provisions – 2008**

| | Opening balance R | Amounts reversed R | Additions R | Utilised during the year R | Total 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 |
| | 1 081 635 | (44 968) | 2 556 650 | (2 360 855) | 1 232 462 |

| | **2009 R** | 2008 R |
|---|---|---|
| Non-current liabilities | **15 000** | 219 000 |
| Current liabilities | **1 231 398** | 1 013 462 |
| | **1 246 398** | 1 232 462 |

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

Claims provision relates to possible claims for product failure.

| | **2009 R** | 2008 R |
|---|---|---|
| **13. Trade and other payables** | | |
| Trade payables | **31 963 788** | 33 731 849 |
| Profit share/merit bonus accruals | **1 165 287** | 1 456 397 |
| Accrued leave pay | **1 257 736** | 966 128 |
| Accrued liabilities | **10 730 729** | 13 311 869 |
| Other payables | **420 833** | 321 896 |
| | **45 538 373** | 49 788 139 |

| | | 2009<br>R | 2008<br>R |
|---|---|---|---|
| **14.** | **Revenue** | | |
| | Revenue is stated at the invoice amount less volume rebates and discounts allowed, and value added tax. | | |
| | Sale of goods | **270 554 280** | 227 147 281 |
| | Volume rebates and discounts allowed | **(7 825 354)** | (6 842 693) |
| | | **262 728 926** | 220 304 588 |
| **15.** | **Cost of sales** | | |
| | **Sale of goods** | | |
| | Cost of goods sold | **142 349 427** | 116 447 060 |
| | Discount received | **(292 780)** | (193 373) |
| | Transport expenses | **6 171 275** | 5 842 778 |
| | Employee costs | **7 777 315** | 6 817 849 |
| | Depreciation | **500 442** | 856 083 |
| | Maintenance | **1 484 895** | 1 113 647 |
| | Other manufacturing costs | **4 583 643** | 4 552 963 |
| | | **162 574 217** | 135 437 007 |
| **16.** | **Operating profit** | | |
| | Operating profit for the year is stated after accounting for the following: | | |
| | **Other income comprises:** | | |
| | Insurance proceeds on flood damage | **–** | (6 529 054) |
| | Profit on sale of assets | **(204 103)** | (159 951) |
| | Profit on exchange differences | **(659 089)** | (559 139) |
| | Royalties | **(100 444)** | (125 397) |
| | Export freight recovery | **(1 019 793)** | (1 707 995) |
| | Sundry income | **(16 431)** | – |
| | Training rebate | **(270 940)** | (314 098) |
| | | **(2 270 800)** | (9 395 634) |
| | **Operating lease charges** | | |
| | Premises | **649 466** | 665 007 |
| | Equipment | **317 153** | 450 842 |
| | | **966 619** | 1 115 849 |

There are purchase options for the majority of assets under operating leases. Full maintenance leases are subject to escalation clauses. Certain of these operating leases are linked to the prime lending rate while others have fixed escalation clauses.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 May 2009

| | **2009** | 2008 |
|---|---|---|
| | **R** | R |
| **16. Operating profit** continued | | |
| **Expenses and impairments relating to flood damage (included in other expenses):** | | |
| 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 (excluding cost of sales) | **2 010 601** | 1 265 954 |
| **Employee costs** | **32 920 383** | 29 638 866 |
| Salaries and wages | **24 935 481** | 22 015 713 |
| Pension fund contributions | **2 044 223** | 1 966 080 |
| Provident fund contributions | **381 172** | 619 236 |
| Medical aid | **1 682 829** | 1 554 154 |
| Leave pay provision | **255 685** | 167 190 |
| Bonus | **3 447 976** | 3 377 429 |
| Change in post-retirement medical aid provision | **155 292** | (267 003) |
| Relocation | **17 725** | – |
| Research costs | **–** | 206 067 |

| | 2009<br>R | 2008<br>R |
|---|---|---|
| **17. 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 | **(1 085 932)** | (458 120) |
| **18. Finance charges** | | |
| Finance costs were incurred on financial liabilities classified as other financial liabilities held at amortised cost. | | |
| Finance leases | **505 696** | 461 151 |
| Other | **11 913** | 9 450 |
| Instalment sale liabilities | **9 743** | 15 343 |
| Bank overdraft | **89 562** | 42 333 |
| | **616 914** | 528 277 |
| **19. Taxation** | | |
| **Major components of the tax expense** | | |
| **Current** | | |
| Local income tax – current period | **9 730 306** | 8 102 576 |
| Secondary tax on companies | **850 000** | – |
| Local income tax – recognised in current tax for prior periods | **–** | 2 860 |
| | **10 580 306** | 8 105 436 |
| **Deferred** | | |
| Provisions | **(209 868)** | 51 624 |
| Finance leases | **(344 355)** | (114 635) |
| Prepayments | **(38 664)** | 12 382 |
| Capital allowances | **858 495** | 139 665 |
| | **265 608** | 89 036 |
| | **10 845 914** | 8 194 472 |

**Reconciliation of the tax expense**

Reconciliation between applicable tax rate and average effective tax rate.

| | | 2009 | 2008 |
|---|---|---|---|
| Applicable tax rate | (%) | **28,00** | 28,00 |
| Change in tax rate | (%) | **–** | 0,20 |
| Prior year underaccrual | (%) | **0,56** | 0,01 |
| Secondary tax on companies | (%) | **2,55** | – |
| Non-taxable income | (%) | **(1,00)** | (0,10) |
| | (%) | **30,11** | 28,11 |

The corporate tax rate changed from 29% to 28% in the prior year.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 May 2009

**20. 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 company was a member of the Steelwood Africa Retirement Fund until 30 April 2009 and then joined the Fussell Umbrella Fund with effect from 1 May 2009.

The company also contributes to the Chemical Industry Provident Fund on behalf of employees that 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.

| | **2009** | 2008 |
|---|---|---|
| | **R** | R |
| Total value of contributions paid by the company to the retirement fund | **2 065 747** | 1 966 080 |
| Total value of contributions paid by company to the provident fund | **773 840** | 619 236 |

**21. Auditors' remuneration**

| | | |
|---|---|---|
| Audit fees | **574 919** | 457 247 |
| Tax, secretarial and accounting services | **21 407** | 10 200 |
| | **596 326** | 467 447 |

## 22. Directors' emoluments

| | Basic salary R | Bonus R | Company contribution to pension or provident fund and medical aid R | Fringe benefits and allowances R | Total R |
|---|---|---|---|---|---|
| **2009** | | | | | |
| **Executive directors** | | | | | |
| L F Avis | **736 200** | **250 440** | **117 370** | **149 816** | **1 253 826** |
| S P Stacey | **1 165 650** | **411 480** | **210 328** | **317 305** | **2 104 763** |
| S Rault | **615 000** | **238 600** | **97 953** | **125 152** | **1 076 705** |
| I Hague* | **228 445** | **–** | **33 932** | **46 488** | **308 865** |
| | **2 745 295** | **900 520** | **459 583** | **638 761** | **4 744 159** |
| **2008** | | | | | |
| **Executive directors** | | | | | |
| L F Avis | 667 393 | 386 852 | 82 086 | 57 940 | 1 194 271 |
| S P Stacey | 1 102 200 | 695 865 | 132 026 | 116 308 | 2 046 399 |
| S Rault | 596 353 | 371 872 | 70 167 | 46 079 | 1 084 471 |
| | 2 365 946 | 1 454 589 | 284 279 | 220 327 | 4 325 141 |

| | | | | Fees R | Total R |
|---|---|---|---|---|---|
| **2009** | | | | | |
| **Non-executive directors** | | | | | |
| S K Mota | **–** | **–** | **–** | **156 917** | **156 917** |
| M G Meehan* | **–** | **–** | **–** | **88 000** | **88 000** |
| R B Patmore* | **–** | **–** | **–** | **98 667** | **98 667** |
| | **–** | **–** | **–** | **343 584** | **343 584** |
| **2008** | | | | | |
| **Non-executive directors** | | | | | |
| S K Mota | | | | 100 000 | 100 000 |

** Appointed 5 February 2009.*

**23. Earnings per share**

The calculation of basic and diluted earnings per share is based on net profit attributable to ordinary shareholders of R25 180 106 (2008: R20 956 538) and a weighted average of 100 000 000 (2008: 96 750 000) shares in issue throughout the year.

The calculation of headline and diluted headline earnings per share is based on earnings of R25 033 152 (2008: R20 484 805) and a weighted average of 100 000 000 (2008: 96 750 000) shares in issue throughout the year.

| | | **2009**<br>**R** | 2008<br>R |
|---|---|---|---|
| Basic and diluted earnings per share | (cents) | **25,2** | 21,7 |
| Headline earnings per share | (cents) | **25,0** | 21,2 |
| **Reconciliation of total earnings to headline earnings attributable to equity holders:** | | | |
| Earnings attributable to ordinary shareholders | | **25 180 106** | 20 956 538 |
| **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 | | **(204 103)** | (159 951) |
| Tax effects of adjustments | | **57 149** | 183 063 |
| **Headline earnings** | | **25 033 152** | 20 484 805 |

| | **Number of shares**<br>**2009** | Number of shares<br>2008 |
|---|---|---|
| **Reconciliation of weighted average number of shares:** | | |
| Shares at the beginning of the year | **100 000 000** | 74 |
| Share split | **–** | 7 326 |
| Issue of shares for consideration in August – apportioned | **–** | 2 275 |
| Capitalisation issue | **–** | 96 740 325 |
| **Weighted average number of shares** | **100 000 000** | 96 750 000 |

**24. Dividends per share**

A maiden dividend of eight-and-a-half cents (8,5 cents) per ordinary share was declared on 30 July 2008 and was paid in September 2008.

The directors have declared a dividend of ten cents (10 cents) per ordinary share payable in September 2009.

| | | **2009** | 2008 |
|---|---|---|---|
| | | **R** | R |
| **25.** | **Cash generated from/(used in) operations** | | |
| | Profit before taxation | **36 026 020** | 29 151 010 |
| | **Adjustments for:** | | |
| | Depreciation | **2 511 042** | 2 122 037 |
| | Profit/claims on disposals of property, plant and equipment | **(204 103)** | (658 431) |
| | Interest received | **(1 085 932)** | (458 120) |
| | Finance costs | **616 914** | 528 277 |
| | Movements in retirement benefit assets and liabilities | **155 292** | (399 245) |
| | Movements in provisions | **13 937** | 150 827 |
| | Movements in foreign exchange contracts | **286 640** | 561 57 |
| | **Changes in working capital:** | | |
| | Inventories | **(11 386 587)** | (16 105 006) |
| | Trade and other receivables | **834 764** | (10 535 577) |
| | Trade and other payables | **(4 249 766)** | 25 535 969 |
| | | **23 518 221** | 29 893 317 |
| **26.** | **Tax paid** | | |
| | Balance at beginning of the period | **(1 752 546)** | (934 992) |
| | Current tax for the period recognised in income statement | **(10 580 306)** | (8 105 435) |
| | Balance at end of the period | **2 053 882** | 1 752 546 |
| | | **10 278 970** | 7 287 881 |
| **27.** | **Dividends paid** | | |
| | Balance at beginning of the period | **–** | 35 000 000 |
| | Dividend declared | **8 500 000** | – |
| | Balance at end of the period | **–** | – |
| | | **8 500 000** | 35 000 000 |
| **28.** | **Commitments** | | |
| | **Operating leases – as lessee (expense)** | | |
| | **Minimum lease payments due under non-cancellable leases** | | |
| | – within one year | **561 857** | 677 545 |
| | – in second to fifth year inclusive | **678 888** | 578 945 |
| | | **1 240 745** | 1 256 490 |

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 four years with no renewal clause. The equipment is serviced by their lessor within their specifications.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 May 2009

| | | 2009 R | 2008 R |
|---|---|---|---|
| **29.** | **Contingencies** | | |
| | **Tax consequences of distributable reserves** | | |
| | STC on remaining reserves at 10% | **4 690 905** | 3 163 023 |

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% (2008: 10%) on the amount of the dividend.

Guarantees provided by Nedbank Corporate to:

| Beneficiary | Purpose | Amount (R) | Bank |
|---|---|---|---|
| City Treasurer | Water, lights | 35 700 | Nedbank |
| South African Revenue Services | Customs, clearing | 505 500 | Nedbank |

**30. Related parties**

**Relationships**

| | |
|---|---|
| Kwikspace Modular Buildings Limited | Common directorship |
| Members of key management | L F Avis |
| | I Hague |
| | S Rault |
| | S P Stacey |

| | 2009 R | 2008 R |
|---|---|---|
| **Related party balances** | | |
| **Amounts included in trade receivables** | | |
| Kwikspace Modular Buildings Limited | **66 568** | 104 151 |
| **Related party transactions** | | |
| **Sales to related parties** | | |
| Kwikspace Modular Buildings Limited | **316 122** | 797 628 |
| All related party transactions are arms length and are subject to the normal terms and conditions given to external customers. | | |
| **Key management remuneration** | | |
| Short-term benefits – directors salaries | **3 645 815** | 3 820 535 |
| Company contribution to pension, provident fund and medical aid | **459 583** | 284 279 |
| Fringe benefits, allowances, directors fees | **638 761** | 220 327 |

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 dissimilar 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 not reported on this basis to management.

**31. Segment analysis** continued

| | Company | | Reconciling item | | South Africa | | Export | |
|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **Geographical area** | **R** | R | **R** | R | **R** | R | **R** | R |
| Trade receivables | **41 904 042** | 40 257 310 | **(629 177)** | (1 128 510) | **39 128 164** | 37 748 482 | **3 405 055** | 3 637 338 |
| Segment revenue – external customers | **262 728 926** | 220 304 588 | **(7 825 354)** | (6 842 693) | **244 929 714** | 205 640 439 | **25 624 566** | 21 506 842 |
| Reconciling items for segment revenue to external customers consist of: | | | | | | | | |
| Settlement discount | | | **(3 998 031)** | (3 364 869) | | | | |
| Rebates | | | **(3 827 323)** | (3 477 824) | | | | |
| Total | | | **(7 825 354)** | (6 842 693) | | | | |
| Segment profit before tax | **36 026 020** | 29 151 010 | **(19 813 913)** | (18 659 953) | **47 835 382** | 41 671 886 | **8 004 551** | 6 139 077 |
| Reconciling items for segment profit before tax consist of: | | | | | | | | |
| Head office | | (9 092 078) | **(7 928 999)** | | | | | |
| National | | | | | | | | |
| – administration | | (3 955 912) | **(3 861 676)** | | | | | |
| – warehouse | | (2 432 074) | **(2 448 842)** | | | | | |
| – selling | | (5 417 574) | **(4 857 934)** | | | | | |
| – sundry | | 614 707 | **507 655** | | | | | |
| Interest expense | | (616 914) | **(528 277)** | | | | | |
| Interest received | | 1 085 932 | **458 120** | | | | | |
| Total | | (19 813 913) | **(18 659 953)** | | | | | |

| | Company | | Reconciling item | | Resellers | | Construction | | Exports | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| **Business activity** | **R** | R | **R** | R | **R** | R | **R** | R | **R** | R |
| Segment revenue | | | | | | | | | | |
| – external customers | **262 728 926** | 220 304 588 | **(7 825 354)** | (6 842 693) | **94 981 682** | 83 076 811 | **149 948 032** | 122 563 628 | **25 624 566** | 21 506 842 |
| Segment gross profit | **100 154 709** | 84 867 581 | **(11 511 275)** | (6 740 673) | **41 346 732** | 35 516 228 | **60 748 031** | 48 824 384 | **9 571 221** | 7 267 642 |

**31. Segment analysis** continued

| Sales to external customers by product category | 2009<br>R | 2008<br>R |
|---|---|---|
| Waterproofing | **140 743 118** | 120 173 431 |
| General construction | **61 133 896** | 45 415 314 |
| Silicone and sealants | **60 249 078** | 55 330 022 |
| Other | **8 428 188** | 6 228 514 |
| Total | **270 554 280** | 227 147 281 |
| Reconciling item | **(7 825 354)** | (6 842 693) |
| Company | **262 728 926** | 220 304 588 |

**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 is responsible for decision making. Liabilities, interest revenue, interest paid, depreciation and income tax is not monitored by the chief operating decision maker on an operating segment basis. All intersegment transactions are at arm's lengths. There have been no changes to the measurement basis used to determine the reported segment profit and loss since the prior year.

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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 May 2009

**32. 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 which will ensure alignment with the company's risk appetite and overall strategy which is being formalised.

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 includes interest rate risk and foreign currency risk.

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 from previous periods 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, unless otherwise stated in this note. Information disclosed has not been disaggregated as the financial instruments used by the company share the same economic characteristics and market conditions with the exception of trade receivables and trade payables.

**Principal financial instruments**

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

- trade receivables;
- cash and cash equivalents;
- forward exchange contracts assets and liabilities;
- variable rate finance lease liabilities; and
- trade payables.

The directors have an overall responsibility for the determination of the company's risk appetite and policies, and they ensure that excess cash generated from 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 creditworthiness is accepted. The directors, on a monthly basis, monitor collections from customers, movements in the prime lending rates and exchange rates. Risks are hedged through the direct use of financial instruments. Furthermore, financial instruments are not used for speculative purposes. The fair value of financial instruments has been determined by discounting future estimated cash flows to their present value where material.

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.

**32. Risk management** continued

**Categories of financial instruments**

| | FVTPL R | Held for trading R | Loans and receivables R | Total R | Fair value R |
|---|---|---|---|---|---|
| **2009** | | | | | |
| **Financial assets** | | | | | |
| **Trade receivables** | | | | | |
| – foreign | **–** | **–** | **3 405 055** | **3 405 055** | **3 405 055** |
| – local | **–** | **–** | **38 498 987** | **38 498 987** | **38 498 987** |
| Cash and cash equivalents | **–** | **–** | **21 915 282** | **21 915 282** | **21 915 282** |
| Total | **–** | **–** | **63 819 324** | **63 819 324** | **63 819 324** |
| **2008** | | | | | |
| **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 equivalents | – | – | 19 690 125 | 19 690 125 | 19 690 125 |
| Total | – | – | 59 947 435 | 59 947 435 | 59 947 435 |

| | FVTPL R | Held for trading R | At amortised cost R | Total R | Fair value R |
|---|---|---|---|---|---|
| **2009** | | | | | |
| **Financial liabilities** | | | | | |
| *Derivative financial liabilities* | | | | | |
| Forward exchange contracts liabilities | **–** | **967 035** | **–** | **967 035** | **967 035** |
| *Non-derivative financial liabilities* | | | | | |
| Finance lease liabilities | **–** | **–** | **4 799 651** | **4 799 651** | **4 799 651** |
| **Trade payables** | | | | | |
| – foreign | **–** | **–** | **7 996 843** | **7 996 843** | **7 996 843** |
| – local | **–** | **–** | **23 966 945** | **23 966 945** | **23 966 945** |
| Total | **–** | **967 035** | **36 763 439** | **37 730 474** | **37 730 474** |
| **2008** | | | | | |
| **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 |

**32. 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. This exposure is not considered excessive due to the 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 0,026% (2008: 0,02%). The company does not request collateral or other guarantees from existing or potential trade debtors, except where appropriate. The company does not hold any collateral with regards to trade receivables.

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; and
- 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 R530 294 (2008: R241 835).

The maximum exposure of financial assets to credit risk equates to the carrying amounts as presented on the balance sheet and notes thereto. The time bands selected by management for the aging of trade debtors are considered most reflective of business operations.

Reconciliation of the doubtful debts allowance account:

| | Individually assessed | | Collectively assessed | | Total | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **R** | R | **R** | R | **R** | R |
| Allowances as at 1 June 2008 | **1 128 510** | 798 360 | **–** | – | **1 128 510** | 798 360 |
| Increase in provisions | **–** | 571 985 | **–** | – | **–** | 571 985 |
| Recovered amounts reversed | **30 962** | – | **–** | – | **30 962** | – |
| Written off as uncollectable | **(530 295)** | (241 835) | **–** | – | **(530 295)** | (241 835) |
| Allowances as at 31 May 2009 | **629 177** | 1 128 510 | **–** | – | **629 177** | 1 128 510 |

32. **Risk management** continued

**Credit risk** continued

| | Carrying amount R | Of which neither impaired nor past due on the reporting date R | Of which is not impaired on the reporting date but past due Current R | Greater than 30 days R | Greater than 60 days R | Greater than 90 days R | Greater than 120 days R |
|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | |
| **Trade debtors** | | | | | | | |
| – foreign | **3 405 055** | **1 887 164** | **–** | **–** | **683 240** | **537 416** | **297 235** |
| – local | **38 498 987** | **33 021 265** | **–** | **–** | **2 512 538** | **767 401** | **2 197 783** |
| | **41 904 042** | **34 908 429** | **–** | **–** | **3 195 778** | **1 304 817** | **2 495 018** |
| **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 |

Financial assets that are individually impaired:

| | Carrying amount before impairment R | Impairment loss R | Fair value of collateral R |
|---|---|---|---|
| **2009** | | | |
| **Trade debtors** | | | |
| – foreign | **3 405 055** | **–** | **nil** |
| – local | **39 128 164** | **629 177** | **nil** |
| | **42 533 219** | **629 177** | **nil** |
| **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 |

**Liquidity risk**

Liquidity risk arises from the company's management of working capital, the finance charges and the principal repayments on the debt instruments. 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 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. Finance lease liabilities have been secured by the related leased asset.

**32. Risk management** continued

**Liquidity risk** continued

The following table presents the company's outstanding contractual maturity profile for its non-derivative financial liabilities. The time bands selected by management are considered most reflective of business operations. The analysis presented is based on the undiscounted contractual maturities of the company's financial liabilities.

**Contractual maturity analysis:**

| | Gross undiscounted cash flow | | | Unearned | |
|---|---|---|---|---|---|
| | **Due on demand/ less than one year R** | **Due between two and five years R** | **Due after five years R** | **finance charges (adjustment) R** | **Total R** |
| **2009** | | | | | |
| **Financial liabilities** | | | | | |
| *Derivative financial liabilities* | | | | | |
| Forward exchange contract liabilities | **967 035** | **–** | **–** | **–** | **967 035** |
| *Non-derivative financial liabilities* | | | | | |
| Finance lease liabilities | **1 679 356** | **4 184 014** | **–** | **(1 063 719)** | **4 799 651** |
| **Trade payables** | | | | | |
| – foreign | **7 996 843** | **–** | **–** | **–** | **7 996 843** |
| – local | **23 966 945** | **–** | **–** | **–** | **23 966 945** |
| Total | **34 690 179** | **4 184 014** | **–** | **(1 063 719)** | **37 730 474** |
| **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 |

**32. Risk management** continued

**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 unhedged 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 is 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 earn interest at variable rates and is exposed to variable rates on finance leases. 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.

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **After tax effect on profit and loss** | | After tax effect on profit and loss | |
| | **2% increase** | **2% decrease** | 2% increase | 2% decrease |
| | **R** | **R** | R | R |
| Variable rate instalment sale liabilities | **–** | **–** | (1 075) | 1 075 |
| Variable rate finance lease liabilities | **(69 115)** | **69 115** | (49 319) | 49 319 |
| Bank | **315 580** | **(315 580)** | 283 538 | (283 538) |

**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 table overleaf indicates the company's sensitivity at year-end to the indicated movements in the in the US Dollar, Euro and British Pound on financial instruments excluding forward exchange contracts.

**32. Risk management** continued

**Foreign exchange risk** continued

**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 affect all our 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 deterioration will have to be greater than 20% to adversely impact the company.

| | **After tax effect on profit and (loss) arising from US Dollar** | | **After tax effect on profit and (loss) arising from Euro** | | **After tax effect on profit and (loss) arising from British Pound** | |
|---|---|---|---|---|---|---|
| | **4% increase R** | **4% decrease R** | **11% increase R** | **11% decrease R** | **6% increase R** | **6% decrease R** |
| **2009** | | | | | | |
| Trade payables | **–** | **–** | **(595 114)** | **595 114** | **(20 888)** | **20 888** |
| Trade receivables | **49 084** | **(49 084)** | | | | |

**Exchange rate (base rate) at 31 May 2009:**

| | |
|---|---|
| British Pound | R12,91 |
| Euro | R11,30 |
| US Dollar | R7,96 |

| | After tax effect on profit and (loss) arising from US Dollar | | After tax effect on profit and (loss) arising from Euro | | After tax effect on profit and (loss) arising from British Pound | |
|---|---|---|---|---|---|---|
| | 4% increase R | 4% decrease R | 11% increase R | 11% decrease R | 6% increase R | 6% decrease R |
| **2008** | | | | | | |
| 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 | R15,077 |
| Euro | R11,867 |
| US Dollar | R7,711 |

32. **Risk management** continued

**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.

**Sensitivity analysis**

The company is predominantly exposed to the Euro, 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% (2008: 4%) fluctuation in the Rand against the US Dollar, a 11% (2008: 11%) fluctuation in the Rand against the Euro and a 6% (2008: 6%) 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 | |
|---|---|---|---|---|---|---|
| | 4% increase R | 4% decrease R | 11% increase R | 11% decrease R | 6% increase R | 6% decrease R |
| **2009** | | | | | | |
| Financial assets | **11 667** | **(11 667)** | **–** | **–** | **–** | **–** |
| Financial liabilities | **(22 363)** | **22 363** | **(1 022 050)** | **1 022 050** | **(62 666)** | **62 666** |
| After tax effect on profit and loss | **(10 696)** | **10 696** | **(1 022 050)** | **1 022 050** | **(62 666)** | **62 666** |
| **2008** | | | | | | |
| 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 |

33. **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 earnings greater than the 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. The company has satisfied its capital requirements by limiting its exposure to finance leases, as there are sufficient cash resources available.

34. **Reclassification**

During the year, the employee benefit liability has been reclassified in order to achieve fairer presentation.

The effect of the reclassification on the balance sheet is as follows:

| | 2008 |
|---|---|
| **Non-current liabilities** | |
| Employee benefit liability | 2 247 608 |
| Provisions | (2 247 608) |
| **Current liabilities** | |
| Employee benefit liability | 82 793 |

# SHAREHOLDER PROFILE as at 31 May 2009

| | Number of shareholders | Percentage | Number of shares | Percentage |
|---|---|---|---|---|
| **Shares** | | | | |
| Public | 273 | 97,50 | 52 767 792 | 52,77 |
| Non-public | 7 | 2,50 | 47 232 208 | 47,23 |
| Total | 280 | 100,00 | 100 000 000 | 100,00 |
| **Spread** | | | | |
| 1 – 1 000 | 38 | 13,57 | 25 951 | 0,03 |
| 1 001 – 10 000 | 98 | 35,00 | 502 378 | 0,50 |
| 10 001 – 100 000 | 97 | 34,64 | 3 939 761 | 3,94 |
| 100 001 – 1 000 000 | 30 | 10,71 | 11 844 537 | 11,84 |
| 1 000 001 and above | 17 | 6,08 | 83 687 373 | 83,69 |
| Total | 280 | 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 SA/Old Mutual | | | 6 502 597 | 6,50 |

| | **2009 Direct** | **2009 Indirect** | 2008 Direct | 2008 Indirect |
|---|---|---|---|---|
| **Director** | | | | |
| W R G Post | **3 324 652** | **4 153 508** | 1 597 945 | 4 153 508 |
| L F Avis | **7 278 633** | **2 000 000** | 6 253 633 | 2 000 000 |
| S Rault | **284 743** | **–** | 284 743 | – |
| S P Stacey | **3 780 672** | **300 000** | 3 780 672 | 300 000 |
| I Hague | **100 000** | **–** | – | – |
| M G Meehan | **–** | **10 000** | – | – |
| S K Mota | **–** | **26 000 000** | – | 26 000 000 |
| Total | **14 768 700** | **32 463 508** | 11 916 993 | 32 453 508 |

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the shareholders of the company will be held in the boardroom, of the company, 101 Main Reef Road, Boksburg North, on Thursday, 19 November 2009 at 14:30, for the purpose of transacting the following business and, if deemed fit, passing, with or without modification, the resolutions set out below:

1. **Ordinary resolution number 1** (adoption of annual financial statements):
To adopt and approve the annual financial statements of the company for the year ended 31 May 2009, together with the report of the directors and the auditors thereon.

2. **Ordinary resolution number 2** (re-appointment of auditors and auditors' remuneration):

**2.1** To reappoint BDO Spencer Steward (KZN) Incorporated as independent auditors of the company as contemplated under Section 270 of the Companies Act 61 of 1973, as amended, and further to appoint Mrs B Lovell as the individual and designated auditor who will undertake the audit of the company.

**2.2** To authorise the directors of the company to fix and pay the auditors' remuneration for the past financial year.

3. **Ordinary resolution number 3** (approval of directors' remuneration):

**3.1** To ratify and approve the remuneration and emoluments paid by the company to its directors during the year ended 31 May 2009 as set out in note 22 to the annual financial statements.

**3.2** To approve the remuneration payable to the non-executive directors for services as directors for the period 1 November 2009 to 31 October 2010, as set out below:

| | Retainer fee (per annum) | Additional fee (per meeting attended) |
|---|---|---|
| Board Chairman | R80 000 | R12 000 |
| Board member | R60 000 | R12 000 |
| Audit Committee chairman | R24 000 | R12 000 |
| Audit Committee member | R9 000 | R12 000 |
| Remuneration Committee chairman | R11 000 | R12 000 |
| Remuneration Committee member | R2 250 | R12 000 |

4. **Ordinary resolution number 4** (re-election of directors):
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:
S K Mota
W R G Post
S Rault

Curricula vitae of the above directors are set out on pages 4 and 5 of the annual report.

5. **Ordinary resolution number 5** (confirmation of appointment of directors):
To ratify the appointment of the following directors appointed to the board during the year:
I Hague with effect from 5 February 2009
M G Meehan with effect from 5 February 2009
R B Patmore with effect from 5 February 2009

Curricula vitae of the above directors are set out on pages 4 and 5 of the annual report.

# NOTICE OF ANNUAL GENERAL MEETING continued

6. **Ordinary resolution number 6** (placing 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, until the next annual general meeting of the company.

7. **Ordinary resolution number 7** (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 general 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 of 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, excluding shares held by the Designated Advisor and controlling shareholders and their associates, will be required in order for this ordinary resolution number 7 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 repurchase 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, the Listings Requirements 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 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 advisor 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.

**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 for a period of 12 months after the date of this notice;
- 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 for a period of 12 months after the date of this notice;
- the company will have adequate ordinary capital and reserves for ordinary business purposes, 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 ordinary business purposes for a period of 12 months after the date of this notice.

**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 and management — pages 4 and 5
- Major shareholders — page 68
- Directors' interests — page 68
- Share capital (refer to note 7 to the annual financial statements) — page 43
- Directors' statement of responsibility and approval — page 18

# NOTICE OF ANNUAL GENERAL MEETING continued

**Directors' statement**

The directors, whose names are given on pages 4 and 5 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 2009 and the date of this notice; and
- 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 company's financial position.

By order of the board

**W R Somerville**
*Company secretary*

21 August 2009

**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 at the address given below by not later than 14:30 on 17 November 2009.

Computershare Investor Services (Pty) Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Telephone: +27 11 370 5000

Designed by motiv
Printed by Ince

# 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: ZAE000102059

For the use only by ordinary shareholders ("shareholders") who:

- hold ordinary shares in certificated form ("certificated shareholders"); or
- have dematerialised their ordinary shares ("dematerialised shareholders") and are registered with "own-name" registration, at the annual general meeting of shareholders of the company to be held on 17 November 2009 at 14:30.

Dematerialised shareholders holding 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.

I/We (name/s in block letters)

of

being the holder of 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 adopt and approve the annual financial statements of the company for the year ended 31 May 2009 | | | |
| 2. Auditors' appointment and remuneration<br>2.1 Re-appointment of BDO Spencer Steward (KZN) Incorporated and B Lovell as the individual auditor | | | |
| 2.2 Approval of auditors' remuneration | | | |
| 3. Approval of directors' remuneration<br>3.1 To approve the directors' remuneration for the financial year ending 31 May 2009 | | | |
| 3.2 To approve the remuneration payable to non-executive directors for the forthcoming year | | | |
| 4. Re-election of retiring directors<br>4.1 To approve the re-election as a director of S K Mota who retires by rotation | | | |
| 4.2 To approve the re-election as a director of W R G Post who retires by rotation | | | |
| 4.3 To approve the re-election as a director of S Rault who retires by rotation | | | |
| 5. Confirmation of appointment of directors<br>5.1 To confirm the appointment of I Hague as a director | | | |
| 5.2 To confirm the appointment of M G Meehan as a director | | | |
| 5.3 To confirm the appointment of R B Patmore as a director | | | |
| 6. To place the authorised but unissued share capital under the control of the directors | | | |
| 7. To authorise the directors to issue authorised but unissued ordinary shares for cash | | | |
| 8. Special resolution – general authority to repurchase shares | | | |

Signed at on the 2009

Signature

Assisted by (where applicable)

# NOTES TO THE FORM OF PROXY

1. This form of proxy is to be completed only by those shareholders who:
   a. are holding shares in a certificated form; or
   b. are recorded in the sub-register in electronic form in their “own name”.

2. Shareholders who have dematerialised their shares, other than “own-name” dematerialised shareholders, and who wish to attend the annual general meeting, must contact their CSDP or broker who will furnish them with the necessary letter of representation to attend the annual general meeting, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholders and their CSDP or broker.

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

4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder’s choice in the space provided, with or without deleting “the chairman of the annual general meeting”. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

5. A shareholder’s instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the shareholder’s votes exercisable thereat.

6. A shareholder or his/her proxy is not obliged to vote in respect of all the shares held by such shareholder or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the shareholder or his/her proxy is entitled.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company’s transfer office or waived by the chairman of the annual general meeting.

8. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).

10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

11. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company’s transfer secretaries.

12. Where there are joint holders of any shares, only the vote of the joint holder whose name stands in the register before the other joint holders, whether in person or by proxy, shall be accepted to the exclusion of the votes of all other joint holders.

13. Forms of proxy must be lodged with the transfer secretaries at the address given below by not later than 14:30 on 17 November 2009.

    Computershare Investor Services (Pty) Limited
    Ground Floor, 70 Marshall Street
    Johannesburg, 2001
    PO Box 61051, Marshalltown, 2107
    Telephone: +27 11 370 5000

# CORPORATE 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)<br>S P Stacey (chief executive officer)<br>L F Avis (financial director)<br>W R G Post (non-executive director)<br>R B Patmore (independent non-executive director)<br>M G Meehan (independent non-executive director)<br>I Hague (executive director)<br>S Rault (executive director) |
| Registered office | 7 Wilcox Road<br>Isipingo<br>Durban<br>KwaZulu-Natal<br>4110 |
| Business address | 7 Wilcox Road<br>Isipingo<br>Durban<br>KwaZulu-Natal<br>4110 |
| Postal address | PO Box 23053<br>Isipingo<br>Durban<br>KwaZulu-Natal<br>4110 |
| Bankers | Nedbank |
| Auditors | BDO Spencer Steward (KZN) Incorporated<br>Registered Auditors |
| Secretary | W R Somerville (Corporate Statutory Services) |
| Company registration number | 1982/005383/06 |
| Attorneys | Shepstone & Wylie |

a.b.e. Construction Chemicals Limited