



BSI (SA) Limited

(Incorporated in the Republic of South Africa)
(Registration number 2001/023164/06)
(JSE code: BSS ISIN: ZAE000107371)
("BSI" or "the company")

PROSPECTUS

Prepared and issued in terms of the Listings Requirements ("the Listings Requirements") of JSE Limited ("JSE") and the Companies Act, 1973 (Act 61 of 1973), as amended ("Act"), relating to a private placement of BSI ordinary shares by way of an offer by the company for the subscription of 100 000 000 ordinary shares of 0.001 cent each in the issued share capital of the company at an issue price of 100 cents per ordinary share, thereby raising R100 million before expenses and an offer for sale of 57 600 000 ordinary shares in the issued share capital of the company by the selling shareholders at a price of 100 cents per ordinary share (together, "the private placement") and the subsequent listing of the ordinary shares of BSI on the Alternative Exchange ("ALT^x") of the JSE.

Opening date of private placement (09:00)	Tuesday, 16 October 2007
Closing date of private placement (12:00) *	Wednesday, 17 October 2007
Proposed listing date on ALT ^x (09:00) ("the listing date")	Wednesday, 24 October 2007

* Shareholders wishing to receive shares in dematerialised form must advise their Central Securities Depository Participant ("CSDP") or broker of their acceptance of the offer to subscribe for or to purchase shares in the manner and cut-off time stipulated by their CSDP or broker. This is a single primary listing on ALT^x.

This prospectus is not an invitation to the general public to subscribe for or to purchase shares in BSI. This is an offer to selected members of the public to subscribe for or to purchase shares in BSI and is issued in compliance with the Listings Requirements and the Act for the purpose of providing information to the public and investors with regard to BSI.

At the date of listing, the authorised share capital of BSI will comprise 1 000 000 000 ordinary shares having a par value of 0.001 cent each. After the private placement and at the date of the listing the issued share capital of BSI will consist of 719 854 996 ordinary shares of 0.001 cent each.

The ordinary shares issued and sold in terms of the private placement will rank *pari passu* with all other ordinary shares issued by BSI. Applications for shares in BSI must be for a minimum of 5 000 ordinary shares and in multiples of 1 000 ordinary shares thereafter.

Approval of BSI's application for the listing of 719 854 996 ordinary shares on ALT^x under the abbreviated name "BSI", JSE code "BSS" and ISIN: ZAE000107371 has been granted by the JSE, subject to the required spread of public shareholders in terms of the Listings Requirements being obtained pursuant to the private placement. It is anticipated that the listing of 719 854 996 ordinary shares on the JSE will become effective from the commencement of business on Wednesday, 24 October 2007.

The shares will only be traded in electronic form and, as such, all shareholders who elect to receive shares in certificated form will have to dematerialise their certificated shares should they wish to trade therein.

The directors and the selling shareholders of BSI, whose names are set out in Annexure 1 to this prospectus, accept, collectively and individually, full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this prospectus contains all information required by law and the Listings Requirements.

BDO Spencer Steward (Midlands) Inc and BDO Spencer Steward (Jhb) Inc, Registered Auditors, whose reports are included in this prospectus, have given and have not, prior to publication, withdrawn their written consent to the inclusion of their reports in the form and context in which they appear. The Designated Adviser, attorneys, commercial banker and transfer secretaries, whose names are set out in this prospectus, have given and have not, prior to registration, withdrawn their written consents to the inclusion of their names in the capacities stated and, where applicable, to their reports being included in this prospectus.

An English copy of this prospectus, accompanied by the documents referred to under "Documents available for inspection" as set out in paragraph 35 of this prospectus, was registered by the Registrar of Companies on Friday, 12 October 2007 in terms of section 155(1) of the Act.

Designated Adviser



Auditors and reporting accountants



Auditors and reporting accountants



Attorneys



Date of issue: 15 October 2007

CORPORATE INFORMATION

Directors

W L Battershill
G D G Mackenzie
J R Waller
N G Payne *
E G Dube *

* Non-executive

Company secretary and registered office

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Facsimile: (033) 346 0870

Designated Adviser

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(PO Box 411216, Craighall, 2024)
Telephone: (011) 447 2951
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Auditors and reporting accountants

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Pietermaritzburg, 3201
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Telephone: (033) 394 7161
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and

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Telephone: (011) 488 1700
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Date of incorporation: 28 September 2001

Place: Pretoria

Transfer secretaries

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Attorneys

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Commercial banker

Nedbank Limited
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SALIENT FEATURES

These salient features are a summary only. For a full appreciation, this prospectus should be read in its entirety. The definitions commencing on page 10 of this prospectus apply *mutatis mutandis* to the salient features.

1. INCORPORATION AND HISTORY

- 1.1 Discount Steel CC founded by William Battershill and incorporated as a close corporation on 1 May 1985. The company supplied steel through two divisions into KwaZulu-Natal (KZN stockists) and the rest of South Africa (bulk trading). On 1 August 2003 two new companies were created to serve these different markets, in the KwaZulu-Natal area, Discount Steel KZN and in the rest of South Africa Discount Steel Trading. On 28 September 2001 Discount Steel changed its name to BSI (SA) (Pty) Limited and at the same time converted to a private company. BSI which is currently the holding company of the group converted to a public company on 14 September 2007.
- 1.2 In 1989 the group started its property division through Red Chip which was extended further with the acquisition of Duddleprops 6 in 2002.
- 1.3 Garrison Steel, which was incorporated as a CC and converted to a private company on 21 September 2001 provides a JIT service to the Gauteng client base and is part of the stockist operation.
- 1.4 LA Braziers (Pty) Limited was acquired in June 1996, and changed its name to Newcolab on 2 January 2003. Newcolab handles the trading of prime steel products for the group. Discount Steel Trading, the other company in the trading division, and Newcolab, both provide a bulk supply service to larger clients, mainly in the Gauteng region with a few outlets in KwaZulu-Natal and the Western Cape.
- 1.5 Both Shearcut Precision Steel which was incorporated on 27 November 1995 and Shearcut which was incorporated on 21 February 2005 form part of the processing division of the group.
- 1.6 Discount Steel Africa was started in 1997 with Grant Mackenzie and Paul Arnott as executive directors. The company was initially formed to serve BSI's agents in Zambia and the DRC, however negotiations culminated in the purchase of the Zambian and Congo agencies with effect from 1 April 2007.
- 1.7 On 1 April 2007 the group began the restructure process to convert all subsidiaries and associated companies within the BSI group into wholly-owned subsidiaries. In this process the minority shareholders within the subsidiary companies were converted into shareholders within the holding company, BSI. The restructure also included purchasing the two Discount Steel agencies that were not previously held by the holding company. Through the restructure BSI became the holding company of Garrison Steel, Discount Steel KZN, Discount Steel Africa, Discount Steel Zambia and Duddleprops 6.
- 1.8 Today the group has seven operations focusing on being stockists, processors, traders and exporters of steel products in South Africa, Zambia and the DRC, with warehousing and offices covering in excess of 15 000 square metres.

2. NATURE OF THE COMPANY'S BUSINESS

- 2.1 The BSI group of companies operates in the steel and associated industries with strategically located operations in South Africa, DRC and Zambia to service the southern African markets.
- 2.2 The BSI group is involved in four distinct activities, as follows:
 - processing: providing a primary processing service to the BSI marketing businesses;
 - stockist: providing a JIT service to localised clients;
 - trading: bulk sales to larger end users; and
 - exports.

- 2.3** The main products that the group trades in are flat products, i.e. hot rolled, cold rolled, galvanised and plate, long products, i.e. light and medium mill sections, tubing and structural steel sections.
- 2.4** The South African operations focus principally on the manufacturing industries, whilst the Zambian and DRC operations are largely focused towards the mining industry.

3. PROSPECTS

Below is the opinion of the directors of the company, based on experience and market information available:

3.1 Expansion into new sectors

The strategy of BSI is to grow the business aggressively in the existing and new market sectors. Specific new market sectors which BSI will explore in the near future are mining in South Africa, structural steel and the automotive industries.

3.2 Geographical expansion

BSI has the flexibility and foresight to adapt to ever changing business markets. BSI has already identified certain strategic markets that the group will enter once the timing is appropriate. These markets will be maximised within the current geographical areas already supported by the group.

3.3 Product expansion

By developing a superior knowledge of customers, processes and needs, BSI creates and delivers innovative products and services that build sustainable working relationships based on mutual trust and confidence. Specific product-based growth for the next two years includes plate, structural beams and medium mill sections.

3.4 Acquisitions

Additional growth and profits will be attained through the purchase of other steel distribution operations where synergies can be exploited to maximum effect.

4. SUMMARY OF HISTORICAL AND FORECAST INCOME STATEMENTS

The summarised historical and forecast financial information of BSI for the financial year ended 31 March 2007, the financial years ending 31 March 2008 and 31 March 2009, the preparation of which is the responsibility of the directors, are set out below. This financial information must be read in conjunction with the independent reporting accountants' report thereon reproduced in Annexures 3, 4 and 6.

Extracts from the historical and forecast income statements

	Pro forma 31 March 2007⁽²⁾ R'000	Forecast 31 March 2008 R'000	Forecast 31 March 2009 R'000
Revenue	944 647	1 216 774	1 475 223
Gross profit	147 568	207 198	237 637
Other income	6 767	19 985	20 582
Other costs	(85 089)	(93 325)	(112 795)
EBITDA	69 246	133 858	145 424
Depreciation	(2 213)	(3 099)	(3 664)
Profit before interest and taxation	67 033	130 759	141 760
Profit on disposal of non-current assets	1 911	–	–
Fair value adjustment on Investment property	1 688	–	–
Interest received	1 230	2 202	2 202
Interest paid	(15 984)	(19 144)	(19 331)
Profit before taxation	55 879	113 817	124 631
Taxation	(15 159)	(33 726)	(29 822)
Earnings attributable to ordinary shareholders	40 719	80 091	94 809
Profit on disposal of non-current assets	(1 911)	–	–
Fair value adjustment on Investment property	(1 688)	–	–
Headline earnings attributable to ordinary shareholders	37 120	80 091	94 809
<i>Pro forma</i> weighted average shares in issue on which earnings are based ⁽¹⁾	616 854 996	663 970 064	719 854 996
<i>Pro forma</i> earnings and diluted earnings per share (cents)	6.6	12.1	13.2
<i>Pro forma</i> headline earnings and diluted headline per share (cents)	6.0	12.1	13.2

Notes:

1. The *pro forma* weighted average number of shares in issue for 31 March 2007 is based on the sub-division and increase of the ordinary shares in issue into 616 854 996 ordinary shares in issue on the last practicable date as set out in paragraph 24.3 of this prospectus.
2. This historical *pro forma* financial information for 31 March 2007 is an extract from the unaudited *pro forma* financial information, after the consolidation column as set out in Annexure 5.
3. The assumptions upon which the forecast income statements are based are set out in paragraph 12.1.3 of this prospectus.

5. PURPOSE OF THE PRIVATE PLACEMENT AND THE LISTING

5.1 The purpose of the private placement is to:

- raise capital and to have the flexibility of listed shares in order to allow the company to take advantage of any acquisitive opportunities that may arise in the future that will complement the company's businesses thereby accelerating its growth;
- improve BEE rating through the sale of shares to BEE organisations;
- reduce gearing and risk;
- easier access to capital to fund growth and specialised processing equipment;
- enhance investor and general public awareness of BSI, its activities and specialised skills;
- attract and retain intellectual capital through the incentive of meaningful equity participation;
- broaden BSI's shareholder base and to obtain a spread of at least 100 shareholders who are required to hold a minimum of 10% of the entire issued share capital of BSI for the purpose of the listing of BSI's ordinary shares on ALTx;
- afford members of the investing public, clients and business associates of BSI the opportunity to participate directly in the income stream of BSI, as well as in the future capital growth of its assets;
- raise the company's profile leading to new business opportunities.

- 5.2** The private placement consists of an offer by BSI for the subscription of 100 000 000 ordinary shares at an issue price of 100 cents per share and an offer for sale by the selling shareholders of 57 600 000 ordinary shares at a price of 100 cents per share. A total amount of R100 000 000, before issue and listing expenses, will be raised by the company in terms of the offer for subscription to selected private individuals, corporations and institutions. The proceeds of the private placement will be applied firstly to the offer for subscription (R100 million), which will allow the company to accelerate its growth as set out in paragraph 3 above. Thereafter, the proceeds of the private placement will be applied to the offer for sale (R57.6 million), which will allow the selling shareholders to realise some of their investment in the company and to improve the shareholder spread of BSI's ordinary shares.
- 5.3** Those private individuals, corporations and institutions who have been invited to apply should do so by completing the attached private placement application form in accordance with the provisions of this prospectus and the instructions contained in the private placement application form.
- 5.4** No offer will be made to the general public in terms of the private placement. The private placement will be made to selected applicants only.
- 5.5** Subject to the achievement of the required spread of public shareholders, the JSE has formally approved the listing of 719 854 996 ordinary shares in the share capital of BSI on ALT^x with effect from commencement of business on Wednesday, 24 October 2007. The shares will trade under the abbreviated name "BSI", with the JSE code "BSS" and ISIN: ZAE000107371.

6. DETAILS OF THE PLACEMENT

6.1 Salient features

6.1.1 The salient features of the private placement are as follows:

Offer price per ordinary share (cents)	100
Par value per ordinary share (cents)	0.001
Premium per ordinary share (cents)	99.999
Number of ordinary shares offered by the company for subscription	100 000 000
Issue consideration to be received by the company, before expenses	R100 million
Number of ordinary shares offered for sale by the selling shareholders	57 600 000
Total consideration to be received by the selling shareholders	R57.6 million

6.1.2 The opening and closing dates of the private placement are as follows:

Opening date of the private placement (09:00)	Tuesday, 16 October 2007
Closing date of private placement (12:00)	Wednesday, 17 October 2007
Proposed listing date on ALT ^x (09:00)	Wednesday, 24 October 2007

6.1.3 The private placement will not be underwritten and is not subject to a minimum subscription being achieved. The proceeds received in terms of the private placement will be applied firstly to the offer for subscription and thereafter to the offer for sale. Applications for shares in BSI must be for a minimum of 5 000 ordinary shares and in multiples of 1 000 ordinary shares thereafter.

7. COPIES OF THIS PROSPECTUS

Copies of this prospectus, in English, may be obtained during business hours, from Wednesday, 24 October 2007 from the registered office of BSI and the offices of Exchange Sponsors (Pty) Limited and the transfer secretaries, details of which are set out in the "Corporate information" section of this prospectus.

IMPORTANT DATES AND TIMES

2007

Abridged prospectus released on SENS	Tuesday, 16 October
Opening date of the private placement (09:00)	Tuesday, 16 October
Closing date of private placement (12:00) ⁽³⁾	Wednesday, 17 October
Listing of BSI on ALT ^x (09:00)	Wednesday, 24 October
Accounts at CSDP or broker updated in respect of dematerialised shareholders on or about ⁽¹⁾	Wednesday, 24 October
Posting of share certificates, via registered post, in respect of certificated shareholders on or about	Wednesday, 24 October
Refund of surplus private placement application monies received (where applicable)	Thursday, 25 October

Notes:

1. CSDP's effect payment on a delivery versus payment basis.
2. The above dates are subject to change. Any such change will be released on SENS.
3. Shareholders wishing to receive shares in dematerialised form must advise their CSDP or broker of their acceptance of the offer to subscribe for or to purchase shares in the manner and cut-off time stipulated by their CSDP or broker.

DEFINITIONS

In this prospectus, its annexures and the attachment hereto, unless the context indicates otherwise, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa* and the words in the first column hereunder have the meanings stated opposite them in the second column, as follows:

“Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“ALT ^x ”	the Alternative Exchange of the JSE;
“applicants”	selected private individuals, corporations and institutions who have been invited to subscribe for or to purchase ordinary shares in terms of the private placement;
“application form”	the application form in respect of the private placement, attached to and forming part of this prospectus;
“Articles of Association”	the articles of association of BSI;
“auditors” or “independent reporting accountants”	BDO Spencer Steward (Midlands) Inc, Registered Auditors (Practice number 920967E) and BDO Spencer Steward Johannesburg Inc, Registered Auditors (Practice number 905526E);
“BEE”	broad-based black economic empowerment as defined in the Broad-Based Black Economic Empowerment Act, 53 of 2003, as the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies;
“BSI” or “the company”	BSI (SA) Limited (Registration number 2001/023164/06), originally incorporated as a close corporation in accordance with the laws of South Africa with the name Discount Steel CC, converted to a private company on 28 September 2001, which changed its name to BSI (SA) (Pty) Limited on 11 November 2002 and converted to a public company on 14 September 2007.
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“certificated shareholders”	shareholders who hold certificated shares;
“certificated shares”	ordinary shares, in respect of which physical BSI share certificates will be issued;
“common monetary area”	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
“Drawbridge Sale Agreement”	the sale of shares entered into between Drawbridge Trading Limited as vendor and Discount Steel Africa, a subsidiary of BSI as purchaser which acquired the entire issued share capital of Discount Steel Zambia, and in turn Discount Steel Zambia acquired the entire issued share capital and claims of Discount Steel Congo with effect from 1 April 2007 for a purchase consideration of US\$5 500 000 (five million five hundred thousand US\$) as detailed in paragraph 28.1 of this prospectus;
“DRC”	Democratic Republic of the Congo;
“CSDP”	a Central Securities Depository Participant, accepted as a participant in terms of the Securities Services, Act 36 of 2004, appointed by an individual shareholder for purposes of and in regard to the dematerialisation of documents of title for purposes of incorporation into the Strate system;

“dematerialised shareholder”	a shareholder who holds dematerialised shares;
“dematerialised shares”	ordinary shares which have been incorporated into the Strate system and which are no longer evidenced by physical documents of title in terms of the Securities Services, Act 36 of 2004;
“Designated Adviser”	Exchange Sponsors (Pty) Limited (Registration number 1999/024433/07), a private company incorporated in accordance with the laws of South Africa, a Designated Adviser as defined in the Listings Requirements;
“directors” or “board of directors”	the directors of BSI, further details of whom appear in Annexure 1;
“Discount Steel Africa”	Discount Steel Africa (Pty) Limited (Registration number 1997/003722/07), a wholly-owned subsidiary of BSI and a company incorporated in accordance with the laws of South Africa;
“Discount Steel Congo”	Discount Steel Congo SPRL (Registration number NRC8661), a wholly-owned subsidiary of Discount Steel Zambia (Pty) Limited and a company incorporated in accordance with the laws of the DRC;
“Discount Steel KZN”	Discount Steel KZN (Pty) Limited (Registration number 2001/007016/07), a wholly-owned subsidiary of BSI and a company incorporated in accordance with the laws of South Africa;
“Discount Steel Trading”	Discount Steel Trading (Pty) Limited (Registration number 2001/013604/07), a wholly-owned subsidiary of BSI and a company incorporated in accordance with the laws of South Africa;
“Discount Steel Zambia”	Discount Steel Zambia (Pty) Limited (Registration number 37849), a wholly-owned subsidiary of Discount Steel Africa (Pty) Limited and a company incorporated in accordance with the laws of Zambia;
“documents of title”	share certificates, certified transfer deeds in respect of balance receipts or any other documents of title acceptable to BSI in respect of ordinary shares;
“Doddleprops 6”	Doddleprops 6 (Pty) Limited (Registration number 2002/029452/07), a wholly-owned subsidiary of BSI and a company incorporated in accordance with the laws of South Africa;
“EBITDA”	earnings before interest, taxation, depreciation and amortisation;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
“existing shareholders”	collectively, the Longfellow Trust (Master’s Reference IT1815/2005; beneficiaries William Battershill and his descendants), Denbigh Trust (Master’s Reference IT1816/2005; beneficiaries William Battershill and his descendants), the Craig Parry Family Trust (Master’s Reference IT1207/2002; beneficiaries Craig Parry and his descendants), Grant Donald Guy Mackenzie, the Jamand Trust (Master’s Reference IT763/2007/PMB, beneficiaries Grant Mackenzie and his descendants), James Rowland Waller Family Trust (Master’s Reference IT150/2006; beneficiaries James Waller and his descendants), William Ross Teichmann, Greenwaters Family Trust (Master’s Reference IT364/2006; beneficiaries S Macilwaine and his descendants), Francois Ettienne Barnard, Lee Craig Daff, Glenn Barry Daff, Shazad Alibay, Paul John Kennelly Arnott and the Paul Arnott Family Trust (Master’s Reference IT527/2007/PMB (beneficiaries Paul Arnott and his descendants);
“Garrison Steel”	Garrison Steel (Pty) Limited (Registration number 2001/022644/07), a wholly-owned subsidiary of BSI and a company incorporated in accordance with the laws of South Africa;

“GFCF”	Gross Fixed Capital Formation;
“GDP”	Gross Domestic Product;
“group”	collectively, BSI and its subsidiaries;
“group restructuring” or “restructure”	the restructure of the group pursuant to the implementation of the Restructure Agreements;
“Highveld”	Highveld Steel and Vanadium Corporation Limited;
“HR”	Human Resources;
“IFRS”	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board, International Financial Reporting Interpretations Committee and International Accounting Standards, and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee;
“IISI”	International Iron and Steel Institute;
“incorporation”	the date of incorporation of BSI, being 28 September 2001;
“IT”	Information Technology;
“JIT”	Just in Time;
“JSE”	JSE Limited (Registration number 2005/022939/06), a company duly registered and incorporated with limited liability under the company laws of South Africa, licensed as an exchange under the Securities Services Act, Act 36 of 2004, as amended;
“King Code”	King Report on Corporate Governance for South Africa, 2002;
“the last practicable date”	the last practicable date prior to the finalisation of this prospectus, being Tuesday, 2 October 2007;
“the listing”	the proposed listing of the entire issued share capital of BSI on ALT ^x , on Wednesday, 24 October 2007;
“Listings Requirements”	the Listings Requirements of the JSE;
“Mittal”	Mittal Steel South Africa Limited (previously Iscor Limited);
“Newcolab”	Newcolab (Pty) Limited (Registration number 1991/03525/07), a wholly-owned subsidiary of BSI and a company incorporated in accordance with the laws of South Africa;
“non-resident”	a person whose registered address is outside the common monetary area and who is not an emigrant;
“offer for sale”	an offer, forming part of the private placement, in terms of which the selling shareholders offer 57 600 000 ordinary shares for sale at a price of 100 cents per ordinary share;
“offer for subscription”	an offer, forming part of the private placement, in terms of which the company offers 100 000 000 ordinary shares for subscription at an issue price of 100 cents per ordinary share;
“ordinary shares”	ordinary shares of 0.001 cent each in the share capital of the company;
“own-name registration”	shareholders who will hold ordinary shares which have been dematerialised and are recorded by a CSDP on the register kept by that CSDP in the name of such shareholder;
“PAT”	profit after taxation;
“PBIT”	profit before interest and taxation;
“PBT”	profit before taxation;

“private placement” or “placement”	the private placement of 157 600 000 ordinary shares pursuant to the offer for sale and the offer for subscription to selected institutions, corporations and individuals for cash at a consideration of 100 cents per ordinary share;
“this prospectus”	this bound document, dated 15 October 2007, including all annexures and the attachment hereto;
“Rand” or “R” or “cents”	the official currency of South Africa;
“Red Chip”	Red Chip Investment (Pty) Limited (Registration number 1999/05091/07), a wholly-owned subsidiary of BSI and a company incorporated in accordance with the laws of South Africa;
“rebar”	rebar is common steel reinforcing bar, also known as deformed bar; used principally to reinforce concrete;
“Registrar of Companies”	the Registrar of Companies in South Africa;
“Restructure Agreements”	collectively, the Drawbridge Sale Agreement and the Agreement for the allotment of BSI (SA) Limited shares and Transfer of Subsidiary shares;
“SA GAAP”	South African Generally Accepted Accounting Practice;
“SABS”	South African Bureau of Standards;
“SAISI”	South African Iron and Steel Institute;
“SARB”	South African Reserve Bank;
“selling shareholders”	those of the existing shareholders of BSI who will be placing a portion of their shareholding in BSI in terms of the offer for sale, collectively, the Longfellow Trust, the Denbigh Trust, the Craig Parry Family Trust, Grant Donald Guy Mackenzie, William Ross Teichmann, Paul John Kennelly Arnott, Greenwaters Family Trust (beneficiaries R I Macilwaine and his descendants), Lee Craig Daff and Glenn Barry Daff, being the vendors;
“SENS”	the Securities Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“share incentive scheme”	the BSI Share Incentive Scheme, the salient features of which are set out in Annexure 9;
“shareholders”	holders of ordinary shares;
“Shearcut”	Shearcut (Pty) Limited (Registration number 2005/005305/07), a wholly-owned subsidiary of BSI and a company incorporated in accordance with the laws of South Africa;
“Shearcut Precision Steel”	Shearcut Precision Steel (Pty) Limited (Registration number 2001/003717/07), a wholly-owned subsidiary of BSI and a company incorporated in accordance with the laws of South Africa;
“STC”	Secondary Tax on Companies;
“Strate”	the settlement and clearing system used by the JSE, managed by Strate Limited (Registration number 1998/022242/06), a public company incorporated in accordance with the laws of South Africa;
“transfer secretaries”	Computershare Investor Services 2004 (Pty) Limited (Registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa;
“US\$”	United States Dollars; and
“VAT”	Value-Added Tax as defined in the Value-Added Tax Act (Act 89 of 1991), as amended.



BSI (SA) Limited

(Incorporated in the Republic of South Africa)

(Registration number 2001/023164/06)

(JSE code: BSS ISIN: ZAE000107371)

Directors

W L Battershill
G D G Mackenzie
J R Waller
N G Payne*
E G Dube*

* Non-executive

PROSPECTUS

1. INTRODUCTION

- 1.1** BSI intends to list its ordinary shares on ALT^x as a strategic step which will facilitate the raising of capital in support of its vision of becoming the third largest distributor of steel in southern Africa.
- 1.2** The private placement and listing will provide the company with capital to accelerate its growth. Listed shares will allow the company to take advantage of any acquisitive opportunities that may arise in the future that will complement the company's growth.
- 1.3** A listing will also provide an incentive for the retention and reward of key staff members through equity participation. Employees will also have the opportunity of becoming shareholders of the company, thereby further strengthening their commitment to the company's success.
- 1.4** A listing will further enhance the company's corporate profile, as well as BEE opportunities within the sector.
- 1.5** The comfort associated with increased corporate governance in contracting with a listed entity will be vital when dealing with larger corporations.
- 1.6** Ultimately, the listing will provide the platform for the company to aggressively pursue its strategy and objective of becoming the third largest distributor of steel in southern Africa.

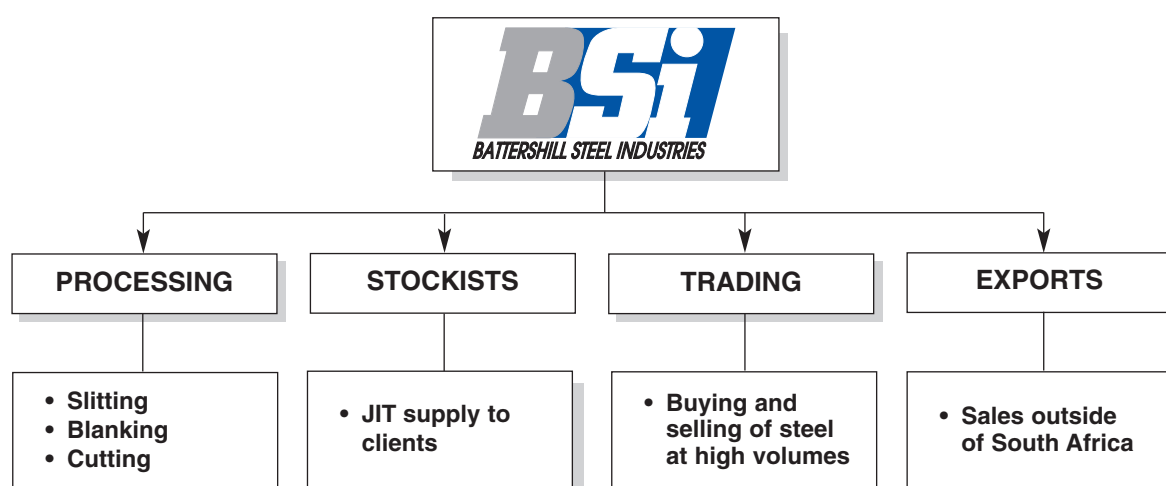
2. INCORPORATION AND HISTORY

- 2.1** Discount Steel CC was founded by William Battershill and incorporated as a close corporation on 1 May 1985 by William Battershill. The company supplied steel through two divisions into KwaZulu-Natal (KZN stockists) and the rest of South Africa (bulk trading). On 1 August 2003 two new companies were created to serve these different markets, in the KwaZulu-Natal area, Discount Steel KZN and in the rest of South Africa Discount Steel Trading. On 28 September 2001 Discount Steel changed its name to BSI (SA) (Pty) Limited and at the same time converted to a private company. BSI which is currently the holding company of the group converted to a public company on 14 September 2007.
- 2.2** In 1989 the group started its property division through Red Chip which was extended further with the acquisition of Duddleprops 6 in 2002.
- 2.3** Garrison Steel, which was incorporated as a CC, and converted to a private company on 21 September 2001 provides a JIT service to the Gauteng client base and is part of the stockist operation.

- 2.4** LA Braziers (Pty) Limited was acquired in June 1996 and changed its name to Newcolab on 2 January 2003. Newcolab handles the trading of prime steel products for the group. Discount Steel Trading, the other company in the trading division, and Newcolab both provide a bulk supply service to larger clients, mainly in the Gauteng region with a few outlets in KwaZulu-Natal and the Western Cape.
- 2.5** Both Shearcut Precision Steel which was incorporated on 27 November 1995 and Shearcut which was incorporated on 21 February 2005 form part of the processing division of the group.
- 2.6** Discount Steel Africa was started in 1997 with Grant Mackenzie and Paul Arnott as executive directors. The company was initially formed to serve BSI's agents in Zambia and the DRC, however negotiations culminated in the purchase of the Zambian and Congo agencies with effect from 1 April 2007.
- 2.7** On 1 April 2007 the group began the restructure process to convert all subsidiaries and associated companies within the BSI group into wholly-owned subsidiaries. In this process the minority shareholders within the subsidiary companies were converted into shareholders within the holding company, BSI. The restructure also included purchasing the two Discount Steel agencies that were not previously held by the holding company. Through the restructure BSI became the holding company of Garrison Steel, Discount Steel KZN, Discount Steel Africa, Discount Steel Zambia and Duddleprops 6. Today the group has seven operations focusing on being stockists, processing, traders and exporters of steel products in South Africa, Zambia and the DRC, with warehousing and offices covering in excess of 15 000 square metres.

3. OPERATIONAL STRUCTURE AND DIVISIONS

3.1 The group operates with four main divisions:



3.2 Management believes that BSI has a well-balanced portfolio across its lines of business and geographical areas. The following table illustrates BSI's business as segmented along its various divisions. Forecast revenue and EBITDA totals are provided for the year ending 31 March 2008.

Divisions	Description	Revenue R'million	EBITDA R'million
Processing	Is the process of slitting, blanking and cutting of steel	9.0 Percentage of group 1%	3.0
Stockist	Selling of stockholding	406.3 Percentage of group 33%	43.5
Trading	Is the process of buying and selling of steel	404,5 Percentage of group 33%	36.0
Exports	Sales outside of South Africa	397.3 Percentage of group 33%	51.3

The table below sets out the geographical location of BSI's operations and the activities of each operation:

Company	Location	Type	Function and market
South Africa			
Discount Steel Trading and Newcolab	Pietermaritzburg	Trading	These two businesses are similar and provide bulk supply services to larger clients, mainly in the Gauteng region, with a few outlets in KwaZulu-Natal and the Western Cape. The businesses take positions on parcels of steel, both imported and through the Mittal tender system when they deal in prime and downgraded steel.
Discount Steel KZN	Pietermaritzburg	Stockist	Provides a JIT service to the KwaZulu-Natal client base and holds stock to support this endeavour. Most goods are delivered on demand with own transport. Strong in a number of products, including flat, long and tube products.
Garrison Steel	Alrode, Johannesburg	Stockist	Provides a JIT service to the Gauteng client base and holds stock to support this endeavour. Most goods are delivered on demand with own transport. Highly service orientated and specialising in flat products at present, with long-products being developed.
Discount Steel Africa	Pietermaritzburg and Isando, Johannesburg	Export	Provides steel to BSI's outlets in Zambia and DRC and provides an indent service to clients that prefer to buy directly from South Africa. Direct clients include mines and larger end users. Regular direct clients in Zambia, DRC and Zimbabwe, with <i>ad hoc</i> trade to Mozambique, Kenya and Tanzania.
Shearcut Precision Steel	Alrode, Johannesburg	Process	Shearcut provides a processing service to the group with a cut to length line operation with a slitting line being overhauled for installation later this year. Processing is limited to decoiling steel from coils and producing sheets and slit strip at this stage. BSI is expecting to make a significant investment in specialised processing plant in the future.
Zambia			
Discount Steel Zambia	Lusaka and Kitwe	Stockist	The company holds significant stocks and provides a JIT service to the clients in Zambia. The Lusaka operation is weighted towards retailing steel, whilst the Kitwe operation is geared to supply the mines.
DRC			
Discount Steel DRC	Lubumbashi and Kolwezi	Stockist	The Lubumbashi operation supplies the mining, fabricators and retail sectors. The market is unsophisticated, hence a wide range of steel products are held in stock. The Kolwezi operation is new and in its developmental stage, with a full time manager and a secured site.

4. NATURE OF BUSINESS

- 4.1** The BSI group of companies operates in the steel and associated industries with strategically located operations in South Africa, DRC and Zambia to service the southern African markets.
- 4.2** The BSI group is involved in four distinct activities, as follows:
- processing: providing a primary processing service to the BSI marketing businesses;
 - stockist: providing a JIT service to localised clients;
 - trading: bulk sales to larger end users; and
 - exports.
- 4.3** The main products that the company trades in are flat products, i.e. hot rolled, cold rolled, galvanised and plate, long products, i.e. light and medium mill sections, tubing and structural steel sections.
- 4.4** The South African operations focus principally on the manufacturing industries, whilst the Zambian and DRC operations are largely focused towards the mining industry.
- 4.5** The group does not receive any Government protection and there is no investment encouragement law affecting the group's business.

5. INDUSTRY BACKGROUND

5.1 General overview of the industry

- 5.1.1** South Africa was ranked the 21st largest crude steel producing country in the world by the IISI in 2006 and as net exporting country (exports – imports) of primary steel, South Africa was ranked 9th in the world during 2004. South Africa is also the largest steel producer in Africa, producing 52% of the total crude steel production of the continent during 2006.
- 5.1.2** Total South African crude steel production amounted to 9.7 million tonnes in 2006, an increase of 2.4%, compared with 9.4 million tonnes during 2005. This represents 0.8% of world production which reached 1 239.5 million tonnes in 2006 according to the IISI, an increase of 8.8% when compared with 2005.
- 5.1.3** Carbon steel deliveries by the primary steel industry amounted to 7.6 million tonnes in 2006, an increase of 0.8% compared with 2005. During 2006 5.3 million tonnes of carbon steel products were sold on the local market, an increase of 26.2% compared with 2005. During 2006 2.3 million tonnes of carbon steel products were exported, a decrease of 30.8% compared with 2005.
- 5.1.4** Imports of carbon and alloy primary steel products during 2006 amounted to 0.532 million tonnes, an increase of 66.5% compared with 2005. Imports during 2006 accounted for 9% of apparent domestic steel consumption compared to 7% of apparent domestic steel consumption during 2005.
- 5.1.5** The range of primary carbon steel products and semi-finished products manufactured in South Africa includes: billets, blooms, slabs, forgings, light-, medium- and heavy sections and bars, reinforcing bar, railway track material, wire rod, seamless tubes, plates, hot- and cold-rolled coils and sheets, electrolytic galvanised coils and sheets, tinplate and pre-painted coils and sheets.
- 5.1.6** The main producers of steel in South Africa are: ArcelorMittal Steel South Africa Limited, Highveld Steel and Vanadium Corporation Limited, Scaw Metals Group, Cape Gate (Pty) Limited and Cape Town Iron and Steel Works (Pty) Limited (CISCO). ArcelorMittal Steel South Africa Limited is the largest producer of steel, with 3.6 million tonnes for the domestic market (68%). Highveld Steel and Vanadium Corporation Limited is the second largest, with 0.81 million tonnes into the local market (15%).
- 5.1.7** During the 2006 calendar year serious steel shortages were experienced, as the local producers could not keep up with demand. This was the reason for the dramatic increase in imports. The mills were forced to introduce allocation quotas in an attempt to distribute the limited production in a fair and transparent manner. Allocations have been withdrawn on most products as of 3rd quarter 2007.

5.2 Local steel sales

5.2.1 Local consumption increased by just over 26% for the calendar year 2006 compared to 2005.

5.2.2 Domestic carbon steel sales totalled 1 433 million tonnes during the first quarter of 2007, an increase of 16.1% when compared with the corresponding period in 2006. This shows ongoing strong demand, given that the 2006 year was exceptionally high.

5.2.3 Vibrant GDP numbers released recently point to a resilient economy. However, the strong growth and the composition of the growth bring to the fore concerns about capacity utilisation in the economy, poorly maintained infrastructure, skills level, the current account, the exchange rate and the financial health of the consumer. Nonetheless, there are signs of the consumer driven side of the economy slowing while expectations for greater infrastructural spending by Government, in particular, should produce a more balanced economy and positive outlook for the steel industry in the future. Growth is expected to continue to slow in the interest-sensitive sectors, such as finance, real estate and business service as well as wholesale and retail consumer trade due to the impact of higher inflation and interest rates.

5.2.4 Despite inflationary risks still remaining it appears that the South African Reserve Bank is staying the course of deliberate, steady interest rate increases until such time that inflationary risks are viewed as being contained.

5.2.5 The following is an analysis of sales of primary carbon steel products to industrial groups:

Metric tons	2005 1H	2006 1H	Increase
Mining	118 487	153 750	29.8%
Manufacturing	1 749 055	2 189 726	25.2%
Building and Construction	723 404	929 867	28.5%
Unallocated	604 224	777 406	28.7%
	3 195 170	4 050 749	26.8%

Source: SAISI 1H = January to September.

5.3 Local steel merchants

5.3.1 Given that the majority of steel merchants are private companies, precise figures on market share are not available. The situation is made more complex due to the fact that some of these companies deal in stainless steel and other products. Notwithstanding this, the approximate position is as follows:

- the two dominant players in the South African market are Macsteel Holdings (Pty) Limited (South Africa) and Trident Steel (Pty) Limited at about 6 to 7 times BSI volumes. Baldwins Steel following a distant third at approximately 1.3 times BSI volumes. Robor (Pty) Limited is a significant consumer of steel, but is largely engaged in the manufacture of steel tube and pipe – about 2 times BSI volumes; and
- BSI is the larger of the 'second tier' of mid-sized steel distributor.

6. PROSPECTS

In the opinion of the directors of the company, based on experience and market information available:

6.1 Increase into new sectors

The strategy of BSI is to grow the business aggressively in the existing and new market sectors. Specific new market sectors which BSI will explore in the near future are mining, structural steel and the automotive industries.

6.2 Geographical expansion

BSI has the flexibility and foresight to adapt to ever changing business markets. BSI has already identified certain strategic markets that the group will enter once the timing is appropriate.

6.3 Product expansion

By developing a superior knowledge of customers, processes and needs, BSI creates and delivers innovative products and services that build sustainable working relationships based on mutual trust and confidence. Specific product-based growth for the next two years includes plate, structural beams and medium mill sections.

7. MAJOR SHAREHOLDERS

- 7.1** There are no shareholders, apart from the directors (and accordingly their beneficiaries), who are, directly or indirectly, beneficially interested in 5% or more of the issued ordinary share capital of BSI at the last practicable date. Refer to paragraph 5 in Annexure 1 for the directors' shareholdings.
- 7.2** No shareholder, other than the Longfellow and Denbigh Trusts (of which William Battershill and his descendants for both trusts are beneficiaries), the Craig Parry Family Trust (of which Craig Parry and his descendants are beneficiaries), Grant Donald Guy Mackenzie and the Jamand Trust (of which Grant Mackenzie and his descendants are beneficiaries) will, as far as the directors of BSI are aware, directly or indirectly, hold 5% or more of the issued share capital of BSI following the private placement. The company will have a public shareholding of at least 100 shareholders who will hold a minimum of 10% of the ordinary shares on the day of listing. The controlling shareholder in BSI, both before and after the listing, will be the Longfellow and Denbigh Trusts, whose beneficiaries are William Battershill and his descendants.
- 7.3** There will be no change in the controlling shareholder as a result of the private placement.
- 7.4** There have been no changes in the controlling shareholder and trading objects of BSI during the last five years.

8. DIRECTORS

Details of the directors, including the appointment, remuneration, borrowing powers of directors and directors' interests and declarations are set out in Annexure 1.

9. PURPOSE OF PLACEMENT AND LISTING ON ALT^x

- 9.1** Subject to the achievement of the required spread of public shareholders, the JSE has formally approved the listing of 719 854 996 ordinary shares on ALT^x with effect from commencement of business on Wednesday, 24 October 2007. The shares will trade under the abbreviated name "BSI", with the JSE code "BSS" and ISIN: ZAE000107371.
- 9.2** BSI has shareholders' funds in excess of R2 million in its reserves. The company will have a public shareholding of at least 100 shareholders who will hold a minimum of 10% of the issued ordinary shares on the day of listing.
- 9.3** An amount of R100 000 000, before share issue and listing expenses, will be raised by the company by the issue of 100 000 000 ordinary shares for cash and an amount of R57 600 000 will be realised by the selling shareholders from the sale of 57 600 000 ordinary shares to selected private individuals, corporations and institutions. The proceeds of the issue will be utilised to accelerate growth as set out in paragraph 9.4 below. The proceeds received in terms of the private placement will be applied firstly to the offer for subscription and thereafter to the offer for sale.
- 9.4** The directors of BSI believe that the company has outgrown its private company status. In pursuing its intended vision and mission, the proposed private placement and the listing will allow the company to achieve the following:
- raise capital and to have the flexibility of listed shares in order to allow the company to take advantage of any acquisitive opportunities that may arise in the future that will complement the company's businesses thereby accelerating its growth;
 - improve BEE rating through the sale of shares to BEE organisations;
 - reduce gearing and risk;
 - provide easier access to capital to fund growth and specialised processing equipment;

- enhance investor and general public awareness of BSI, its activities and specialised skills;
- attract and retain intellectual capital through the incentive of meaningful equity participation;
- broaden BSI's shareholder base and to obtain the spread of at least 100 shareholders who are required to hold a minimum of 10% for the purpose of the listing of BSI's ordinary shares on the JSE;
- afford members of the investing public, clients and business associates of BSI the opportunity to participate directly in the income stream of the company, as well as in the future capital growth of its assets;
- raise the company's profile leading to new business opportunities.

10. DETAILS OF THE PRIVATE PLACEMENT

10.1 Salient features

10.1.1 The salient features of the private placement are as follows:

Offer price per ordinary share (cents)	100
Par value per ordinary share (cents)	0.001
Premium per ordinary share (cents)	99.999
Number of ordinary shares offered by the company for subscription in terms of private placement	100 000 000
Issue consideration to be received by the company, before expenses	R100 million
Number of ordinary shares offered for sale by the selling shareholders in terms of the private placement	57 600 000
Total consideration to be received by the selling shareholders	R57.6 million

10.1.2 The opening and closing dates of the private placement are as follows:

Opening date of the private placement (09:00)	Tuesday, 16 October 2007
Closing date of private placement (12:00)	Wednesday, 17 October 2007
Proposed listing date on ALT ^x (09:00)	Wednesday, 24 October 2007

10.1.3 Those private individuals, corporations and institutions who have been invited to apply should do so by completing the attached private placement application form in accordance with the provisions of this prospectus and the instructions contained in the private placement application form.

10.1.4 No offer will be made to the general public in terms of the private placement. The private placement will be made to selected applicants only.

10.1.5 The ordinary shares issued in terms of the private placement will rank *pari passu* with all other ordinary shares issued by BSI.

10.2 Procedures for acceptance and subscription of shares in BSI

10.2.1 Applications for the private placement must be made on the attached private placement application form provided to selected applicants. Each application will be regarded as a single application.

10.2.2 The rights granted to selected applicants in terms of the private placement may not be ceded, renounced or assigned in favour of anyone else by the applicant to whom it is addressed.

10.2.3 The private placement shares may not be applied for in the name of a minor, deceased estate or partnership. Executors, trustees and individual partners may apply for the private placement shares in their own name or through nominee companies. No documentary evidence of capacity need accompany the private placement application but the directors of BSI reserve the right to call upon any applicant to furnish evidence of such capacity for noting.

10.2.4 The private placement applications are irrevocable once received by the Designated Adviser or the company.

- 10.2.5** No receipts will be issued for applications and/or payments received.
- 10.2.6** Applications must be for a minimum of 5 000 ordinary shares and in multiples of 1 000 ordinary shares thereafter.
- 10.2.7** Ordinary shares will only be traded in electronic form and, accordingly, all shareholders who elect to receive certificated shares will first have to dematerialise their share certificates should they wish to trade their shares. Applicants are advised that it takes between one and ten days to dematerialise their certificated shares depending on the volumes being processed by Strate at the time of dematerialisation.
- 10.2.8** Payment may only be made by bank guaranteed cheque (crossed “not transferable”), banker’s draft or electronic transfer (followed by fax or electronic proof of payment in the case of electronic transfers). Postal orders, cash or telegraphic transfers will **not** be accepted. Cheques must be made payable in favour of “**BSI Listing**”. All cheques and banker’s drafts will be deposited by the Designate Adviser immediately upon receipt in a designated account under the control of BSI with a registered South African bank.
- 10.2.9** The private placement applications will only be regarded as complete once payment for the total amount of the application has been received. Should any cheque or banker’s draft subsequently be dishonoured, the directors of BSI may, in their sole discretion, and without prejudice to any rights the company may have, regard the private placement application of such applicant as being revoked or take such steps in regards thereto as they deem fit.
- 10.2.10** “Blocked Rand” may be used by emigrants and non-residents of the common monetary area for payment in terms of the private placement. In this regard, reference should be made to paragraph 10.12 below that deals with Exchange Control Regulations.

10.3 Application for certificated shares – payment by bank guaranteed cheque or banker’s draft

Applicants who elect to receive their allocated shares in certificated form and who wish to pay by way of bank guaranteed cheque or banker’s draft must complete and return the private placement application, together with their payment in the form of a bank guaranteed cheque or banker’s draft (crossed “not transferable”) and drawn in favour of “**BSI Listing**” in an envelope marked “**BSI Listing**” to:

<i>if delivered by hand or by courier</i>	<i>if posted</i>
Designated Adviser	Designated Adviser
Exchange Sponsors	Exchange Sponsors
(Pty) Limited	(Pty) Limited
39 First Road	PO Box 411216
Hyde Park	Craighall
Johannesburg	2024
2196	

so as to be received by no later than 12:00 on Wednesday, 17 October 2007.

No late applications will be accepted.

10.4 Application for certificated shares – payment by electronic transfer

10.4.1 Applicants who elect to receive their allocated shares in certificated form and who wish to pay by way of **electronic transfer** may do so, in which case **the private placement application, and proof of such payment by electronic transfer must be hand delivered, posted or faxed to the Designated Adviser (and not the transfer secretaries) to:**

<i>if delivered by hand</i>	<i>if posted</i>	<i>if faxed</i>
Designated Adviser Exchange Sponsors (Pty) Limited 39 First Road Hyde Park Johannesburg 2196	Designated Adviser Exchange Sponsors (Pty) Limited PO Box 411216 Craighall 2024	Designated Adviser (011) 447 1929

so as to be received by no later than 12:00 on Wednesday, 17 October 2007.

10.4.2 Payment by electronic transfer must be made into the following bank account:

Bank:	Nedbank
Branch:	Business Durban
Branch code:	164 826
Account name:	BSI Listing
Account number:	1648166059
Account type:	Current

10.4.3 BSI accepts no responsibility and will not be liable for the correctness of any allocation of private placement shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or BSI, for any reason, not being able to reconcile a payment or purported payment with a particular application for private placement shares.

10.4.4 In respect of those applicants who elect to receive certificated shares, their share certificates will be posted, via registered post, on our about Wednesday, 24 October 2007.

10.5 Disadvantages of holding shares in certificated form

10.5.1 The current risks associated with holding shares in certificated form, including the risk of loss or tainted scrip, remain.

10.5.2 When a shareholder wishes to transact on the JSE, he will be required to appoint a CSDP or broker to dematerialise the shares prior to the broker being able to transact in the shares, which dematerialisation can take up to ten days. A certificated shareholder will have no recourse in the event of delays occasioned by the validation process or the acceptance or otherwise of its certificated shares by a CSDP.

10.6 Application for dematerialised shares – payment by electronic transfer or through broker

10.6.1 Applicants who elect to receive their allocated shares in dematerialised form and who wish to pay by way of electronic transfer may do so, in which case **the private placement application and the section on their CSDP or broker and proof of such payment by electronic transfer must be hand delivered, posted or faxed to:**

<i>if delivered by hand</i>	<i>if posted</i>	<i>if faxed</i>
Designated Adviser Exchange Sponsors (Pty) Limited 39 First Road Hyde Park 2196	Designated Adviser Exchange Sponsors (Pty) Limited PO Box 411216 Craighall 2024	Designated Adviser (011) 447 1929

so as to be received by no later than 12:00 on Wednesday, 17 October 2007.

10.6.2 Payment by electronic transfer must be made into the following bank account:

Bank:	Nedbank
Branch:	Business Durban
Branch code:	164 826
Account name:	BSI Listing
Account number:	1648166059
Account type:	Current

10.6.3 BSI accepts no responsibility and will not be liable for the correctness of any allocation of private placement shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or BSI, for any reason, not being able to reconcile a payment or purported payment with a particular application for private placement shares.

10.6.4 Applicants, who wish to receive their allocated shares in dematerialised form, must complete and **return the private placement application to the Designated Adviser or their duly appointed CSDP or broker by the time and date stipulated in the agreement governing their relationship with their CSDP or broker**, together with the method of payment as stipulated in such agreement. If the applicant submits an application form, he must ensure that the relevant broker or CSDP has been informed of the application and the broker or CSDP must authenticate the relevant application form.

10.6.5 The brokers will collate all their respective private placement applications and forward the instruction to the brokers' nominated CSDP's.

10.6.6 The CSDP's will collate all the private placement applications from brokers and/or applicants and notify the transfer secretaries.

10.6.7 Brokers and CSDP's will be notified by the transfer secretaries on the second business day following the closing of the private placement of their allocation in respect thereof.

10.6.8 In respect of those applicants who elect to receive dematerialised shares, their duly appointed CSDP's or broker's account will be updated on or about Wednesday, 24 October 2007.

10.7 Reservation of rights

10.7.1 The directors of BSI reserve the right to accept or refuse any application(s), either in whole or in part, or to pro-rate any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

10.7.2 The directors of BSI reserve the right to accept or reject, either in whole or in part, any applications should the terms and the instructions contained in this prospectus not be complied with.

10.8 Irrevocable undertakings

BSI holds irrevocable undertakings from various selected investors to subscribe for and/or to purchase all 157 600 000 ordinary shares in terms of the private placement, amounting to 100% of the private placement shares.

10.9 No minimum subscription

The private placement is not subject to a minimum subscription being achieved. A minimum of 10% of the issued ordinary shares is however required to be subscribed for by at least 100 public shareholders to ensure the required spread in terms of the Listings Requirements. The proceeds received in terms of the private placement will first be applied to the offer for subscription and thereafter to the offer for sale.

10.10 Oversubscriptions

10.10.1 The private placement of 157 600 000 ordinary shares has been fully allocated to the investors who have given irrevocable undertakings as set out in paragraph 10.8 above.

10.10.2 In the event of a private placement application being accepted for a lesser number of shares than applied for or rejected, any surplus application monies received will be refunded by the company (where applicable) by a cheque drawn on Nedbank Limited. The refund will be made together with interest thereon calculated at the rate of 3.5% per annum from the date of receipt of such monies until day of posting, and shall be posted, by ordinary mail, or transferred electronically at the risk of the applicant concerned, on or about Thursday, 25 October 2007 (or on clearance of the funds, if later).

10.11 Issue of private placement shares

10.11.1 All private placement shares forming part of the offer for subscription will be issued at the expense of BSI and all private placement shares forming part of the offer for sale will be transferred at the expense of the selling shareholders.

10.11.2 All private placement shares to be issued are subject to the provisions of BSI's memorandum and articles of association and will rank *pari passu* in all respects with the existing ordinary shares in issue. Annexure 1 contains extracts of BSI's articles of association.

10.11.3 The ordinary shares will only be traded on the JSE in electronic form and as such, all shareholders will have to dematerialise their shares should they wish to trade them. Applicants are advised that it takes between one and 10 days to dematerialise certificated shares, depending on volumes being processed by Strate at the time of the dematerialisation.

10.11.4 The principal features of Strate are as follows:

- trades executed on the JSE must be settled within five business days;
- there will be penalties for late settlement;
- electronic record of ownership replaces share certificates and physical delivery of certificates; and
- all investors are required to appoint either a broker or CSDP to act on their behalf and to handle all settlement requirements.

10.12 Exchange Control Regulations

The following summary is intended as a guide and is, therefore, not comprehensive. If you are in any doubt hereto, please consult your professional adviser.

10.12.1 A former resident of the common monetary area who has emigrated from South Africa may use blocked Rand to subscribe for or to purchase shares in terms of this prospectus.

10.12.2 All payments in respect of ordinary shares applied for by non-residents using blocked Rand must be made through an authorised dealer in foreign exchange.

10.12.3 Share certificates issued in respect of certificated shares purchased or subscribed for using blocked Rand in terms of this prospectus will be endorsed "non-resident". Such share certificates will be placed under the control of the authorised dealer through whom the payment was made. Statements issued to non-resident dematerialised shareholders will be restrictively endorsed as "non-resident".

10.12.4 If applicable, refund monies payable in respect of an unsuccessful application, emanating from blocked Rand accounts will be returned to the authorised dealer administering such blocked Rand accounts for the credit of such unsuccessful applicants' blocked Rand accounts.

10.12.5 The South African Reserve Bank Limited has given BSI Exchange Control approval on the listing of the company. At the date of issuing the prospectus formal exchange control approval on the Drawbridge Sale Agreement was not yet obtained from the South African Reserve Bank.

10.12.6 Applicants resident outside the common monetary area

10.12.6.1 A person who is not resident in the common monetary area should obtain advice as to whether any governmental, and/or legal consent is required and/or whether any other formality must be observed to enable an application to be made in terms of the private placement.

10.12.6.2 This prospectus is accordingly not an offer in any area or jurisdiction in which it is illegal to make such an offer. In such circumstances this prospectus and any

application form are provided for information purposes only. All share certificates issued to non-residents of South Africa will be endorsed "non-resident" in terms of the Exchange Control Regulations. Statements issued to dematerialised shareholders will be restrictively endorsed as "non-resident".

11. MATERIAL CHANGES

The directors report that there have been no material changes in the financial or trading position of the company during the past five years, save in terms of the group restructuring as set out in paragraph 28 below.

12. PROFIT HISTORY, FORECASTS, UNAUDITED *PRO FORMA* FINANCIAL INFORMATION AND DIVIDEND POLICY

12.1 *Pro forma* historical financial income statement for the period ended 31 March 2007, profit forecasts for the years ending 31 March 2008 and 31 March 2009

12.1.1 The audited historical financial information of BSI, the preparation of which is the responsibility of the directors is presented in Annexure 2. Annexure 3 contains the independent reporting accountants' report on the historical financial information of BSI. The *pro forma* historical financial information is extracted from the *pro forma* financial information after the consolidation column as set out in Annexure 5.

12.1.2 The profit forecasts of BSI for the years ending 31 March 2008 and 31 March 2009, the preparation of which is the responsibility of the directors, are set out below. The accounting policies applied in arriving at forecast income are consistent in all respects with IFRS and with those accounting policies applied in the historic information presented. The forecasts should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 4.

	<i>Pro forma</i> 31 March 2007⁽²⁾ R'000	Forecast 31 March 2008 R'000	Forecast 31 March 2009 R'000
Revenue	944 647	1 216 774	1 475 223
Gross profit	147 568	207 198	237 637
Other income	6 767	19 985	20 582
Other costs	(85 089)	(93 325)	(112 795)
EBITDA	69 246	133 858	145 424
Depreciation	(2 213)	(3 099)	(3 664)
Profit before interest and taxation	67 033	130 759	141 760
Profit on disposal of assets	1 911	–	–
Fair value adjustment on Investment property	1 688	–	–
Interest received	1 230	2 202	2 202
Interest paid	(15 984)	(19 144)	(19 331)
Profit before taxation	55 879	113 817	124 631
Taxation	(15 159)	(33 726)	(29 822)
Earnings attributable to ordinary shareholders	40 719	80 091	94 809
Reconciliation of headline earnings:			
Profit attributable to ordinary shareholders	40 719	80 091	94 809
Profit on disposal of assets	(1 911)	–	–
Fair value adjustment on Investment property	(1 688)	–	–
Headline earnings attributable to ordinary shareholders	37 120	80 091	94 809
<i>Pro forma</i> weighted average shares in issue on which earnings are based ^(1 and 3)	616 854 996	663 970 064	719 854 996
<i>Pro forma</i> earnings per share (cents)	6.6	12.1	13.2
<i>Pro forma</i> headline earnings per share (cents)	6.0	12.1	13.2

Notes:

1. *Pro forma* calculation for the weighted average shares in issue for 31 March 2007 is based on the restructure of the issued share capital as set out in paragraph 24.3 below.
2. This historical *pro forma* financial information for 31 March 2007 is an extract from the unaudited *pro forma* financial information after the consolidation column as set out in Annexure 5.
3. The actual number of shares in issue, earnings and diluted earnings per share and headline and diluted headline earnings per share calculations are set out in Annexure 2.

12.1.3 Main assumptions on the forecast financial information

- (1) Forecast revenue derived from outside South Africa were converted into South African Rand at the exchange rate of R7.20 to the US\$.
- (2) Forecast revenue is based on the actual performance of the company and is in line with the historical performance of the company.
- (3) All expenses will increase in line with inflation and additional overheads will be incurred as a result of the increase in the growth of the company.
- (4) Calculations relating to the weighted average number of shares in issue are based on the issued shares after the private placement. This allows for the calculation of fully diluted earnings per share numbers.
- (5) Of the R100 000 000 proceeds from the private placement R38 500 000 (US\$5 500 000 at a rate of R7.00 to the US\$) will be used as funding for the acquisition of Discount Steel Zambia and Discount Steel Congo and the balance of R61 500 000 will be set-off against the overdraft facility.
- (6) Interest expenditure has been adjusted to account for the estimated interest saving as a result of the private placement as funds received will be utilised to repay certain debt.

12.1.4 Comments on the forecast financial information

- 12.1.4.1 The forecast financial information is based on the assumption that circumstances which affect the company's business but which are outside the control of the directors, will not materially alter in such a way as to affect the trading of the company. More specifically:
- trading conditions are not expected to be materially different in each of the forecast periods;
 - costs will increase in line with the expected rate of inflation;
 - interest rates and the basis and rates of taxation, both direct and indirect, will not change materially.
- 12.1.4.2 In addition, the forecast financial information is based on the assumptions that:
- there will be continuity in existing management and trading policies;
 - there will be no change in the present accounting policies.
 - the impact of any improved, revised or new standards, interpretations and amendments in terms of IFRS that have been issued but are not yet effective and have not yet been adopted by the group, will have no material effect on the forecast financial information. Such statements are detailed in Annexure 2;
 - the offering in terms of this prospectus will be fully subscribed enabling the company to settle significant debt levels as reflected in the *pro forma* financial information presented in Annexure 5.
- 12.1.4.3 In the opinion of the directors, the above assumptions are significant to the forecasts as being key factors upon which the financial results of the company will depend. However certain assumptions may not materialise and/or certain unforeseen events may occur or circumstances may arise subsequent to the forecasts being made. Accordingly, the results achieved for the periods referred to above may differ from those forecast and the variations may be material.

12.2 Unaudited *pro forma* income statement and balance sheet

Details of the unaudited *pro forma* income statement and balance sheet are set out in Annexure 5. The unaudited *pro forma* income statement and balance sheet should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 6. The directors of BSI are responsible for the preparation of the unaudited *pro forma* financial information of BSI.

12.3 Dividends

12.3.1 It is the intention of the company to reconsider its dividend policy once the company has achieved mature growth and periodically thereafter to take account of prevailing circumstances and future cash requirements. Initially all earnings generated by the company will be utilised to fund future growth and development.

12.3.2 Any dividends not claimed for a period of not less than three years from the date on which such dividends became payable may be forfeited for the benefit of the company.

12.3.3 There is no arrangement under which future dividends will be waived or have been waived.

13. AMOUNTS PAID OR PAYABLE TO PROMOTERS AND PROMOTER'S INTEREST

13.1 No payments have been made to the promoters of the company since the company's incorporation and no payments are proposed to be made to the promoters of the company.

13.2 The company has not entered into any promoter's agreements during the three years preceding this prospectus.

14. BROKERAGES AND COMMISSIONS

14.1 Since incorporation, no commission has been paid or is payable by the company in respect of underwriting.

14.2 No commissions, discounts, brokerages or other special terms have been granted during the three years preceding the date of this prospectus in connection with the issue or sale of any securities, other than disclosed in paragraphs 15.3 and 24.3.2.3 below, stock or debentures in the capital of the company.

15. PRELIMINARY EXPENSES AND ISSUE EXPENSES

15.1 The estimated total amount of preliminary expenses incurred in terms of the private placement and the listing within the three years preceding the date of this prospectus, exclusive of VAT, are as follows:

Function and advisers	R'000
Printing, publication, distribution and advertising expenses	300
JSE documentation fees	49
JSE listing fees	18
Transfer secretaries – Computershare Investor Services (Pty) Limited	20
Designated Adviser – Exchange Sponsors (Pty) Limited	450
Designated Adviser – Exchange Sponsors (Pty) Limited fund raising fee detailed in paragraph 15.3 below	3 000
Reporting accountants and auditors – BDO Spencer Steward (Midlands) Inc and BDO Spencer Steward (Jhb) Inc	150
Attorneys – Venn Nemeth & Hart Attorneys	250
Contingency	63
Estimated total	4 300

15.2 The abovementioned estimated expenses, which will not exceed the share premium, will be written-off against the share premium account to the extent permissible by the Act.

15.3 The company has issued 3 000 000 ordinary shares at par, as detailed in paragraph 24.3.2.3 below, to the Designated Adviser in settlement of the fund raising fees payable by BSI to the Designated Adviser. Fifty percent of these ordinary shares issued will be held in trust by the attorneys from the date of listing until the publication of the audited results for 31 March 2009, after which 50% may be released and the balance one year thereafter and the required certificate to that effect has been lodged with the JSE by BSI's attorneys. The shares will not be released before notification to the JSE. The Designated Adviser's interests are disclosed in paragraph 31 below.

15.4 The selling shareholders will be liable to pay expenses to Exchange Sponsors (Pty) Limited relating to the offer for sale and stamp duty on the transfer of ordinary shares comprising the offer for sale.

16. LOANS PAYABLE AND BORROWING POWERS

16.1 Summary of the loans, both secured and unsecured, due by the group at 31 March 2007, as set out in Annexure 2, Notes 13 and 14:

Lender	Loan amount R'000	Interest rate	Secured	Reason for loan	Maturity and repayment terms
Investec Private Bank (Pty) Limited	4 528	Prime less 2%	Limited surety ship by Garrison Steel (Pty) Limited, W L Battershill, W R Teichmann, G D G Mackenzie, C Parry, J R Waller	Mortgage bonds	2014
Standard Bank Limited	12 073	Prime less 2%	Motor vehicles and equipment	Instalment sale agreements	2009 – 2012 monthly
Nedbank Limited	128 479	Prime	Debtors' book and limited suretyship by W L Battershill, W R Teichmann, G D G Mackenzie, C Parry and J R Waller	Overdraft facility	Revolving
	145 080				
Less: Current portion included in short-term borrowings	129 937				
	15 143				

16.2 The borrowing powers of the BSI group have not been exceeded during the three years preceding the date of this prospectus.

16.3 The borrowing powers of the directors are set out in paragraph 7 of Annexure 1.

16.4 No loan capital or debentures are outstanding.

16.5 The repayment of the short-term portion of the borrowings will be financed from operating cash flow.

16.6 The balance of the proceeds, after funding the acquisition as per the Drawbridge Sale Agreement, will be set-off against the overdraft facility.

17. CAPITAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

17.1 The group had no material capital commitments and contingent liabilities at 31 March 2007. The lease payments are set out in paragraph 22.2 below. There have been no material changes to the contingent liabilities of the group between 31 March 2007 and the last practicable date.

17.2 The following is an analysis of the group's material commitments since 31 March 2007 and the last practicable date:

Land and buildings	R'000	Capital payable
Portion 24 of Farm Waterval 150, Meyerton	14 000	R9 million payable over 10 years at prime less 2%

17.3 The repayment of the short-term portion of the borrowings of the capital commitments will be financed from operating cash flow.

17.4 The borrowing arose from the purchase of land and buildings.

18. LOANS RECEIVABLE

18.1 No material loans have been made by BSI, or by any of its subsidiaries at the date of this prospectus.

18.2 No loans have been made or security furnished by BSI or by any of its subsidiaries to or for the benefit of any director or manager or any associate of any director or manager of BSI.

18.3 No material inter-company loans have been made by BSI, or by any of its subsidiaries at the date of this prospectus.

19. PROPERTY AND SUBSIDIARIES ACQUIRED AND TO BE ACQUIRED

19.1 As part of the restructure of the group BSI acquired the remaining 30% of the entire issued share capital in Discount Steel KZN, the remaining 25% of the entire issued share capital of Garrison Steel and the remaining 35% of the entire issued share capital in Discount Steel Africa. In addition to the above, Discount Steel Africa acquired the entire issued share capital of Discount Steel Zambia who, in turn, acquired the entire issued share capital of Discount Steel Lubumbashi. Details of BSI's subsidiaries are set out in paragraph 23.1 below and Annexure 10. Annexure 7 contains detailed information of the vendors from whom the material subsidiaries were acquired.

19.2 Save for acquisitions stated in paragraph 19.1 above, BSI has not acquired any material subsidiaries or property within the last three years at the date of the listing.

20. SHARES ISSUED, OTHER THAN FOR CASH

Save in terms of the Restructure Agreements referred to in paragraph 28.1 below no shares were issued or agreed to be issued by BSI or its subsidiaries during the past three years, other than for cash.

21. PROPERTY AND SUBSIDIARIES DISPOSED OR TO BE DISPOSED OF

21.1 Save for the sale of property by Red Chip, no material property, or subsidiaries have been disposed by any of the companies in the group within the last three years preceding the date of this prospectus.

21.2 It is not intended that any material property or subsidiaries be disposed of following the listing.

22. PRINCIPAL IMMOVABLE PROPERTY OWNED AND LEASED

22.1 Details of the properties owned by BSI, and its wholly-owned subsidiaries, are disclosed below:

Details	Date acquired	Purchase consideration R'000	Borrowings R'000	Valuation R'000	Location	Square metres
BSI Head Office Eden Park Drive Mkondeni Pietermaritzburg	2006	18 000	12 000	18 000	Erf 2229 Shorts Retreat Registration Division FT Province of KwaZulu-Natal	30 428
Garrison Steel and Shearcut, 37 Bosworth Street, Alrode Johannesburg	2004	6 497	4 440	9 500	Erf 710 Alrode Ext 4 Johannesburg	16 435
Discount Steel Zambia Lusaka Offices	1999	3 047	–	7 105	Stands 5099, 5100 5113 and 5114 corner Lumumba Luanshay and Bombo Roads Light Industrial Area Lusaka	9 000
Discount Steel Zambia Kitwe Offices	1999	704	–	1 995	Stand 1304, corner Chibuluma and Dr Aggrey Roads Heavy Industrial Area Kitwe	7 000
Discount Steel, Kolwezi	2007	196	–	255	Avenue Du Nord, Katanga Kolwezi – DRC	2 300
		28 444	16 440	36 855		

22.2 BSI leases the following properties:

Details	Property description	Unexpired period of lease	Monthly rent excluding VAT	Escalation per annum	Square metres
Discount Steel Africa Depot	10 A Quality Street, Isando Johannesburg, Remainder of Erf 502 Isando Extension 4 – Unit 13	1 year	R5 000	10%	1 000 office/ warehouse 5 000
Kazuma Rolling Plant Zambia	7439 Katanga Road off Mungwi Road Light Industrial Area, Luska	6 months	R4 095	Unspecified	144
Discount Steel Industrial, DRC	10C Avenue, Munguzi Lubumbashi, DRC	4 years 7 months	R70 000	Unspecified	6 500
Discount Steel City	Avenue Mama, Yemo Lubumbashi, DRC	7 months	R10 500	Unspecified	100

23. DETAILS OF SUBSIDIARIES

23.1 Details of BSI's subsidiaries are set out below:

Name, date and place of incorporation	Registration number	Date of becoming a subsidiary	Nature of business	Percentage of ordinary issued shares owned by BSI	Issued share capital of subsidiary
Shearcut 21 February 2005 Pretoria	2005/005305/07	2006	Processing	100	R100
Shearcut Precision Steel 20 February 2001 Pretoria	2001/003717/07	2001	Processing	100	R1 000
Red Chip 11 March 1999 Pretoria	1999/05091/07	1999	Property	100	R100
Doddleprops 6 21 November 2002 Pretoria	2002/029452/07	2002	Property	100	R100
Garrison Steel 21 September 2001 Pretoria	2001/022644/07	2006	Stockist	100	R1 000
Newcolab 4 July 1991, Pretoria	1991/03525/07	1994	Trading	100	R1 000
Discount Steel KZN 28 March 2001 Pretoria	2001/007016/07	2001	Stockist	100	R100
Discount Steel Trading 28 June 2001, Pretoria	2001/013604/07	2001	Trading	100	R100
Discount Steel Africa 14 March 1997, Pretoria	1997/003722/07	1997	Stockist	100	R1 000

23.2 Discount Steel Africa, a subsidiary of BSI acquired the following subsidiary:

Name, date and place of incorporation	Registration number	Date of becoming a subsidiary	Nature of business	Percentage of ordinary issued shares owned by BSI	Issued share capital of subsidiary
Discount Steel Zambia 5 March 1997 Lusaka, Zambia	37849	2007	Stockist	100	US\$5 665

Note:

- Annexure 7 contains detail information from whom the subsidiary was acquired.

24. SHARE CAPITAL

24.1 Authorised and issued share capital

The authorised and issued share capital of BSI, taking into account the private placement and listing costs as set out in paragraph 15.1 above, which are to be set-off against the share premium, are set out below:

	R
Authorised	
1 000 000 000 ordinary shares of 0.001 cent each	10 000
Issued, prior to the implementation of the private placement	
619 854 996 ordinary shares of 0.001 cent each	6 198
Share premium	–
Issued, after the private placement on listing	
719 854 996 ordinary shares of 0.001 cent each	7 199
Share premium	98 692 801

24.1.1 All of the authorised and issued shares are of the same class and rank *pari passu* in every respect.

24.1.2 Save as set out in paragraph 24.2 below, there have been no alterations to the authorised share capital of the group during the three years preceding the date of this prospectus.

24.1.3 No offer has been made by BSI or its subsidiaries for the subscription or sale of shares during the three-year period preceding the date of issue of this prospectus.

24.1.4 Neither BSI nor any of its subsidiaries have repurchased any BSI shares at the date of issue of this prospectus.

24.2 Alterations to authorised share capital

24.2.1 BSI was incorporated with an authorised share capital of R10 000, divided into 800 000 ordinary shares having a par value of 1 cent each and 200 000 divisional shares, having a par value of 1 cent each.

24.2.2 The group passed special resolutions on 30 August 2007 to:

24.2.2.1 convert its 200 000 divisional shares having a par value of 1 cent each into 200 000 ordinary shares having a par value of 1 cent each to have 1 000 000 ordinary shares of 1 cent each;

24.2.2.2 sub-divide its authorised share capital of 1 000 000 ordinary shares of 1 cent each into 1 000 000 000 ordinary shares of 0.001 cent each.

24.2.3 BSI has a total authorised share capital of R10 000, comprising 1 000 000 000 ordinary shares of 0.001 cent each.

24.2.4 The special resolutions passed to alter the authorised share capital as set out in paragraph 24.2.2 above were registered by the Registrar of Companies on 14 September 2007.

24.3 Issue of shares

24.3.1 Subsequent to its incorporation, BSI issued and allotted 100 000 ordinary par value shares of 1 cent each.

24.3.2 The group:

24.3.2.1 passed a special resolution to sub-divide its issued share capital of 100 000 ordinary shares of R0.01 each into 100 000 000 ordinary shares of 0.001 cent each on 30 August 2007, which special resolution was registered by the Registrar of Companies on 14 September 2007;

24.3.2.2 issued 516 854 996 ordinary shares of 0.001 cent each at par and for cash on 14 September 2007 to existing shareholders as part of the group restructure;

24.3.2.3 issued 3 000 000 ordinary shares of 0.001 cent each on 14 September 2007 at an issue price of 100 cents per ordinary share, being the par value plus a premium of 99.999 cents per ordinary share and the private placement price, to the Designated Adviser, in settlement of the fund raising fees payable by BSI to the Designated Adviser as detailed in paragraph 15.1 above. The Designated Adviser's interests following this issue are disclosed in paragraph 31 below.

24.3.3 At the date of issue of this prospectus, before the private placement, BSI had a total issued share capital (including share premium) of R6 198.

24.4 The ordinary resolutions necessary to approve the above issues of shares were passed at the time of the issues. In terms of an ordinary resolution passed by a 75% majority of the shareholders on 30 August 2007, the directors have the power to allot and issue ordinary shares of the group for cash, subject to the following conditions:

- compliance with the provisions of the Act, the Listings Requirements and the memorandum and articles of association of BSI;
- that the securities be of a class already in issue;
- that securities be issued to public shareholders and not to related parties;
- that an announcement giving full details, including the impact on net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of securities in issue prior to the issue/s;
- that issues in the aggregate in any one financial year shall not exceed 50% of the group's issued share capital of that class;
- that, in determining the price at which an issue of securities will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors; and
- that the approval will be valid until the next annual general meeting or for 15 months from the date of the resolution, whichever period is the shorter.

24.5 Unissued shares

In terms of a resolution passed at a general meeting of BSI on 30 August 2007, the 280 145 004 authorised but unissued ordinary shares of the company, after the private placement, will be under the control of the directors of BSI until its first annual general meeting, subject to the provisions of sections 221 and 222 of the Act and the Listings Requirements.

24.6 Voting and variation of rights

The articles of association of the company provide that, at any general meeting, a resolution put to the vote of such meeting shall be decided on a show of hands, unless a poll is, before or on the declaration of the result of the show of hands, demanded by any person, the chairperson or by the members referred to in section 198(1)(b) of the Act. Any variation in rights attaching to shares will require the consent of the shareholders in general meeting in accordance with the company's articles of association.

24.7 No other listings

The issued ordinary shares of BSI will be listed on ALTX. No other shares of BSI are listed on any stock exchange.

25. ADEQUACY OF WORKING CAPITAL

25.1 The directors of the group are of the opinion that the working capital available to the group, prior to the private placement, is adequate for the present requirements of the group, i.e. for a period of 12 months from the date of issue of this prospectus and that:

- 25.1.1** the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of this prospectus;
- 25.1.2** the assets of the group will be in excess of the liabilities of the group for a period of 12 months after the date of this prospectus. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements;
- 25.1.3** the share capital and reserves of the group will be adequate for ordinary business purposes for a period of 12 months after the date of this prospectus;
- 25.1.4** the working capital of the group will be adequate for ordinary business purposes for a period of 12 months after the date of this prospectus.

26. OPTIONS AND PREFERENTIAL RIGHTS IN RESPECT OF SHARES

Save in terms of the share incentive scheme, referred to in paragraph 27 below, the salient features of which are set out in Annexure 9, there are no contracts or arrangements, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any person to subscribe for any shares in the company.

27. SHARE INCENTIVE SCHEME

- 27.1** The directors of the company have established a share incentive scheme for the benefit of directors and employees of the group. The salient features of the share incentive scheme are set out in Annexure 9.
- 27.2** No shares have been issued under the share incentive scheme at the date of issue of this prospectus.

28. MATERIAL CONTRACTS

- 28.1** As part of the restructure of the group, BSI acquired the remaining 30% of the entire issued share capital in Discount Steel KZN, the remaining 25% of the entire issued share capital of Garrison Steel, the remaining 35% of the entire issued share capital in Discount Steel Africa and the remaining 30% of the entire issued share capital of Discount Steel Trading. In addition to the above, in terms of the Drawbridge Sale Agreement Discount Steel Africa acquired the entire issued share capital of Discount Steel Zambia who, in turn, acquired the entire issued share capital of Discount Steel Lubumbashi. Annexure 7 contains detailed information of the vendors from whom the material subsidiaries were acquired.
- 28.2** Save for the Restructure Agreements referred to in paragraph 28.1 above and, save for the service agreements with directors setting out their remuneration referred to in Annexure 1, there are no material contracts which have been entered into by the company during the three years preceding the date of this prospectus, other than in the ordinary course of business conducted by the company.
- 28.3** There are no material contracts which have been entered into by the company at any time, which contain an obligation or settlement that is material to the company, other than in the ordinary course of business.
- 28.4** The group is not subject to any management or royalty agreements. The group has not paid any material technical or secretarial fees during the three years preceding the issue of this prospectus.
- 28.5** The company has not entered into any promoters' agreements during the three years preceding the date of this prospectus.

29. MATERIAL INTER-COMPANY TRANSACTIONS

There are no material inter-company balances in the BSI group.

30. LITIGATION STATEMENT

There are no legal or arbitration proceedings, including any such proceedings that are pending or threatened, of which the group is aware that may have, or have had during the 12 months preceding the date of this prospectus a material effect on the financial position of the company.

31. ADVISERS' INTERESTS

31.1 Save as disclosed in paragraph 31.2 below, none of the advisers, whose particulars are set out in the "Corporate information" section, hold any shares in the company or have agreed to acquire any shares in the company at the date of this prospectus.

31.2 The following directors and employees of the Designated Adviser have an interest in the ordinary shares in BSI:

Name and capacity	Number of shares	Percentage holding in BSI	Name of beneficial owner
Marius Meyer – Director	1 000 000	0.1	Buccoli Beleggings CC (Registration number 1995/010698/23)
Marius Meyer – Director	1 000 000	0.1	Magika Investments (Pty) Limited (Registration number 1997/019193/07)
Wessel Petrus van der Merwe – Director	2 010 000	0.3	SA Madiba Investments (Pty) Limited (Registration number 1998/015202/07)
Esna Colyn – Employee	510 000	–	Esna Colyn
Mareo Bekker – Employee	95 000	–	Malibe Trust (Master Reference IT6384/96)
Martha van der Westhuizen – Employee	100 000	–	Martha van der Westhuizen
Chrisna Chalmers – Employee	20 000	–	Chrisna Chalmers
Keeley Ermann – Employee	40 000	–	Keeley Ermann
Dominique Delpont – Employee	13 000	–	Dominique Delpont

31.3 Fifty percent of the ordinary shares in the table above will be held in trust by the attorneys as set out in paragraph 5.1.3 of Annexure 1.

32. CONSENTS

Each of the group's advisers, commercial banker, BDO Spencer Steward (Midlands) Inc, BDO Spencer Steward (Jhb) Inc and the transfer secretaries have consented in writing to act in the capacities stated and to their names and reports appearing in this prospectus and have not withdrawn their consent prior to the registration of this prospectus.

33. CORPORATE GOVERNANCE

The company's Corporate Governance policy is set out in Annexure 8.

34. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are set out in Annexure 1, and the selling shareholders, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this prospectus contains all information required by law and the Listings Requirements.

35. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents which have been submitted to the Registrar of Companies will be available for inspection at the registered office of the company and at Exchange Sponsors (Pty) Limited's office, 39 First Road, Hyde Park, 2196, at any time during normal business hours from 08:30 to 17:00 for a period of 21 days from the date of this prospectus:

- the memorandum and articles of association of the company;
- the signed reports by the independent reporting accountants, the texts of which are set out in Annexures 3, 4 and 6;
- the written consents of the company's advisers and transfer secretaries to act in those capacities, which consents have not been withdrawn prior to registration;
- the company's share incentive scheme;
- the directors' service agreements and restraint undertakings;
- the audited annual financial statements of BSI for the three years ended 31 March 2007;
- the irrevocable undertakings referred to in paragraph 10.8 above;
- the report of the property valuations as referred to in paragraph 22.1 above;
- copies of the Restructure Agreements referred to in paragraph 28.1 above; and
- a signed copy of this prospectus.

36. PARAGRAPHS OF SCHEDULE 3 TO THE ACT WHICH ARE NOT APPLICABLE

The numbers of the paragraphs in Schedule 3 to the Act which are not applicable, are:

1(b), 2(d), 6(d), 6(e)(ii), 6(g), 6(h), 8(b), 8(c), 8(d), 9(b), 10, 11, 12, 13, 14, 17(c), 17(b), 18(b), 20(b), 21, 24, 26, 27, 28, 30 and 31.

Signed at Pietermaritzburg by William Lionel Battershill on 8 October 2007 on his own behalf as director and as a selling shareholder and on behalf of all the other directors of the company and the selling shareholders, he being duly authorised in terms of powers of attorney granted to him by such other directors and resolutions passed by such other selling shareholders.

SGD

William Lionel Battershill
In his capacity as a director and a selling shareholder

SGD

For: Grant Donald Guy Mackenzie, a director, herein represented by William Lionel Battershill under and in terms of a power of attorney executed on 6 September 2007

SGD

For: James Rowland Waller, a director, herein represented by William Lionel Battershill under and in terms of a power of attorney executed on 6 September 2007

SGD

For: Nigel George Payne, a director, herein represented by William Lionel Battershill under and in terms of a power of attorney executed on 6 September 2007

SGD

For: Ethan Gilbert Dube, a director, herein represented by William Lionel Battershill under and in terms of a power of attorney executed on 6 September 2007

SGD

For: Paul John Kennelly Arnott a selling shareholder, herein represented by William Lionel Battershill under and in terms of a power of attorney executed on 6 September 2007

SGD

For: Greenwater Family Trust a selling shareholder, herein represented by William Lionel Battershill duly authorised under and in terms of a power of attorney executed by the trustees of the trust on 6 September 2007

SGD

For: Lee Craig Daff a selling shareholder, herein represented by William Lionel Battershill duly authorised under and in terms of a power of attorney executed on 6 September 2007

SGD

For: Glenn Barry Daff a selling shareholder, herein represented by William Lionel Battershill duly authorised under and in terms of a power of attorney on 6 September 2007

SGD

For: Craig Parry Family Trust a selling shareholder, herein represented by William Lionel Battershill duly authorised under and in terms of a power of attorney executed by the trustees of the trust on 6 September 2007

SGD

For: Paul Arnott Family Trust a selling shareholder, herein represented by William Lionel Battershill duly authorised under and in terms of a power of attorney executed by the trustees of the trust on 6 September 2007

SGD

For: Denbigh Family Trust a selling shareholder, herein represented by William Lionel Battershill duly authorised under and in terms of a power of attorney executed by the trustees of the trust on 6 September 2007

SGD

For: Longfellow Family Trust a selling shareholder, herein represented by William Lionel Battershill duly authorised under and in terms of a power of attorney executed by the trustees of the trust on 6 September 2007

SGD

For: Jamand Trust a selling shareholder, herein represented by William Lionel Battershill duly authorised under and in terms of a power of attorney executed by the trustees of the trust on 6 September 2007

DIRECTORS, EXECUTIVE MANAGEMENT, APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

1. FULL NAMES, AGES, FUNCTIONS AND BUSINESS ADDRESSES OF THE BOARDS OF DIRECTORS OF BSI, GARRISON STEEL AND DISCOUNT STEEL TRADING

Director	Age	Function	Business address
BSI			
William Lionel Battershill	47	Chief Executive Officer (Chairperson)	Eden Park Drive Murrayfield Park, Mkondeni Pietermaritzburg, 3201
Grant Donald Guy Mackenzie	42	Chief Operating Officer	10 Quality Street Isando, Johannesburg, 1609
James Rowland Waller	43	Group Financial Director	Eden Park Drive Murrayfield Park, Mkondeni Pietermaritzburg, 3201
Nigel George Payne*	47	Non-executive Director	17 Westbrooke Drive Sandton, 2196
Ethan Gilbert Dube*	48	Non-executive Director	Vunani House Freestone Park 135 Patricia Road, Sandown Sandton, 2196
Garrison Steel			
William Ross Teichmann	42	Director	37 Bosworth Street Alrode, 1449
Rob MacFarlane	56	Director	37 Bosworth Street Alrode, 1449
Curtis Read	37	Director	37 Bosworth Street Alrode, 1449
William Lionel Battershill	47	Director	Eden Park Drive Murrayfield Park, Mkondeni Pietermaritzburg, 3201
James Rowland Waller	43	Director	Eden Park Drive Murrayfield Park, Mkondeni Pietermaritzburg, 3201
Discount Steel Trading			
Craig Parry	38	Director	Eden Park Drive Murrayfield Park, Mkondeni Pietermaritzburg, 3201
Francious Etienne Barnard	33	Director	Eden Park Drive Murrayfield Park, Mkondeni Pietermaritzburg, 3201
William Lionel Battershill	47	Director	Eden Park Drive Murrayfield Park, Mkondeni Pietermaritzburg, 3201
James Rowland Waller	43	Director	Eden Park Drive Murrayfield Park, Mkondeni Pietermaritzburg, 3201

* Non-executive.

All directors are South African citizens.

2. EXPERIENCE OF DIRECTORS

2.1 William Battershill – Chief Executive Officer (Chairperson) (47)

William has always been an entrepreneur and commenced his working career with his father, John Battershill, at his manufacturing and agricultural supply company. He worked for his father for two years after which he moved on to Way Industries, where he was appointed as a Director at the age of 23. He left Way Industries to open his own agency in May 1985, from which Discount Steel CC originated. William's strengths are his broad-based understanding of business and his ability to recognise and convert business opportunities.

2.2 Grant Mackenzie – Chief Operating Officer (MBChB) (42)

Grant started his working career at a subsidiary of Anglovaal in 1994. In 1995 he moved to Lusaka, Zambia, where he started Discount Steel Africa with William, in 1997. He returned to South Africa in 2005 as the Managing Director responsible for all export operations into overland Africa. Grant was appointed as the Chief Operating Officer of BSI in May 2007.

2.3 James Waller – Group Financial Director (B.Comp) (Hons) (43)

James completed his articles with KPMG Inc before moving into commerce. He worked as Financial Director for Positron, Purdon Murdock and Waller, ATM (Pty) Limited and Terrafan Management Services (Pty) Limited. In 2001 he was appointed as Financial Director at BSI. James comes with a wealth of experience gained in the industry and was instrumental in managing the high growth of the group.

2.4 Ross Teichmann – Director, Garrison Steel (42)

Ross started a fencing business in Pietermaritzburg in 1987. In 1990 he joined McNaughtans where he ran the Empangeni branch for 18 months and then moved back to Durban as the sales manager for the region.

Ross joined Discount Steel in 1991 as a sales representative and was responsible for the Durban region for three years. He relocated to Johannesburg in 1995 to start Garrison Steel. Ross has been with BSI for the last 16 years and has contributed to the success of the steel business through his extensive experience of the steel industry.

2.5 Craig Parry – Director, Discount Steel Trading (38)

Craig commenced his working career at Nampak Limited as the production planner for laminated and coated products. Craig joined Discount Steel in 1992 taking responsibility of the trading division of the group. He has now been with the group for 15 years and has a wealth of experience in the steel industry.

2.6 Nigel Payne – Non-executive Director (B.Com)(Hons), CA(SA), MBL (47)

After qualifying as a Chartered Accountant, Nigel was promoted to partner at KPMG Inc, he held this position for six years. At this time he also lectured auditing part-time at Rhodes University. Nigel then became the head of Transnet's Internal Audit function, after a period of eight years in this function he established his own Corporate Governance advisory practise. Nigel is an active member of professional bodies, primarily the Institute of Internal Auditors (IIA), Institute of Chartered Accountants and Institute of Directors ("IOD"). He is also a member of the IOD Council and is Convenor of the IOD Corporate Governance Portfolio Committee.

Nigel has extensive experience in high level Corporate Governance and forensic investigations and in facilitating solutions to governance issues affecting shareholder relationships and board effectiveness.

2.7 Ethan Dube – Non-executive Director (MSc) (Statistics), Executive MBA (Sweden) (47)

Ethan has gained significant corporate finance and asset management experience over the years. He worked for Southern Asset Managers for three years as a Senior Analyst and for Standard Chartered and Merchant bank for two years in the Corporate Finance departments. In 1996 Ethan founded Infinity Asset Management with three other partners and in 1998 he started Vunani Capital Holdings (Pty) Limited (Registration number 1997/020641/07), an investment banking company, where he is the current Chief Executive Officer.

3. QUALIFICATION, APPOINTMENT, REMUNERATION AND BORROWING POWERS OF DIRECTORS

- 3.1** The relevant provisions of the articles of association of BSI relating to qualification, appointment, remuneration and borrowing powers of directors are set out in paragraph 7 of this annexure below. The borrowing powers may only be varied by special resolution, although the members may set limits by way of ordinary resolutions, which limits have not been exceeded since BSI's incorporation.
- 3.2** In terms of the declarations lodged by the directors in accordance with Schedule 21 of the Listings Requirements, none of the following applies to any of the directors, listed in paragraph 1 above for the 12 months preceding the date of issue of this prospectus: bankruptcies, insolvencies or individual voluntary compromise arrangements; receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary liquidations, or any compromise or arrangement with creditors generally or any class of creditors of any company where such person is or was a director with an executive function of such company at the time of any such event; compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships of which the person is or was a partner at the time of such event; receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of such event; public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, disqualification by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and/or any offence involving dishonesty.

4. DIRECTORS' REMUNERATION

- 4.1** The remuneration and benefits paid to the directors of the company, subsidiaries and entities in terms of the group restructuring for the financial year ended 31 March 2007, being the last financial period:

Year ended 31 March 2007	Basic R'000	Motor allowance R'000	Medical aid R'000	Cell phone allowance R'000	Bonus R'000	TOTAL R'000
William Battershill	1 041	–	39	–	2 426	3 506
Grant Mackenzie	866	–	38	–	1 118	2 022
James Waller	745	67	30	5	1 269	2 116
	2 652	67	107	5	4 813	7 644

Note:

(1) The newly appointed non-executive directors will earn market-related hourly fees, determined by the new board, per meeting attended.

- 4.2** There is no variation in the remuneration receivable by any of the directors as a direct consequence of the private placement and listing.
- 4.3** No sums were paid by way of an expense allowance or by way of any other material benefits or contributions paid under any pension scheme, or any commission, gain or profit-sharing arrangements.
- 4.4** Other than disclosed in paragraph 4.1 above and as disclosed in the Restructure Agreements in paragraph 28, no payments were made, or accrued as payable, or are proposed to be paid within the three years preceding the date of this prospectus to any director or to any company in which they are beneficially interested, either directly or indirectly, or of which they are directors ("the associate company"), or to any partnership, syndicate or other association of which they are members ("the associate entity"), in cash or securities or otherwise to:
- 4.4.1** the directors in respect of management, consulting, technical, secretarial fees or restraint payments;
- 4.4.2** a third party *in lieu* of directors' fees;
- 4.4.3** the directors as an inducement to qualify them as directors;
- 4.4.4** or otherwise for services rendered by them or by the associate company or the associate entity in connection with the promotion or formation of BSI.

- 4.5** Save in terms of the Restructure Agreements, no director or promoter has any material beneficial interest, direct or indirect, in the promotion of BSI and in any property to be acquired or proposed to be acquired by BSI out of the proceeds of the issue or during the three years preceding the date of this prospectus.
- 4.6** No business of BSI or any part thereof is managed or is proposed to be managed by a third party under a contract or arrangement.

5. DIRECTORS' SHAREHOLDINGS

- 5.1** The directors will, at the last practicable date, after the private placement hold, directly and indirectly, the following shares in BSI:

Director	Number of shares held		Number of shares held		Total number of shares held	Percentage held, before the private placement	Percentage held, after the private placement
	Beneficially Direct	Beneficially Indirect	Non-beneficially Direct	Non-beneficially Indirect			
William Battershill	–	328 111 676	–	–	328 111 676	53.2	45.6
Grant Mackenzie	11 237 435	84 949 739	–	–	96 187 174	15.6	13.4
James Waller	–	8 967 177	–	–	8 967 177	1.5	1.2
	11 237 435	422 028 592	–	–	433 266 027	70.3	60.2

- 5.1.1** In terms of the ordinary shares issued in terms of paragraph 24.3.2.2 and, save in terms of the Restructure Agreements referred to in paragraphs 28.1, there have been no changes in the interests of the directors between 31 March 2007 and the date of this prospectus, other than disclosed in paragraph 28.1 of this prospectus.
- 5.1.2** Save in terms of the Restructure Agreements referred to in paragraph 28.1 of this prospectus, no director has or had any interest, directly or indirectly, in any transaction, which is, or was, material to the business of BSI and which was effected by the company since incorporation, which remains in any respect outstanding or unperformed.
- 5.1.3** BSI's attorneys will hold in trust 50% of the shareholding of each director and the Designated Adviser from the date of listing until the publication of the audited results for 31 March 2009, after which 50% may be released and the balance one year thereafter and the required certificate to that effect has been lodged with the JSE by BSI's attorneys. The shares will not be released before notification to the JSE.
- 5.1.4** No loans (save as disclosed in paragraph 18 of this prospectus) or securities were furnished by BSI to or for the benefit of any director or manager or any associate of any director or manager of BSI.
- 5.1.5** No share options have been granted or awards made or shares issued and allotted in terms of the share incentive scheme at the last practicable date.

5.2 Directors' service contracts

Each of the executive directors has a service contract with BSI, containing such terms as are usual for such contracts and the terms relating to the remuneration detailed in paragraph 4.1 above. The service agreements impose notice periods of not less than three months. In addition, the executive directors have signed restraint undertakings in favour of the company. Restraints are for a period of six months in the geographical areas BSI operates. No payment for restraints was made.

6. OTHER DIRECTORSHIPS HELD BY DIRECTORS OF BSI

The names of other companies to which the directors have been a director or partner at any time in the previous five years are set out hereunder:

Director	Current directorships/memberships	Registration number
Nigel Payne	JSE Limited	2005/022939/06
	Bidvest Group Limited	1946/021180/06
	Mr Price Group Limited	1933/004418/06
	Glenrand MIB Limited	1997/008001/06
	Strate Limited	1998/022242/06
	Free State Maize (Pty) Limited	1996/017678/07
	Development Bank of Southern Africa Limited	1600157FN
	Professional Provident Society Insurance Company Limited	2001/017730/06
	Gobodo Forensic & Investigative Accountants (Pty) Limited	1997/08845/07
	Gobodo Outsourcing (Pty) Limited	1999/018434/07
	Epi-Use Africa (Pty) Limited	1999/014891/07
	iLab Holdings (Pty) Limited	1999/024664/07
	iLab (Pty) Limited	2004/016562/07
	P Net (Pty) Limited	1999/005423/07
	Epi-use Analytics (Pty) Limited	1996/012929/07
	UnAfrisol (Pty) Limited	2000/015649/07
	Egedi (Pty) Limited	2005/000705/07
	Sacra Investments (Pty) Limited	1998/023467/07
	Goldwing Flight Charter (Pty) Limited	1997/000040/07
	Morgan Creek Properties (Pty) Limited	1999/011051/07
Quedev (Pty) Limited	1996/002068/07	
Ethan Dube	Getgood Investments (Pty) Limited	1998/012206/07
	African Harvest (Pty) Limited	2002/003947/07*
	Bassap Investments Trust (Pty) Limited	2001/016486/07
	Coresource Investments (Pty) Limited	1998/022198/07
	Denbridge Investments (Pty) Limited	2003/012366/07
	Erf 117 Theewaterskloof CC	1997/063730/23
	ERF 8105 Kronenzicht Investments (Pty) Limited	1997/054839/23
	ERF 8106 Kronenzicht (Pty) Limited	1998/021338/07
	ERF 8106 Kronenzicht (Pty) Limited	1997/033975/23
	Infinity Securities Trading (Pty) Limited	1997/011288/07
	PTYTRADE 219 (Pty) Limited	2004/023418/07
	Sibetha and Associates CC	1996/038868/23
	Unit 4 Villa Di Legno CC	1997/069100/23
	Unit 5 Villa Di Legno CC	1998/023546/23
	Unit 6 Villa Di Legno CC	1998/023574/23
	Vunani Capital Holdings (Pty) Limited	1997/020641/07
	Vunani Corporate Finance (Pty) Limited	2006/008462/07
	Dougall Insurance Brokers (Pty) Limited	2005/018355/07
	Woodcove Cascades (Pty) Limited	1994/027593/23
	Lexshell 630 Investments (Pty) Limited	2004/011262/07
	African Harvest Finance (Pty) Limited	1995/007930/07
	Bravura Equity (Pty) Limited	1998/017469/07*
	Bravura Equity Services (Pty) Limited	1998/017454/07*
	Cape Town Central City Improvement District	1999/009132/08
	Drees and Sommer Vunani (Pty) Limited	2006/008303/07
	Q Photo (Pty) Limited	2005/032781/07
	Gidani (Pty) Limited	2005/007741/07
	Hyprop Investments (Pty) Limited	1987/005284/06
	Izinyoni Trading 215 (Pty) Limited	2003/000822/07
	Lexshell 638 Investments (Pty) Limited	2004/021697/07*
	Pennystocks Bear Sales (Pty) Limited	1994/004731/07
	Pennystocks Investments Limited	1989/002549/06
PeregrineQuant (Pty) Limited	1999/015894/07	
Sanski Investments 52 (Pty) Limited	2005/007101/07	
Sibetha Financial Services (Pty) Limited	1997/005869/07	

Director	Current directorships/memberships	Registration number
	Tresso Trading 864 (Pty) Limited	2004/008237/07
	V-Correspond (Pty) Limited	2006/005908/07
	Vector Equities (Pty) Limited	1997/004788/07
	Vector Nominees (Pty) Limited	2003/028941/07
	Vector Securities and Derivatives (Pty) Limited	1968/008854/07
	Velocity Asset Management (Pty) Limited	1997/004730/07
	Vunani Capital (Pty) Limited	1998/001469/07
	Vunani Group (Pty) Limited	2004/006502/07
	Vunani Nominees (Pty) Limited	2000/031572/07
	Vunani Properties (Pty) Limited	2004/006730/07
	Vunani Property Investment Fund (Pty) Limited	2005/019302/07
	Vunani Resources (Pty) Limited	2004/006400/07
	Vunani Securities (Pty) Limited	1997/010323/07
	Vunani Staffing Solutions (Pty) Limited	2003/023902/07
	Wolfsberg Arch Investments (Pty) Limited	2003/007988/07
	African Harvest Fund Managers	1953/001254/07*
	African Partnerships Management Company (Pty) Limited	1998/016039/07
	Blue Moonlight Properties 248 (Pty) Limited	2006/022708/07
	Vunani Energy (Pty) Limited	2006/022641/07
	Loato Properties (Pty) Limited	2006/022207/07
	Vunani Properties Asset Managers (Pty) Limited	2006/016645/07
	Alert Steel Holdings Limited	2003/005144/06
	Esor Limited	1994/000732/06
	Workforce Holdings Limited	2006/018145/06
	Interwaste Limited	2006/037223/06
	Brikor Limited	1998/013247/06

* No longer a director.

7. RELEVANT PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY PROVIDING FOR THE APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

Extracts from the articles of association of BSI are set out below:

“DIRECTORS – NUMBER, QUALIFICATION AND REMUNERATION

89. The number of directors shall be not less than four.
90. A director shall not be obliged to hold any qualification shares.
91. The remuneration of the directors for their services as such shall be determined from time to time by a general meeting.
92. The directors shall be paid all travelling, subsistence, and other expenses properly incurred by them in the execution of their duties in or about the business of the company and which are authorised or ratified by a disinterested quorum of the directors, which may be in addition to or in substitution for any other remuneration.

ALTERNATE DIRECTORS

93. Each director shall have the power to appoint any person to act as alternate director in his place during his absence or inability to act as such, and at his discretion to remove such alternate director, and to appoint another in his stead, provided that the appointment of such alternate director shall be made in writing and approved by the directors. On such appointment being made and approved, the alternate director shall (except as regards the power to appoint an alternate and remuneration) in all respects be subject to the terms and conditions existing with reference to the other directors of the company and each alternate director, whilst so acting, shall be entitled to receive notice of all meetings of the directors or of any committee of the directors of which his appointer is a member, and to attend and vote at any such meeting at which his appointer is not personally present. The alternate shall generally be entitled to exercise and discharge all the functions, powers and duties of his appointer in such appointer's absence as if he were a director. The remuneration of an alternate director shall be payable only out of the remuneration payable to the director appointing him and he shall have no claim against the company for such remuneration.

94. The appointment of an alternate director shall be cancelled and the alternate director shall cease to hold office on the happening of any event which, if he were a director, would cause him to cease to hold office in terms of these articles, or if the director who appointed him shall cease to be a director or shall give notice in writing to the secretary that the alternate director representing him shall have ceased to do so. In the event of the disqualification or resignation of any alternate director during the absence or inability to act of the director whom he represents, the vacancy so arising shall be filled by the chairman of the directors who shall appoint a person to fill such vacancy subject to the approval of the board. A director retiring at any general meeting and being re-elected shall not for the purposes of this article, be deemed to have ceased to be a director. However, any appointment of a director as an addition to the board shall be confirmed at the next annual general meeting.
95. A person may be appointed as alternate to more than one director and where a person is alternate to more than one director, or where an alternate director is a director, he shall have a separate vote, on behalf of each director he is representing, in addition to his own vote, if any.

GENERAL POWERS OF DIRECTORS

96. The management of the business and the control of the company shall be vested in the directors who, in addition to the powers and authorities by these articles expressly conferred upon them, may exercise all such powers, and do all such acts and things as may be exercised or done by the company and are not hereby or by the Act expressly directed or required to be exercised or done by the company in general meeting, but subject nevertheless, to such management and control not being inconsistent with these articles nor with any resolution passed at any general meeting of the members in accordance therewith. No resolution passed by the company in general meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been passed. The general powers given by this article shall not be limited or restricted by any special authority or power given to the directors by any other article.
97. Although the directors shall have power, pursuant to section 228 of the Act, to enter into a provisional contract for the sale or alienation of the whole or substantially the whole of the undertaking of the company, or the whole or the greater part of the assets of the company, such contract shall only become binding on the company in the event of the specific transaction proposed by the directors being authorised or ratified in terms of a resolution passed by a majority of the votes cast at a general meeting convened for that purpose. All the provisions of these articles as to general meetings shall apply *mutatis mutandis* to meetings convened under this article for such purposes.

PAYMENTS TO SHAREHOLDERS

98. Subject to the provisions of section 90 of the Act (and, if applicable, any relevant regulations and/or requirements of the JSE), the company is hereby authorised to make payments to its shareholders. Any such payment to shareholders shall not be made on the basis that the amount paid may be called up again by the company.

BORROWING POWERS

99. The directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertaking, property or any part thereof and to issue debentures or debenture stock, whether secured or unsecured, and other securities (with such special privileges, if any, as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise as may be sanctioned by a general meeting) whether outright or as security for any debt, liability or obligation of the company or of any third party.
100. For the purpose of the provisions of Article 99, the borrowing powers of the directors shall be unlimited.
101. Subject to Article 105, the directors may give pensions, gratuities and allowances to and make payments for or towards the insurance of any employees or ex-employees, including directors or ex-directors, of the company, or of any company which is or was a subsidiary of the company or is or was in any way allied to or associated with it or any such subsidiary, and the wives, widows, families and dependants of such persons and may establish and maintain any non-contributory pension, superannuation, provident and benefit funds for the benefit of any such persons and make contributions to any such funds and pay premiums for the purchase of any such gratuity, pension, allowance, life assurance or other benefit.

LOCAL BOARDS, AGENTS AND COMMISSIONS OF THE BOARD

102. The directors may establish any local boards, committees or agencies in the Republic or elsewhere for managing any of the affairs of the company and may:
- 102.1 appoint any persons to be members of such local boards or committees, or any managers or agents;
 - 102.2 fix the remuneration of the persons referred to in Article 102.1;
 - 102.3 delegate to any local board, committee, manager or agent any of the powers, authorities and discretions vested in the directors with power to sub-delegate;
 - 102.4 authorise the members of any local board or committee or any of them, to fill any vacancies therein and to act notwithstanding vacancies.
- Any such appointment or delegation may be made upon such terms and subject to such conditions as the directors may think fit, and the directors may remove any person so appointed, or annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
103. The directors may by power of attorney appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the directors, to be the attorney or agent of the company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these articles) and for such period and subject to such conditions as they may think fit. Any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the directors think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him or them.
104. The directors may delegate any of their powers to an executive or other committee whether consisting of a member of their body or not as they think fit. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the directors and any such regulations may authorise the appointment of sub-committees.

MANAGING AND EXECUTIVE DIRECTORS

105. A disinterested quorum of directors may from time to time appoint one or more of their body to be managing director, assistant managing director, general manager or executive director (with or without specific designation) of the company or to any other executive office with the company for such period and, subject to the provisions of section 225 of the Act, at such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) and generally on such terms as they may think fit, and may, subject to any contract between him or them and the company, from time to time terminate his or their appointment and appoint another or others in his or their place or places.
106. A managing director may be appointed by a disinterested quorum of directors and he shall not be subject to retirement by rotation or be taken into account in determining the rotation or retirement of directors, except during the period of any such appointment, provided that less than half of the directors may be appointed managing directors on the condition that they shall not be subject to retirement by rotation. Subject to the terms of his appointment, a managing director shall be subject to the same provisions as to removal as the other directors, and if he ceases to hold the office of director for any reason, he shall *ipso facto* cease to be a managing director.
107. A disinterested quorum of directors may from time to time entrust to and confer upon a director appointed to any position or executive office under Article 105 such of the powers exercisable under these articles by the directors as they think fit, and may confer such powers for such time, and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions, as they think expedient, and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

CASUAL VACANCIES

108. Without prejudice to the powers of the company in general meeting to appoint any person to be a director, a disinterested quorum of directors shall have power at any time and from time to time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing board, but so that the total number of directors shall not at any time exceed the maximum number, if any, fixed by or in accordance with these articles. Any director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The appointment of a director to fill a casual vacancy shall therefore be confirmed at the next annual general meeting.

DISQUALIFICATION AND PRIVILEGES OF DIRECTORS

109. The office of a director shall *ipso facto* be terminated and vacated if the director:
- 109.1 ceases to be a director by virtue of any of the provisions of the Act, or is disqualified from acting as, or becomes prohibited from being a director by reason of any order made under the Act; or
 - 109.2 files a petition for the surrender of his estate, or an application for an administration order, or if his estate is sequestrated, or if he commits an act of insolvency as defined in the insolvency law for the time being in force or if he makes any arrangement, compromise or composition with his creditors generally; or
 - 109.3 is found to be lunatic or becomes of unsound mind; or
 - 109.4 is removed by a resolution of the company in terms of section 220 of the Act with effect from the date of, or such later date as is provided for in, such resolution; or
 - 109.5 resigns his office by notice in writing to the company with effect from the date of, or such later date as is provided for in, such notice; or
 - 109.6 absents himself from meetings of directors for six consecutive months without special leave of absence from the other directors who resolve that his office shall be vacated, provided that this provision shall not apply to a director who is represented by an alternate who does not so absent himself; or
 - 109.7 becomes retired in terms of Articles 117 to 124 inclusive.
110. No director or prospective director shall be disqualified by his office from contracting with the company either as vendor, purchaser, lender, underwriter, guarantor for commission or profit on any shares or securities or liability of the company, or of any company in which the company may be interested, or in any other manner whatsoever. No such contract or arrangement entered into by or on behalf of the company in which any director shall be in any way interested, nor any contract or agreement entered into with any company or partnership of or in which any director shall be a member, director or partner or otherwise interested, shall be or be liable to be invalidated or voided by any such reason or by reason of the board of directors of the company not constituting an independent executive or disinterested quorum.
111. Any director so contracting or being so interested or acquiring any benefit under any contract or arrangement made or entered into by or on behalf of any person, company or partnership in relation to the affairs of the company shall not be liable to account to the company for any profits or benefits realised by or under such contract or arrangement by reason of such director holding that office or by reason of the fiduciary relationship thereby established.
112. Any director so interested or acquiring any such benefits shall not be entitled to vote at any board meeting or otherwise in relation to such contract.
113. Notwithstanding the a foregoing, any director so interested or acquiring any such benefit shall disclose the fact of his possessing any interest, whether as director or member or otherwise, whether or not it appears on the face of the contract or arrangement, in accordance with the provisions of sections 234 and 240 of the Act. Subject to the provisions of section 234(3) of the Act and the Listings Requirements of the JSE, a general notice in writing given to the directors by a director to the effect that he is a member of a specified company or firm and is to be regarded as interested in any contract which may, after the date of the notice, be made with that company or firm, shall be deemed to be a sufficient disclosure in relation to any contract or proposed contract so made or to be made.
114. Without detracting from the generality of Articles 110 to 113 inclusive, a director (and, in the case of Article 113 any firm of which he is a member) may, subject to the provisions of the Act:
- 114.1 be employed by or hold any other office or place of profit in the company, or any holding or subsidiary company of the company or any company controlled by the company, other than that of auditor, in conjunction with his directorship, and upon such terms as to appointment, and subject to the provisions of section 225 of the Act, remuneration and tenure of office and otherwise as a disinterested quorum of directors may determine;
 - 114.2 act in a professional capacity for the company, and he or such firm shall be entitled to remuneration for those professional services as if he were not a director, provided that nothing herein contained shall authorise a director or any firm of which he is a member, to act as auditor of the company or of any holding or subsidiary company of the company;
 - 114.3 be or become a director of any subsidiary or other company promoted by the company or in which it may be interested as vendor, shareholder or otherwise;
 - 114.4 represent the company in the management of any business operation or concern in which the company may be interested as a partner or otherwise.

115. Notwithstanding any such interest, any such director may be counted in the quorum present at any meeting at which any such matter is being considered and vote thereon as though he had no interest therein, and no such director shall be accountable to the company for any remuneration, profit, gain or other benefit received in any capacity as aforesaid, subject to the Listings Requirements of the JSE.
116. Any voting power conferred by the shares in a company referred to in Article 114.2, or exercisable by the directors as directors of such company, may be exercised by the directors in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing themselves or any of them directors or other officers of such company. Any director may vote in favour of the exercise of such voting rights in such manner, notwithstanding that he may be, or about to be, appointed a director or other officer of such company and as such, or in any other manner, is or may become interested in the exercise of such voting rights in the manner aforesaid, save that any resolution relating to the payment of remuneration to the directors or officers of such company shall be voted on by a disinterested quorum of directors.

ROTATION OF DIRECTORS AND REMOVAL

117. At each annual general meeting of the company one-third of the directors, or if their number is not a multiple of three then the number nearest thereto, but not less than one-third shall retire from office, provided that in determining the number of directors to retire no account shall be taken of any director who by reason of the provisions of Article 106 is not subject to retirement. The directors so to retire at each annual general meeting shall, subject to any provision to the contrary in these articles, be the directors who have been longest in office. As between two or more directors who have been in office an equal length of time, the directors to retire shall, in default of agreement between them be determined by lot. The length of time a director has been in office shall be computed from the date of his last election or appointment. A retiring director shall hold office until the conclusion of the meeting at which he retires.
118. Notwithstanding the above, if a director is appointed a managing director, or as an employee of the company in any other capacity, the contract under which he is appointed may provide that he shall not, while he continues to hold that position or office under contract for a term of rotation, be subject to retirement by such contract and he shall not in such case be taken into account in determining the rotation or retirement of directors, provided that less than half of the directors may be appointed to any such position.
119. Retiring directors shall be eligible for re-election. No person other than a retiring director shall be eligible for election to the office of director at any annual general meeting unless he, or some member intending to propose him, has at least seven clear days before the meeting left at the office a notice in writing, duly signed, signifying his candidature for that office or the intention of such member to propose him. The power to elect directors at general meetings other than annual general meetings shall be exercisable only when special notice has been given of the intended resolution exercising such power.
120. Subject to Article 116, the company in general meeting at which any directors retire in the manner aforesaid may, subject to any resolution reducing the number of directors, fill the vacated offices by electing a like number of persons to be directors, and may fill any other vacancies.
121. If, at any general meeting at which an election of directors ought to take place, the place of any retiring director is not filled, he shall continue in office until the dissolution of the annual general meeting in the next year, and so on from year to year until his place is filled, unless it shall be determined at such meeting to reduce the number of the directors.
122. Subject to the provisions of section 220 of the Act, the company may by ordinary resolution remove any director and elect another person in his stead.
123. The company may by ordinary resolution in general meeting from time to time increase or reduce the number of directors and may also determine in what manner or rotation such increased or reduced number is to go out of office. Whenever such increase is made the members at the said meeting, or failing them, the directors, may fill the new seats so created. The appointment of any director to fill a casual vacancy or as an addition to the board must be confirmed at the next annual general meeting.
124. No appointment of a director, except that of a retiring director, re-elected at an annual general meeting or a general meeting, shall take effect until consent of such director to act as a director of the company has been lodged with the company.

PROCEEDINGS OF DIRECTORS' MEETINGS

125. The directors may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and may determine the quorum necessary for the transaction of business, what period of notice shall be given of meetings of directors and the means of giving such notice. Until otherwise determined, the quorum necessary for the transaction of the business of the directors shall be three.
126. The continuing directors may act, notwithstanding any casual vacancy in their body, so long as there remain four directors duly qualified to act, but if the number falls below four the remaining director or directors shall have the power to call a general meeting in order to fill such casual vacancy and except for the purpose of filling such vacancy the director or directors shall not act so long as the number is below four.
127. A director at any time may, and the secretary upon the request of a director shall, convene a meeting of the directors. If there is no director able and willing to act then any two members may summon a general meeting for the purpose of appointing directors. A director who is not within the Republic shall not be entitled to notice of any such meeting, but notice shall be given to all duly appointed alternate directors who may at the time be within the Republic.
128. A director unable to attend a directors' meeting may authorise any other director to vote for him at that meeting and the director so authorised shall have a vote for each director by whom he is so authorised in addition to his own vote. If both the director so authorised and an alternate of the director who granted the authority are present at the meeting, the alternate shall not be entitled to vote on behalf of the absent director. Authority in terms of this article must be in writing (including a telegram or facsimile or e-mail transmission) and must be handed to the person presiding at the meeting at which it is to be used.
129. Questions arising at any meeting shall be decided by a majority of votes, and in case of an equality of votes, the chairman shall not have a second or casting vote.
130. The directors may elect a chairman of their meetings and one or more deputy chairmen to preside in the absence of the chairman and may determine a period (not exceeding one year) for which they are to hold office. If no such chairman or deputy chairman is elected or if at any meeting neither the chairman nor the deputy chairman is present within fifteen minutes after the time appointed for holding the same, the directors shall choose one of their number to be chairman of such meeting.
131. A meeting of the directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these articles or the regulations of the company for the time being vested in or exercisable by the directors generally.
132. A resolution in writing signed by all the directors for the time being present in the Republic and being not less than are sufficient to form a quorum, shall, subject to the provisions of sections 236 and 242(2) of the Act, be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted, provided that where a director is not so present but has an alternate who is so present, then such resolution must be signed by such alternate. Any such resolution may consist of several documents in like form each signed by one or more directors or their alternates, if applicable, and shall be deemed to have been passed on the date on which it was signed by the last director who signed it, or on such other date as such resolution may direct.

VALIDITY OF ACTS OF DIRECTORS AND COMMITTEES

133. As regards all persons dealing in good faith with the company, all acts done by any meeting of the directors or of a committee of directors, or by any person acting as a director in terms of these articles, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment or continuance in office of such director or person acting as aforesaid, or that they or any of them were disqualified or had ceased to hold office or were not entitled to vote, be as valid as if every such person had been duly appointed or was qualified or had continued to be a director or was entitled to vote, as the case may be."

HISTORICAL FINANCIAL INFORMATION OF BSI

The definitions commencing on page 10 of this prospectus have been used in this report.

The income statements, balance sheets, statements of changes in equity, cash flow statements and the related notes have been extracted, without adjustment, from BSI's audited annual financial statements for the three years ended 31 March 2007.

The audited annual financial statements of BSI have been prepared in the manner required by the Act in accordance with IFRS.

The directors of BSI are responsible for the financial information to which the reporting accountants' report and the report of historical financial information on BSI relate and from which such reports have been prepared.

The independent reporting accountants' report on the historical annual financial information of BSI for the three years ended 31 March 2007 is set out in Annexure 3 to this prospectus.

BDO Spencer Steward (Midlands) Inc have issued an unqualified audit opinion on the audited annual financial statements of BSI for the year ended 31 March 2007.

FINANCIAL STATEMENT COMMENTARY:

SHARE CAPITAL

There were no changes in the authorised or issued share capital of BSI during the year under review.

PRINCIPAL ACTIVITIES

BSI is a group primarily engaged in the sale, processing and distribution of steel and allied products and operates principally in South Africa. There were no material changes in the nature of the business of the company.

GENERAL REVIEW

BSI's business and operations, and the results thereof, are reflected in the attached financial statements and no other fact or circumstance material to a fair assessment of the financial position of BSI has occurred.

PROPERTY, PLANT AND EQUIPMENT

There have been no major changes in the property, plant and equipment of BSI during the period or any changes in the policy relating to their use, other than as disclosed in the historical financial information.

DIVIDENDS

The dividends already declared and paid to shareholders during the year are as reflected in the attached statement of changes in equity.

SUBSEQUENT EVENTS

Discount Steel Africa (Pty) Limited a subsidiary of BSI acquired the entire issued share capital of Discount Steel Zambia who, in turn, acquired the entire share capital of Discount Steel Lubumbashi in terms of the Sale of Shares and Loan Account agreement for a consideration of US\$5 500 000.

Other than the above, no material fact or circumstance has occurred between the end of the latest financial statements at 31 March 2007 and the date of this prospectus.

INCOME STATEMENTS

The income statements of BSI for the years ended 31 March 2007, 31 March 2006 and 31 March 2005 are set out below:

	Notes	2007 R	2006 R	2005 R
Revenue	19	876 903 476	473 497 946	354 873 426
Cost of sales		(757 985 209)	(418 923 904)	(310 923 290)
Gross profit		118 918 267	54 574 042	43 950 136
Other income	20	4 973 783	8 760 936	2 195 309
Income from associate	6	–	–	482 554
Other gains/(losses)		1 654 825	218 239	(129 600)
Distribution costs		(13 867 679)	(7 246 737)	(6 434 179)
Administrative expenses		(32 261 749)	(16 858 800)	(14 973 312)
Other expenses		(19 863 014)	(10 379 678)	(9 215 830)
Operating profit	22	59 554 434	29 068 001	15 875 078
Investment revenue	23	1 194 355	2 299 893	629 558
Finance costs	24	(12 979 843)	(6 192 106)	(4 454 758)
Profit before taxation		47 768 946	25 175 788	12 049 878
Taxation	26	(14 239 368)	(6 384 649)	(1 907 590)
Profit for year		33 529 578	18 791 139	10 142 287
Profit attributable to:				
Minority interest		8 490 668	5 761 769	1 165 495
Equity shareholders		25 038 910	13 029 370	8 976 791
		33 529 578	18 791 139	10 142 287
Earnings per share for profit attributable to the equity share holders of the group during year:				
– basic and diluted (cents)	27	25 039	13 029	8 977
Dividend per share for profit attributable to equity shareholders of the group during year:				
– basic (cents)		1 117	1 207	812

BALANCE SHEETS

The balance sheets of BSI at 31 March 2007, 31 March 2006 and 31 March 2005 are set out below:

	Notes	2007 R	2006 R	2005 R
ASSETS				
Non-current assets				
Property, plant and equipment	3	39 099 472	15 009 336	12 339 731
Investment property	4	–	1 000 000	–
Goodwill	5	3 772 862	3 772 862	2 322 677
Investment in associate	6	–	–	683 485
Deferred tax	7	3 113 978	4 695 465	2 985 473
Derivative financial instruments	8	–	–	3 998 844
Other financial assets	10	–	–	834 142
		45 986 312	24 477 664	23 164 352
Current assets				
Inventories	9	90 532 634	44 802 755	22 854 193
Other financial assets	10	–	600 000	487 500
Current tax receivable		286 559	5 118	–
Non-current assets held for resale	11	3 000 000	–	–
Derivative financial instruments	8	5 725 921	42 067 990	2 982 751
Trade and other receivables	12	185 755 157	150 559 300	84 839 269
Cash and cash equivalents	13	23 157 681	8 640 642	2 050 165
		308 457 171	246 675 806	113 213 878
Total assets		354 443 483	271 153 469	136 378 229
EQUITY AND LIABILITIES				
Equity				
Share capital	14	1 000	1 000	1 000
Reserves	15	1 473 616	2 687 576	1 976 391
Retained income		60 521 785	35 005 734	23 183 746
Total parent shareholders' equity		61 996 401	37 694 310	25 161 137
Minority interest		18 621 575	10 103 924	2 285 085
Total equity		80 617 976	47 798 234	27 446 222
Liabilities				
Non-current liabilities				
Borrowings	16	15 143 088	7 729 225	3 536 092
Derivative financial instruments	8	–	–	4 096 796
		15 143 088	7 729 225	7 632 888
Current liabilities				
Loans from shareholders	17	8 357 567	11 712 917	1 413 917
Current tax payable		9 618 887	5 157 076	2 208 873
Borrowings	16	1 457 966	1 717 048	2 294 876
Derivative financial instruments	8	5 759 303	41 979 352	3 014 399
Trade and other payables	18	105 009 497	75 791 145	56 011 286
Bank overdraft	13	128 479 198	78 383 643	36 804 722
		258 682 418	215 626 010	101 299 119
Total liabilities		273 825 506	223 355 235	108 932 007
Total equity and liabilities		354 443 483	271 153 469	136 378 229

CHANGES IN EQUITY

The consolidated statements of changes in equity of BSI for the years ended 31 March 2007, 31 March 2006 and 31 March 2005 are set out below:

	Share capital R	Revalua- tion reserve R	Retained income R	Total attributable to equity holders of the group R	Minority interest R	Total R
Balance at 1 April 2004	1 000	2 213 284	14 853 224	17 067 508	1 176 743	18 244 251
IAS 16 adjustment	–	–	(52 354)	(52 354)	(4 630)	(56 984)
Revised balance at 1 April 2004	1 000	2 213 284	14 800 870	17 015 154	1 172 113	18 187 267
Profit for year	–	–	8 976 791	8 976 791	1 165 495	10 142 287
Realisation of non-distributable reserves on sale of assets	–	(236 893)	217 645	(19 248)	19 248	–
Dividends	–	–	(811 561)	(811 561)	(71 771)	(883 333)
Total changes	–	(236 893)	8 382 875	8 145 983	1 112 972	9 258 954
Balance at 31 March 2005	1 000	1 976 391	23 183 746	25 161 137	2 285 085	27 446 222
Profit for year	–	–	13 029 370	13 029 370	5 761 770	18 791 140
Dividends	–	–	(1 207 380)	(1 207 380)	(892 620)	(2 100 000)
Minority interest recognition on associate becoming subsidiary	–	–	–	–	2 708 526	2 708 526
Revaluation of property	–	711 186	–	711 186	241 162	952 348
Total changes	–	711 186	11 821 990	12 533 176	7 818 838	20 352 014
Balance at 1 April 2006	1 000	2 687 576	35 005 734	37 694 310	10 103 924	47 798 234
Profit for year	–	–	25 038 910	25 038 910	8 490 668	33 529 578
Realisation of non-distributable reserves on sale of assets	–	(2 134 265)	1 593 807	(540 458)	540 458	–
Recognition of property revaluation on reclassification of investment property to PPE on consolidation	–	920 309	–	920 309	312 076	1 232 385
Dividends	–	–	(1 116 668)	(1 116 668)	(825 556)	(1 942 222)
Total changes	–	(1 213 956)	25 516 049	24 302 094	8 517 647	32 819 741
Balance at 31 March 2007	1 000	1 473 616	60 521 785	61 996 401	18 621 575	80 617 976

CASH FLOW STATEMENTS

The consolidated cash flow statements of the BSI for the years ended 31 March 2007, 31 March 2006 and 31 March 2005 are set out below:

	Notes	2007 R	2006 R	2005 R
Cash flows from operating activities				
Cash generated from/(used in) operations	33	6 940 706	(34 223 449)	(5 044 861)
Interest income	23	1 194 355	2 299 893	629 558
Finance costs		(12 979 843)	(6 192 106)	(4 454 758)
Taxation paid	34	(9 140 754)	(4 427 234)	(461 550)
Net cash from operating activities		(13 985 536)	(42 542 896)	(9 331 611)
Cash flows from investing activities				
Purchase of property, plant and equipment		(26 546 345)	(10 315 669)	(1 364 464)
Sale of property, plant and equipment		2 988 889	16 246 123	145 697
Additions to investment property		–	(1 095 126)	–
Investment in associate	6	–	–	(378 567)
Proceeds from financial assets		600 000	908 610	–
Net cash from investing activities		(22 957 456)	5 743 938	(1 597 334)
Cash flows from financing activities				
Funding from other financial liabilities		4 000 000	7 573 802	3 521 304
Repayment of other financial liabilities		(7 538 667)	(4 750 743)	(818 208)
Repayment of shareholders' loans		(3 355 350)	–	–
Proceeds from shareholders' loans		–	299 000	–
Instalment sale repayments		(4 713 307)	(282 456)	–
Instalment sale funding		14 914 022	1 070 911	–
Dividends paid		(1 942 222)	(2 100 000)	(883 334)
Net cash from financing activities		1 364 476	1 810 514	1 819 762
Total cash movement for year		(35 578 516)	(34 988 444)	(9 109 183)
Cash at beginning of year		(69 743 001)	(34 754 557)	(25 645 374)
Total cash at end of year	13	(105 321 517)	(69 743 001)	(34 754 557)

NOTES TO THE FINANCIAL STATEMENTS

The notes to the historical financial information of BSI at 31 March 2007 are set out below:

ACCOUNTING POLICIES:

1. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance

The financial statements and Group financial statements have been prepared in accordance with IFRS, the interpretation adopted by the International Accounting Standards Board ("IASB") and the requirements of the Act. These accounting policies are consistent with the previous period, except for the effects of First-time Adoption of International Financial Reporting Standards (IFRS 1). The group previously prepared its financial statements under South African Statements of Generally Accepted Accounting Practice. The date of transition was 1 March 2005 and, accordingly, comparative information should have been restated. However, the impact of IFRS on the group's financial statements is immaterial.

Basis of preparation

The financial statements have been prepared on the historical cost convention, as modified by the revaluation of land and buildings, available for sale financial assets and financial assets and financial liabilities at fair value through profit or loss.

Significant judgments

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

Trade receivables/Held to maturity investments and/or Loans and receivables

The group assesses its trade receivables and loans and receivables for recoverability at each balance sheet date. In determining whether a provision should be raised for the non-recoverability thereof, the group makes judgments as to whether the receivable, on an individual basis, is likely to be recovered.

Stock obsolescence

The group assesses its inventories for impairment at balance sheet date. Management reviews the stock ageing report regularly, with the policy that stock should always be sold. There are limited circumstances where stock is sold below cost. Stock obsolescence is reviewed on a stock item basis with any unrealisable stock being written-off in the relevant period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions.

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

Taxation

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

Consolidation and business combinations

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-

half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except for those classified as non-current assets held for sale, which are measured at fair value less costs to sell, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Transactions and minority interests

Minorities are given their share of the fair value of assets, liabilities and contingent liabilities on acquisition.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

For management purposes, the group is currently organised into three main segments, namely merchandising, trading and exporting. This is the basis on which the group reports its primary segment information. The geographical split is a secondary segment, with the major geographical segments being South Africa and the balance of the African continent. Segment information is presented in Note 2.

Property, plant and equipment

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

- it is probable that future economic benefits associated with the item will flow to the group;
- 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, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Day-to-day expenses incurred on property, plant and equipment are expensed directly in profit or loss for the period. Maintenance that meets the recognition criteria is capitalised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Item	Average useful life
Plant and machinery	1 to 12 years
Furniture and fixtures	4 years
Motor vehicles	1 to 5 years
Office equipment	4 years
IT equipment	6 years
Computer software	4 years

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

Property, plant and equipment is carried at revalued amount, 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.

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.

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 the part has a different useful life or depreciation method to the rest 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.

Goodwill

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

Subsequently goodwill is carried at cost less any accumulated impairment.

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

Internally generated goodwill is not recognised as an asset.

Investments in subsidiaries

Investments in subsidiaries are carried at cost.

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

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

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Financial instruments

Initial recognition

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

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

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade-date accounts.

Subsequent measurement

After initial recognition financial assets are measured as follows:

- Loans and receivables and held-to-maturity investments are measured at amortised cost *less* any impairment losses recognised to reflect irrecoverable amounts.
- Financial assets classified as available-for-sale or at fair value through profit or loss, including derivatives, are measured at fair values. Fair value, for this purpose, is market value if listed, or a value arrived at by using appropriate valuation models if unlisted.
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

After initial recognition financial liabilities are measured as follows:

- Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, measured at fair value.
- Other financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- Where financial assets and financial liabilities are carried at amortised cost, a gain or loss is recognised in profit or loss through the amortisation process and when the financial asset or financial liability is derecognised or impaired.
- A gain or loss on a financial asset or financial liability classified at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Loans to/(from) group companies

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

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are recognised initially at fair value *plus* direct transaction costs, thereafter they are carried at amortised cost. Write-downs of these assets are expensed in profit or loss.

Trade and other payables

Trade and other payables are classified as financial liabilities.

Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. These include cash in hand, deposits held at call with banks, other short-term highly liquid

investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are measured at fair value *plus* direct transaction costs.

Borrowings

Borrowings are classified as financial liabilities and are measured initially at fair value *plus* direct transaction costs and comprise original debt less principal payments and amortisation. Borrowings are subsequently measured at amortised cost.

Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(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. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

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

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

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.

Operating leases – lessor

Operating lease income is recognised as income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the income statement.

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 liability. This liability is not discounted.

Inventories

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

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

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

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

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

Impairment of assets

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

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

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period;
- tests goodwill acquired in a business combination for impairment annually.

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

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

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

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

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

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

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

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 group re-acquires its own equity instruments, those are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received is recognised directly in equity.

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), are recognised in the period in which the service is rendered and are not discounted.

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

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

Defined contribution plans

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

Revenue

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

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

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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

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

Dividends are recognised, in profit or loss, when the group's right to receive payment has been established.

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.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Borrowing costs

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

Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, 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;
- 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 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 Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Statements and interpretations not yet effective

There are a number of forthcoming new standards and interpretations, which have been issued by the IASB prior to the publication of these financial statements, but which are only effective in future accounting periods, unless early adoption is chosen. The following new relevant standards or interpretations have been issued, but are not yet effective:

Standard/Interpretation		<i>Effective date</i>
IFRS 7	Financial Instruments: Disclosure	<i>Annual periods commencing after 1 January 2007</i>
IFRIC 8	Scope of IFRS 2	<i>Annual periods commencing after 1 May 2006</i>
IFRIC 9	Re-assessment of Embedded Derivatives	<i>Annual periods commencing after 1 June 2006</i>
AC 503	Accounting for Black Economic Empowerment (BEE) Transactions	<i>Annual periods commencing after 1 May 2006</i>
IFRIC 10	Interim Financial Reporting and Impairment	<i>Annual periods commencing after 1 November 2006</i>
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	<i>Annual periods commencing after 1 March 2007</i>
IFRS 8	Operating Segments	<i>Annual periods commencing after 1 January 2009</i>
IFRIC 12	Service and Concession Arrangements	<i>Annual periods commencing after 1 January 2008</i>
IFRIC 13	Customer Loyalty Programmes	<i>Annual periods beginning on or after 1 July 2008</i>
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	<i>Annual periods beginning on or after 1 January 2008</i>

Where applicable to the entity, all standards will be adopted at their effective date. The directors have reviewed the above issued standards and are of the opinion that they are not applicable to the business of the entity and will therefore have no impact on future financial statements with, the exception of IFRS 7, IFRS 8, IFRIC 10 and IFRIC 11. The impact has not yet been assessed.

2. SEGMENT REPORTING

(a) Primary reporting format – primary business segments

At 31 March 2007, the business is organised on a national basis into four main business segments:

- merchanting;
- trading;
- exporting; and
- other.

Other group operations mainly comprise of the rental of property and the group's head office. Neither of these constitutes a separately reportable segment.

The segment results for the year ended 31 March 2007 are as follows:

	Merchanting R	Trading R	Exporting R	Other R	TOTAL R
Total segment revenue	306 659 796	336 014 173	237 945 160	6 143 611	886 762 740
Inter segment revenue	(7 357 583)	(1 457 797)	(237 745)	(806 139)	(9 859 264)
Revenue – external	299 302 213	334 556 376	237 707 415	5 337 472	876 903 476
Operating profit/ segment result	23 302 797	23 126 807	10 623 703	6 650 341	63 703 649
Finance (costs)/ income – net	(6 414 168)	(6 387 640)	(160 512)	1 176 833	(11 785 488)
Finance income	313 895	787 172	681 642	6 474 426	8 257 135
Finance costs	(6 728 064)	(7 174 812)	(842 154)	(5 297 593)	(20 042 623)
Profit before income tax	16 888 629	16 739 167	10 463 191	7 827 174	51 918 161
Income tax expense	(5 320 966)	(4 880 305)	(2 999 422)	(1 542 052)	(14 742 745)
Profit for year	11 567 663	11 858 862	7 463 769	6 285 122	37 175 416
Eliminations					(3 645 838)
Group profit for year					33 529 578

The segment results for year ended 31 March 2006 are as follows:

	Merchanting R	Trading R	Exporting R	Other R	TOTAL R
Total segment revenue	169 009 755	155 253 103	155 744 900	1 472 210	481 479 968
Inter segment revenue	(6 008 611)	(1 534 035)	(149 556)	(289 820)	(7 982 022)
Revenue – external	163 001 144	153 719 068	155 595 344	1 182 390	473 497 946
Operating profit/ segment result	8 838 917	11 142 878	7 279 449	11 042 878	38 304 121
Finance (costs)/ income – net	(1 728 630)	(1 730 537)	409 106	(703 980)	(3 754 040)
Finance income	32 725	84 079	462 237	1 693 739	2 272 780
Finance costs	(1 761 355)	(1 814 616)	(53 131)	(2 397 718)	(6 026 820)
Profit before income tax	7 110 287	9 412 340	7 688 556	10 338 898	34 550 081
Income tax expense	(2 129 596)	(2 691 877)	(2 334 237)	49 632	(7 106 078)
Profit for year	4 980 691	6 720 463	5 354 319	10 388 530	27 444 003
Eliminations					(8 652 864)
Group profit for year					18 791 139

The segment results for the year ended 31 March 2005 are as follows:

	Merchanting R	Trading R	Exporting R	Other R	TOTAL R
Total segment revenue	269 703 217	10 987 248	92 856 328	1 297 193	374 843 986
Inter segment revenue	(19 035 077)	–	–	(935 483)	(19 970 560)
Revenue – external	250 668 140	10 987 248	92 856 328	361 710	354 873 426
Operating profit/ segment result	9 587 366	754 100	4 696 736	3 753 995	18 792 197
Finance (costs)/ income – net	(3 110 608)	(4 698)	158 383	(380 775)	(3 337 698)
Finance income	774 532	300	338 655	3 572	1 117 059
Finance costs	(3 885 140)	(4 998)	(180 272)	(384 347)	(4 454 757)
Profit before income tax	6 476 758	749 402	4 855 119	3 373 220	15 454 499
Income tax expense	(1 845 092)	929 868	(1 483 553)	1 645 549	(753 228)
Profit for year	4 631 666	1 679 270	3 371 566	5 018 769	14 701 271
Eliminations					(4 558 984)
Group profit for year					10 142 287

Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would have been available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, inventories, trade and other receivables and cash and cash equivalents.

Unallocated assets comprise deferred taxation, intangible assets and other financial assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 2), including additions resulting from acquisitions through business combinations.

The segment assets and liabilities at 31 March 2007 and capital expenditure for the year then ended are as follows:

	Merchanting R	Trading R	Exporting R	Other R	Eliminations R	TOTAL R
Assets	116 003 384	97 873 690	40 110 050	145 718 693	(45 262 334)	354 443 483
Liabilities	96 006 431	80 039 719	22 352 466	110 436 914	(35 010 023)	273 825 506
Capital expenditure	1 805 980	18 363	229 322	21 607 850	–	23 661 515

The segment assets and liabilities at 31 March 2006 and capital expenditure for the year then ended are as follows:

	Merchanting R	Trading R	Exporting R	Other R	Eliminations R	TOTAL R
Assets	68 845 838	68 093 879	25 354 751	133 899 737	(25 040 736)	271 153 469
Liabilities	57 343 499	80 039 719	22 352 466	91 286 411	(27 666 859)	223 355 235
Capital expenditure	2 688 017	12 393	309 322	8 738 645	–	11 748 377

The segment assets and liabilities at 31 March 2005 and capital expenditure for the year then ended are as follows:

	Merchanting R	Trading R	Exporting R	Other R	Eliminations R	TOTAL R
Assets	101 460 765	9 302 146	22 070 167	20 150 066	(16 604 915)	136 378 229
Liabilities	83 023 597	9 564 298	16 057 314	7 353 762	(7 066 964)	108 932 007

(b) Secondary reporting format – geographical segments

The Group's four biggest segments operate in two main geographical areas, even though they are locally managed. The home country of the group is South Africa. The areas of operation are principally merchanting, trading and exporting of steel.

	South Africa R	2007 Africa R	TOTAL R
Total segment revenue	648 817 581	237 945 160	886 762 740
Inter segment revenue	(9 621 519)	(237 745)	(9 859 264)
Revenue – external	639 196 062	237 707 415	876 903 476
Operating profit/Segment result	53 079 946	10 623 703	63 703 649
Finance costs – net	(11 624 976)	(160 512)	(11 785 488)
Finance income	7 575 493	681 642	8 257 135
Finance costs	(19 200 469)	(842 154)	(20 042 623)
Profit before income tax	41 454 970	10 463 191	51 918 161
Income tax expense	(11 743 323)	(2 999 422)	(14 742 745)
Profit for year	29 711 647	7 463 769	37 175 416
Eliminations	–	–	(3 645 838)
Group profit for year			33 529 578

The segment results for the year ended 31 March 2006 are as follows:

	South Africa R	2006 Africa R	TOTAL R
Total segment revenue	325 735 068	155 744 900	481 479 968
Inter segment revenue	(7 832 466)	(149 556)	(7 982 022)
Revenue – external	317 902 602	155 595 344	473 497 946
Operating profit/segment result	31 024 672	7 279 449	38 304 121
Finance (costs)/income – net	(4 163 146)	409 106	(3 754 040)
Finance income	1 810 543	462 237	2 272 780
Finance costs	(5 973 689)	(53 131)	(6 026 820)
Profit before income tax	26 861 525	7 688 556	34 550 081
Income tax expense	(4 771 841)	(2 334 237)	(7 106 078)
Profit for year	22 089 684	5 354 319	27 444 003
Eliminations			(8 652 864)
Group profit for year			18 791 139

The segment results for the year ended 31 March 2005 are as follows:

	South Africa R	2005 Africa R	TOTAL R
Total segment revenue	281 987 658	92 856 328	481 479 968
Inter segment revenue	(19 970 560)	–	(19 970 560)
Revenue – external	262 017 098	92 856 328	354 873 426
Operating profit/Segment result	14 095 461	4 696 736	18 792 197
Finance (costs)/income – net	(3 496 081)	158 383	(3 337 698)
Finance income	778 404	338 655	1 117 059
Finance costs	(4 274 485)	(180 272)	(4 454 757)
Profit before income tax	10 599 380	4 855 119	15 454 499
Income tax expense	730 325	(1 483 553)	(753 228)
Profit for year	11 329 705	3 371 566	14 701 271
Eliminations			(4 558 984)
Group profit for year			10 142 287

Revenue is allocated based on the country in which the customer is located.

The segment assets and liabilities at 31 March 2007 and capital expenditure for the year then ended are as follows:

	South Africa R	Africa R	2007 Eliminations R	TOTAL R
Assets	359 595 768	40 110 050	(45 262 334)	354 443 483
Liabilities	286 483 064	22 352 466	(35 010 023)	273 825 506
Capital expenditure	23 432 193	229 322	–	23 661 515

The segment assets and liabilities at 31 March 2006 and capital expenditure for the year then ended are as follows:

	South Africa R	Africa R	2006 Eliminations R	TOTAL R
Assets	270 839 454	25 354 751	(25 040 736)	271 153 469
Liabilities	228 669 629	22 352 466	(27 666 859)	223 355 235
Capital expenditure	11 439 055	309 322	–	11 748 377

The segment assets and liabilities at 31 March 2005 for the year then ended are as follows:

	South Africa R	Africa R	2005 Eliminations R	TOTAL R
Assets	130 912 977	22 070 167	(16 604 915)	136 378 229
Liabilities	99 941 657	16 057 314	(7 066 964)	108 932 007

3. PROPERTY, PLANT AND EQUIPMENT

	Cost/Valuation R	2007 Accumulated depreciation R	Carrying value R
Land and buildings	9 834 936	–	9 834 936
Plant and machinery	18 117 222	(887 035)	17 230 187
Capital work-in-progress	7 419 183	–	7 419 183
Computer software	903 060	(716 253)	186 807
Furniture and fittings	888 546	(646 301)	242 245
IT equipment	2 727 824	(2 141 095)	586 728
Motor vehicles	5 479 591	(1 992 223)	3 487 368
Office equipment	271 505	(159 488)	112 017
	45 641 867	(6 542 395)	39 099 472

	Cost/Valuation R	2006 Accumulated depreciation R	Carrying value R
Land and buildings	334 936	–	334 936
Plant and machinery	13 658 474	(3 822 473)	9 836 001
Capital work-in-progress	–	–	–
Computer software	1 051 129	(557 353)	493 776
Furniture and fittings	786 820	(587 266)	199 554
IT equipment	2 234 588	(1 978 863)	255 725
Motor vehicles	5 049 402	(1 234 393)	3 815 009
Office equipment	199 516	(125 181)	74 335
	23 314 865	(8 305 529)	15 009 336

	Cost/Valuation R	2005 Accumulated depreciation R	Carrying value R
Land and buildings	4 278 124	–	4 278 124
Plant and machinery	7 614 480	(1 962 666)	5 651 814
Computer software	913 167	(502 279)	410 888
Furniture and fittings	682 978	(449 179)	233 799
IT equipment	1 922 597	(1 585 689)	336 908
Motor vehicles	2 767 496	(1 364 980)	1 402 516
Office equipment	43 079	(17 397)	25 682
	18 221 921	(5 882 190)	12 339 731

Reconciliation of property, plant and equipment – 2007:

	Opening balance R	Additions R	Disposals R	Revalua- tions R	Depre- ciation R	TOTAL R
Land and buildings	334 936	7 764 217	–	1 735 783	–	9 834 937
Plant and machinery	9 836 001	9 793 361	(1 919 367)	–	(479 807)	17 230 187
Capital work-in-progress	–	7 419 183	–	–	–	7 419 183
Computer software	493 776	81 698	(229 767)	–	(158 900)	186 807
Furniture and fittings	199 554	103 954	(2 228)	–	(59 035)	242 245
IT equipment	255 725	494 373	(1 137)	–	(162 232)	586 728
Motor vehicles	3 815 009	831 689	(401 501)	–	(757 829)	3 487 368
Office equipment	74 335	57 870	(1 863)	–	(18 325)	112 017
	15 09 335	26 546 345	(2 555 863)	1 735 783	(1 636 130)	39 099 472

Reconciliation of property, plant and equipment – 2006:

	Opening balance R	IAS 16 adjustment R	Additions (including through business combina- tions) R	Disposals R	Depre- ciation R	TOTAL R
Land and buildings	4 278 124	–	–	(3 943 188)	–	334 936
Plant and machinery	5 651 814	1 336 687	7 451 532	(798 618)	(1 132 040)	9 836 001
Computer software	410 888	(45 844)	107 112	–	(53 724)	418 432
Furniture and fittings	233 799	13 826	30 688	–	(78 760)	199 553
IT equipment	336 908	112 357	59 256	–	(177 452)	331 069
Motor vehicles	1 402 516	2 699 529	2 618 837	(2 195 283)	(710 590)	3 815 009
Office equipment	25 682	28 096	48 244	–	(27 687)	74 335
	12 339 731	1 471 277	10 315 669	(6 937 089)	(2 180 253)	15 009 335

Reconciliation of property, plant and equipment – 2005:

	Opening balance R	Additions R	Disposals R	Revalua- tions R	Depre- ciation R	TOTAL R
Land and buildings	4 278 124	–	–	–	–	4 278 124
Plant and machinery	5 967 846	184 369	–	–	(500 401)	5 651 814
Computer software	381 278	971 144	(33 129)	–	(34 405)	410 888
Furniture and fittings	265 739	45 933	(3 280)	–	(74 593)	233 799
IT equipment	581 918	21 800	(15 698)	–	(251 112)	336 908
Motor vehicles	1 069 866	985 081	(304 739)	–	(347 692)	1 402 516
Office equipment	4 073	30 137	–	–	(8 528)	25 682
Containers	34 618	–	(34 618)	–	–	–
	12 583 462	1 364 464	(391 464)	–	(1 216 731)	12 339 731

Certain property, plant and equipment is encumbered as per Note 16, the book value of such encumbered assets is R14 605 751 (2006: R7 924 082; 2005: R7 296 057).

Details of the properties

The registers containing the information required by paragraph 22(3) of Schedule 4 to the Act are available for inspection at the registered office of the company.

4. INVESTMENT PROPERTY

	Cost/ Valuation R	2005 Accumulated impairment R	Carrying value R
Property	–	–	–

	Cost/ Valuation R	2006 Accumulated impairment R	Carrying value R
Property	1 000 000	–	1 000 000

Reconciliation of non-current assets held for resale – Group 2007

	Opening balance R	Additions R	Disposals R	Fair value adjust- ment R	Transfer to non- current asset held for resale R	TOTAL R
Property	1 000 000	311 793	–	–	(1 311 793)	–

Reconciliation of non-current assets held for resale – Group 2006

	Opening balance R	Additions R	Disposals R	Fair value adjust- ment R	Impair- ments R	TOTAL R
Property	–	1 000 000	–	–	–	1 000 000

The property can be more fully described as:

- Sub 587 (of 585) of the farm “Shorts Retreat” No. 1208, Erf Number 2205, Pietermaritzburg measuring 2.567 hectares with factories and warehouses erected thereon. The property is encumbered as per Note 16.

The group has concluded a sale agreement for the above property and transfer is expected to take place shortly after the year-end.

During the year the investment property was reclassified as non-current asset held for resale, as the group has successfully concluded a sale for the property to the current tenants. Due to this sale, no formal lease agreement has been entered into and hence there has been no smoothing of lease rentals.

5. GOODWILL

	Cost/Valuation R	2007 Impairment R	Carrying value R
Goodwill	3 772 862	–	3 772 862

	Cost/Valuation R	2006 Impairment R	Carrying value R
Goodwill	3 772 862	–	3 772 862

	Cost/Valuation R	2005 Impairment R	Carrying value R
Goodwill	2 322 677	–	2 322 677

Reconciliation of goodwill – 2007:

	Opening balance R	Additions through business combinations R	Impairments R	TOTAL R
Goodwill	3 772 862	–	–	3 772 862

Reconciliation of goodwill – 2006:

	Opening balance R	Additions through business combinations R	Impairments R	TOTAL R
Goodwill	2 322 677	1 450 285	–	3 772 862

Reconciliation of goodwill – 2005:

	Opening balance R	Additions through business combinations R	Impairments R	TOTAL R
Goodwill	2 322 677	–	–	2 322 677

6. INVESTMENT IN ASSOCIATE

	Percentage share held	2005 Opening balance R	Share of profit R	Closing balance R
Doddleprops (Pty) Limited	50	200 931	482 554	683 485

The group's share of the results of its associate, which is unlisted, and its shares of the assets (including goodwill and liabilities) is as follows:

2005	Country of incorporation	Percentage share held	Assets R	Liabilities R	Revenue R	Profit R
Doddleprops (Pty) Limited	South Africa	50%	2 832 323	1 860 682	335 496	482 554

At 31 March 2006, this investment became a subsidiary. Refer to Note 26.

7. DEFERRED TAX

Deferred tax asset/(liability)

	2007 R	2006 R	2005 R
Accelerated capital allowances for tax purposes	(1 467 859)	(435 188)	(2 154 429)
Tax losses available for set-off against future taxable income	4 581 837	5 130 653	5 139 902
	3 113 978	4 695 465	2 985 473

Reconciliation of deferred tax asset/(liability):

At beginning of year	4 695 465	2 985 473	2 345 075
Reduction due to rate change	–	16 030	–
Decrease in tax losses available for set-off against future taxable income	(548 816)	(517 332)	–
Temporary differences on tangible fixed assets	(1 032 671)	2 211 294	640 398
	3 113 978	4 695 465	2 985 473

The deferred income tax charged directly to equity during the year is as follows:

Fair value reserves in shareholders' equity – land and buildings	503 377	–	–
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8. DERIVATIVE FINANCIAL INSTRUMENTS

	2007		2006		2005	
	Assets R	Liabilities R	Assets R	Liabilities R	Assets R	Liabilities R
Forward foreign exchange contracts						
– cash flow hedges	5 725 921	5 759 303	42 067 990	41 979 352	6 981 594	7 111 195
Non-current portion			–	–	3 998 844	4 096 796
Current portion	5 725 921	5 759 303	42 067 990	41 979 352	2 982 751	3 014 399

The full fair value of a hedging derivative is classified as a non-current asset or liability, if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedge item is less than 12 months.

9. INVENTORIES

	2007 R	2006 R	2005 R
Merchandise	88 610 521	43 514 915	21 809 422
Work-in-progress	1 922 114	1 287 840	1 044 771
	90 532 634	44 802 755	22 854 193

Inventories, limited to a maximum amount of R25 000 000 (applicable to all three years), have been pledged as security for the group borrowings.

Total value of inventories written-off during year	296 029	179 282	51 881
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10. OTHER FINANCIAL ASSETS

	2007 R	2006 R	2005 R
Loans and receivables			
Southlands loan	–	600 000	1 321 642
Non-current assets	–	–	834 142
Current assets	–	600 000	487 500

The Southlands (Pty) Limited loan is interest free, secured by personal letters of suretyship from Southlands (Pty) Limited directors and is repayable at a minimum of \$75 000 per annum.

11. NON-CURRENT ASSET HELD FOR RESALE

	Cost/ Valuation R	2007 Accumulated impairment R	Carrying value R
Property	3 000 000	–	3 000 000

Reconciliation of non-current assets held for resale – Group 2007:

	Opening balance R	Transfer from investment property R	Fair value adjustment R	TOTAL R
Property	–	1 311 793	1 688 207	3 000 000

The property can be more fully described as:

- Sub 587 (of 585) of the farm “Shorts Retreat” No. 1208, Erf Number 2205, Pietermaritzburg measuring 2.567 hectares with factories and warehouses erected thereon. The property is encumbered as per Note 16.

The group has concluded a sale agreement for the above property and transfer is expected to take place shortly after the year-end.

The above asset has been included under “Other” in Note 2.

12. TRADE AND OTHER RECEIVABLES

	2007 R	2006 R	2005 R
Trade receivables	169 062 153	145 043 563	78 487 665
Pre-payments	758 294	41 495	61 534
Deposits	11 750	11 750	14 000
VAT	10 197 746	5 151 046	1 25 586
Other receivables	5 725 214	311 446	4 450 494
	185 755 157	150 559 300	84 839 269
Irrecoverable debt written-off during year	2 546 744	1 512 461	3 081 560

Trade receivables have been pledged as security for group borrowings.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2007 R	2006 R	2005 R
Cash on hand	18 067	66 003	62 543
Bank balances	23 139 614	8 574 639	1 987 623
Bank overdraft	(128 479 198)	(78 383 643)	(36 804 722)
	(105 321 517)	(69 743 001)	(34 754 557)
Current assets	23 157 681	8 640 642	2 050 165
Current liabilities	(128 479 198)	(78 383 643)	(36 804 722)
	(105 321 517)	(69 743 001)	(34 754 557)

Bank overdraft represents the borrowings by the group against the Undisclosed Debtors Discounting Facility it holds with Nedbank Limited.

The Undisclosed Debtor Discounting Facility is secured by:

- Cession of book debts
- Cession of debtor insurance policies
- Pledge of merchandise
- Letters of limited surety ship from shareholders
- Unlimited surety ships excluding cession of loan funds by:
 - Discount Steel Africa (Pty) Limited
 - Redchip Investments (Pty) Limited
 - Shearcut Precision Steel (Pty) Limited
 - Garrison Steel (Pty) Limited
 - Newcolab (Pty) Limited
 - Discount Steel Trading (Pty) Limited
 - Discount Steel KZN (Pty) Limited
- Limited suretyship of R55 250 000, restricted to 85% of indebtedness by W Battershill
- Limited suretyship of R5 040 000, restricted to 8% of indebtedness by C Parry
- Limited suretyship of R3 150 000, restricted to 5% of indebtedness by G D G Mackenzie
- Limited suretyship of R1 260 000, restricted to 2% of indebtedness by J Waller
- Unlimited suretyships (incorporating a cession of/without a cession of loan funds) by:
 - Discount Steel Africa (Pty) Limited without loan funds
 - Redchip Investments (Pty) Limited with loan funds

14. SHARE CAPITAL

	2007 R	2006 R	2005 R
Authorised			
800 000 ordinary shares of R0.01 each	8 000	8 000	8 000
200 000 divisional par value shares of R0.01 each	2 000	2 000	2 000
600 000 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.			
200 000 unissued divisional par value shares rank as regards dividends and return of capital on winding-up of the group <i>pari passu</i> with the ordinary shares in the group, save that the rights to dividends and return of capital shall, in the case of divisional shares, be restricted to profits and capital (if any) in the particular division to which the shares were attached at the time of issue.			
Issued			
100 000 ordinary shares of R0.01 each	1 000	1 000	1 000

15. RESERVES

Property revaluation reserves	1 473 616	2 687 576	1 976 391
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16. BORROWINGS

Non-current liabilities	15 143 088	7 729 225	3 536 092
Current liabilities	1 457 966	1 717 048	2 294 876
	16 601 054	9 446 273	5 830 968

It is group policy to finance certain motor vehicles and equipment under instalment sale agreements.

Interest is charged at prime less 2% at the contract date. The above liabilities are secured over certain non-current assets as per Note 3 and are repayable in monthly instalments of R325 702 (2006: R107 156; 2005: R92 801).

Further secured by limited suretyship given by Garrison Steel (Pty) Limited, W L Battershill, W R Teichmann, G D G Mackenzie, C Parry and J R Waller.

17. LOANS FROM SHAREHOLDERS

William Battershill	8 055 959	11 411 310	1 187 060
Ross Teichmann	74 750	107 250	
James Waller	27 931	32 931	27 931
Craig Parry	111 713	111 713	111 713
Paul Arnott	5 000	–	5 000
Grant Mackenzie	82 214	49 713	82 213
	8 357 567	11 712 917	1 413 917

The above loans are unsecured, interest free and have no fixed terms of repayment.

	2007 R	2006 R	2005 R
18. TRADE AND OTHER PAYABLES			
Trade payables	84 220 756	63 339 130	50 152 639
VAT	952 101	331 698	–
Accruals	6 916 568	5 903 845	2 596 521
Chesterfin financing	4 000 000	–	–
Other payables	8 920 072	6 216 472	3 262 126
	105 009 497	75 791 145	56 011 286
The Chesterfin financing is considered short-term financing with an average repayment term of 30 days. A fee is levied on the debt borrowed for the 10-day period of 1% of the total amount borrowed.			
19. REVENUE			
Sale of goods	876 616 223	472 433 610	354 649 962
Rental income	287 253	1 064 336	223 464
	876 903 476	473 497 946	354 873 426
20. OTHER INCOME			
Administration and management fees received	243 531	476 901	1 222 805
Gains on disposal of assets	1 903 411	7 237 235	–
Profit on exchange differences	765 543	377 108	105 218
Recoveries	282 165	240 837	79 757
Sundry income	1 779 133	428 855	787 529
	4 973 783	8 760 936	2 195 309
21. OTHER GAINS/(LOSSES)			
Fair value adjustment on investment property	1 688 207	–	–
Derivative instruments – foreign exchange gain/(loss)	(33 381)	218 239	(129 600)
	1 654 825	218 239	(129 600)
22. OPERATING PROFIT			
Auditors' remuneration	230 243	122 649	251 027
– Audit fee			
– Fee for other services			
Operating lease charges			
– Premises	497 246	60 789	–
– Equipment	–	104 986	7 367
	1 303 385	165 775	7 367
Directors' emoluments			
Executive directors' (past and present) emoluments paid by the group:			
For services as directors of holding company			
– Cash package	1 926 516	1 733 285	2 032 058
– Bonus	3 695 550	1 834 235	2 076 794
For services as directors of subsidiaries			
– Cash package	6 171 247	2 759 494	1 456 426
– Bonus	9 431 071	2 050 694	539 988
	21 224 384	8 377 708	6 105 266

	2007 R	2006 R	2005 R
Non-executive directors' (past and present) emoluments paid by the group:			
– For services as directors of holding company			
– For services as directors of subsidiaries			
– Fees for other services			
Consulting and technical fees	759 419	1 068 837	1 106 921
Depreciation	1 636 130	2 180 253	1 629 978
Employee costs	14 278 359	10 222 321	11 850 817
Fair value adjustment on investment property	1 688 207	–	–
Gains on disposal of assets	(1 903 411)	(7 237 235)	–
Profit on exchange differences	(1 951 192)	(428 855)	(105 218)
Operating lease expenses	(631 654)	(1 904 600)	–

All the operating lease expenses are related to the production of lease income.

23. INVESTMENT REVENUE

Interest revenue

Bank interest	473 233	32 338	6 943
Interest charged on trade and other receivables	721 122	296 042	96 833
Other interest	–	1 971 513	525 782
	1 194 355	2 299 893	629 558

24. FINANCE COST

Non-current borrowings	59 833	338 974	435 561
Trade and other payables	1 578 436	1 515 544	172 684
Instalment sale agreements	632 081	3 791	12 528
Bank interest	4 283 887	343	20 224
Finance fees	812 500	–	–
Debtors' factoring interest	5 613 106	4 333 454	3 813 762
	12 979 843	6 192 106	4 454 758

25. EMPLOYEE BENEFITS

Wages and salaries	11 895 823	8 663 522	10 270 780
Pension costs – defined contribution plan	2 382 536	1 558 799	1 580 037
	14 278 359	10 222 321	11 850 817

It is the policy of the group to provide retirement benefits to all of its employees. A number of defined contribution provident funds, all of which are subject to the Pension Funds Act, 1956, exist for this purpose. The group is under no obligation to cover any unfunded benefits.

26. TAXATION

Major components of the tax expense/income

Current:

Local income tax – current period	13 083 192	6 092 789	2 513 963
Secondary Tax on Company	238 715	531 376	110 416
Capital Gains Tax	–	792 710	–
	13 321 907	7 416 875	2 624 379

	2007 R	2006 R	2005 R
Deferred			
Originating and reversing temporary differences	340 514	(863 739)	(812 249)
Increase in tax losses available for set-off against future taxable income	263 689	–	–
Arising from previously unrecognised tax loss/tax credit/temporary difference	–	(160 594)	95 461
Benefit of unrecognised tax loss/tax credit/temporary difference used to reduce deferred tax expense	–	517 332	–
Other deferred tax	313 258	(525 225)	–
	917 461	(1 032 226)	(716 788)
	14 239 368	6 384 649	1 907 590
	%	%	%
Reconciliation of the tax expense			
Reconciliation between applicable tax rate and average effective tax rate.			
Applicable tax rate	29.00	29.00	30.00
Capital Gains Tax	0.00	9.65	0.00
Temporary timing differences	(1.03)	(18.10)	(14.34)
Secondary Tax on Company	1.82	5.04	0.00
	29.79	25.58	15.66
	R	R	R

27. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the group by the weighted average number of ordinary shares in issue during the year.

Profit attributable to equity holders of the group	25 038 910	13 029 370	8 976 791
Weighted average number of ordinary shares in issue	100 000	100 000	100 000
Basic and diluted earnings per share (cents)	25 039	13 029	8 977

(b) Headline

Headline earnings per share is calculated by excluding all capital gains and losses from the profit attributable to ordinary shareholders and dividing the resultant headline earnings by the weighted average number of ordinary shares in issue during the year.

Profit attributable to equity holders of the group	25 038 910	13 029 370	8 976 791
<i>Adjusted for:</i>			
Fair value adjustment on investment property	(1 688 207)	–	–
Gains on disposal of assets	(1 903 411)	(7 237 235)	–
	21 447 292	5 792 135	8 976 791
Weighted average number of ordinary shares in issue	100 000	100 000	100 000
Headline and diluted headline earnings per share (cents)	21 447	5 792	8 977

28. INVESTMENTS IN SUBSIDIARIES

Name of group	Country of incorporation	Holding 2007 %	Holding 2006 %	2007 R	2006 R	2005 R
Discount Steel Africa (Pty) Limited	South Africa	65	65	650	650	650
Redchip Investments (Pty) Limited	South Africa	100	100	2 460 968	2 460 968	2 460 968
Newcolab (Pty) Limited	South Africa	100	100	1 000	1 000	1 000
Shearcut Precision Steel (Pty) Limited	South Africa	100	100	1 000	1 000	1 000
Discount Steel Exports (Pty) Limited	South Africa	100	100	800	800	800
Discount Steel Cape (Pty) Limited	South Africa	100	100	100	100	100
Discount Steel Trading (Pty) Limited	South Africa	70	70	70	70	70
Shearcut (Pty) Limited	South Africa	100	100	100	100	100
Discount Steel KZN (Pty) Limited	South Africa	80	80	80	80	80
Doddleprops 6 (Pty) Limited	South Africa	50	50	50	50	50
Garrison Steel (Pty) Limited	South Africa	75	75	10 000 000	10 000 000	–
				12 464 818	12 464 818	2 464 818

There was no impairment losses recognised on the carrying amounts of the subsidiaries.

29. ACQUISITION OF BUSINESS

The following significant business combinations took effect during the previous year:

South Africa – Garrison Steel (Pty) Limited

On 31 March 2006, BSI (Pty) Limited completed the acquisition of 75% of the interest in Garrison Steel (Pty) Limited for a cash consideration of R10 000 000.

The business combination has been accounted for using the purchase method. All assets were recognised at their respective fair values. The residual over the net assets acquired is recognised as goodwill in the financial statements. The following table represents the assets and liabilities acquired in respect of the above acquisition:

	2006	
	Garrison Steel (Pty) Limited R	Doddleprops (Pty) Limited R
Property, plant and equipment	1 562 456	2 834 298
Inventories	13 289 643	–
Trade and other receivables	32 646 193	42 075
Cash and cash equivalents	4 988	10 931
Loans from shareholders	(74 750)	–
Loans from directors	(224 250)	–
Borrowings	(650 420)	(739 434)
Deferred tax	(183 093)	(739 258)
Current tax payable	(260 002)	(46 343)
Trade and other payables	(14 488 055)	(542 410)
Bank overdraft	(21 198 535)	–
	10 424 175	819 859
Goodwill	(1 424 175)	180 141
Consideration	9 000 000	1 000 000
<i>Settled by:</i>		
Shareholders' loan	9 000 000	1 000 000

The above figures are the same the carrying amounts of the assets, due to a recent valuation being performed prior to the acquisition.

From the date of acquisition to 31 March 2007, the following amounts have been included in the group's income and cash flow statements for the year:

	2007 R	2006 R	2005 R
Garrison Steel (Pty) Limited			
Revenue	116 266 829	–	–
Operating profit	4 989 273	–	–
Profit before tax	3 779 782	–	–
Doddleprops 6 (Pty) Limited			
Revenue	–	–	–
Operating profit	185 449	–	–
Profit before tax	185 449	–	–

30. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

Tax consequences of undistributed reserves

STC on remaining reserves	7 749 425	2 484 886	2 822 923
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Bank guarantees

Guarantees issued in favour of Mittal Steel	11 600 000	8 600 000	–
	19 349 425	11 084 886	2 822 923

Capital commitments

Contracted capital expenditure	3 724 000	–	–
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31. RELATED PARTIES

Relationships

Subsidiary	Red Chip Investments (Pty) Limited
Subsidiary	Discount Steel Africa (Pty) Limited
Subsidiary	Discount Steel Trading (Pty) Limited
Subsidiary	Discount Steel KZN (Pty) Limited
Subsidiary	Garrison Steel (Pty) Limited
Subsidiary	Newcolab (Pty) Limited
Subsidiary	Shearcut Precision Steel (Pty) Limited
Subsidiary	Shearcut (Pty) Limited
Subsidiary	Doddleprops 6 (Pty) Limited

Compensation to directors and other key management

Short-term employee benefits	21 219 584	4 573 719	4 376 097
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32. RISK MANAGEMENT

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

Deposit and all investments attract interest at rates that vary with prime. The group policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit/(loss).

	2007 R	2006 R	2005 R
<i>Financial assets exposed to:</i>			
Exposure:			
Fair value interest rate risk	–	–	–
Cash flow interest rate risk	208 912 838	159 199 942	86 889 435
Not exposed to interest rate risk	–	600 000	487 500
<i>Financial liabilities exposed to:</i>			
Fair value interest rate risk	–	–	–
Cash flow interest rate risk	250 089 748	164 505 890	98 198 022
Not exposed to interest rate risk	8 357 567	11 712 917	1 413 917

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased on all trade receivables, which varies between 75% and 90%.

Foreign exchange risk

The group reviews its foreign currency exposure, including commitments on an ongoing basis. The group expects its foreign exchange contracts to hedge foreign exchange exposure. The group also purchases dollars on an ongoing basis to hedge its exposure

Fair value

The fair value of each class of financial asset and financial liability approximates the carrying amount.

	2007 R	2006 R	2005 R
33. CASH GENERATED IN OPERATIONS			
Profit before taxation	47 768 946	25 175 788	12 184 325
<i>Adjustments:</i>			
Depreciation	1 636 130	2 180 253	1 629 978
Gains on disposal of assets	(1 903 411)	(7 237 235)	–
Loss on sale of assets	245 767	1 106 033	245 767
Interest received	(1 194 355)	(2 299 893)	(629 558)
Finance costs	12 979 843	6 192 106	4 454 758
Movement in provisions	–	990 923	–
Changes in working capital:			
Inventories	(45 729 879)	(21 948 563)	(11 697 832)
Trade and other receivables	(35 195 857)	(96 079 113)	(17 758 116)
Trade and other payables	28 333 522	57 696 251	6 525 817
	6 940 706	(34 223 449)	(5 044 861)
34. TAXATION PAID			
Balance at beginning of year	(5 151 958)	(2 162 317)	(1 907 590)
Current tax for year	(13 321 907)	(7 416 875)	(716 277)
Balance at end of year	9 333 111	5 152 958	2 162 317
Taxation paid	(9 140 754)	(4 427 234)	(461 550)

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF BSI

"The Directors
BSI Limited
PO Box 101096
Scottsville
Pietermaritzburg
3209

8 October 2007

Gentlemen,

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF BSI (SA) (PTY) LIMITED

Introduction

The definitions commencing on page 10 of the prospectus have been used in this report. BSI proposes to list on the JSE.

Purpose of this report

At your request, we present our report on the historical financial information of BSI, for the purposes of complying with the Listings Requirements and for inclusion in the prospectus, dated on or about 15 October 2007.

Historical financial information for the periods ended 31 March 2007, 31 March 2006 and 31 March 2005

We have audited the historical financial information of BSI for the three financial periods ended 31 March 2007 set out in the report of historical financial information attached as Annexure 2.

Responsibility

The directors of BSI are responsible for the compilation, contents and preparation of the prospectus and for the accuracy of the information contained therein. The directors of BSI are also responsible for the financial information to which both this reporting accountants' report and the report of historical financial information on BSI relate and from which such reports have been prepared.

Our responsibility is to express an opinion on the report of historical financial information on BSI.

Scope of the audit

We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the historical financial information relating to the periods ended 31 March 2007 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the historical financial information of BSI for the periods ended 31 March 2007, for the purposes of the prospectus, fairly presents, in all material respects, the financial position of BSI for the three financial years ended 31 March 2007 and the results of its operations and cash flows for the periods then ended in accordance with IFRS and in the manner required by the Act and the Listings Requirements.

BDO SPENCER STEWARD (Midlands) Inc

*Registered Auditors
Chartered Accountants (SA)*

PO Box 673
Pietermaritzburg
3200

Per: **Caroline Ovenstone**
Partner”

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE FORECAST OF BSI

"The Directors
BSI Limited
PO Box 101096
Scottsville
Pietermaritzburg
3209

8 October 2007

Gentlemen,

**INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE FORECAST OF THE BSI (SA) LIMITED
("BSI")**

We have examined the consolidated forecast of BSI as set out in paragraph 12 of the prospectus for the years ending 31 March 2008 and 31 March 2009.

Directors' responsibility

The directors are responsible for the forecast, including the assumptions set out in paragraph 12.1.3, on which it is based and for the financial information from which it has been prepared. This responsibility, arising from compliance with the Listings Requirements of the JSE Limited, includes: determining whether the assumptions, barring unforeseen circumstances, provide a reasonable basis for the preparation of the forecast; whether the forecast has been properly compiled on the basis stated and whether the forecast is presented on a basis consistent with the accounting policies of the company or group in question.

Auditors' responsibility

Our responsibility is to provide a limited assurance report on the forecast prepared for the purpose of complying with the Listings Requirements of the JSE Limited and for inclusion in the prospectus. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements applicable to the Examination of Prospective Financial Information. This standard requires us to obtain sufficient appropriate evidence as to whether or not:

- management's best-estimate assumptions on which the forecast is based are not unreasonable and are consistent with the purpose of the information;
- the forecast is properly prepared on the basis of the assumptions;
- the forecast is properly presented and all material assumptions are adequately disclosed;
- the forecast is prepared and presented on a basis consistent with the accounting policies of the company or group in question for the period concerned.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and, therefore, less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- (i) the assumptions, barring unforeseen circumstances, do not provide a reasonable basis for the preparation of the forecast;
- (ii) the forecast has not been properly compiled on the basis stated;

- (iii) the forecast has not been properly presented and all material assumptions are not adequately disclosed;
- (iv) the forecast is not presented on a basis consistent with the accounting policies of the company or group in question.

Actual results are likely to be different from the forecast, since anticipated events frequently do not occur as expected and the variation may be material; accordingly no assurance is expressed regarding the achievability of the forecast.

Consent

We consent to the inclusion of this letter and the reference to our opinion in this prospectus to be issued by BSI in the form and context in which it appears.

Yours faithfully

BDO SPENCER STEWARD (Jhb) Inc

*Registered Auditors
Chartered Accountants (SA)*

Private Bag X60500
Houghton
2041

Per: **Nigel Griffith**
Partner”

UNAUDITED PRO FORMA INCOME STATEMENT AND BALANCE SHEET

The unaudited *pro forma* income statement and balance sheet are provided for illustrative purposes only to provide information about how the implementation of the Restructure Agreements or group restructuring and the private placement may have impacted on the company's results and financial position. Due to the nature of the unaudited *pro forma* financial information, it may not give a fair presentation of the company's results and financial position, after the implementation of the Restructure Agreements or group restructuring and private placement. The unaudited *pro forma* income statements' report in Annexure 3. are based on the audited BSI results at 31 March 2007 as set out in Annexure 2 and reported on by the independent reporting accountants' report in Annexure 3. The unaudited *pro forma* income statement and balance sheet are presented in a manner consistent in all respect with IFRS and with the basis on which the historical information has been prepared in terms of accounting policies. No major adjustments were required to the *pro forma* information. The unaudited *pro forma* income statement and balance sheet should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 6. The directors of BSI are responsible for the preparation of the unaudited *pro forma* financial information of BSI.

Unaudited pro forma income statement reflecting the group restructuring and private placement adjustments

	BSI Audited 12 months 31 March 2007 ⁽⁶⁾ R'000	Acquisition of Discount Steel Zambia 12 months 31 March 2007 ⁽⁶⁾ R'000	Acquisition of Discount Steel Congo 12 months 31 March 2007 ⁽⁶⁾ R'000	Consolidation adjustments ⁽⁶⁾ R'000	Private placements ⁽⁶⁾ R'000	Unaudited Pro forma After implementation of Restructure Agreements and adjustments 12 months 31 March 2007 R'000	Unaudited Pro forma After group restructuring and private placement adjustments 12 months 31 March 2007 R'000
Revenue	876 903	147 313	40 729	(120 298)	–	944 647	944 647
Gross profit	118 918	16 993	11 657			147 568	147 568
Other income	3 049	2 641	1 077			6 767	6 767
Operating costs	(64 343)	(15 374)	(5 372)			(85 089)	(85 089)
EBITDA	57 624	4 260	7 362			69 246	69 246
Depreciation	(1 660)	(489)	(64)			(2 213)	(2 213)
Profit before interest and taxation	55 964	3 771	7 298			67 033	67 033
Fair value adjustments on investment property	1 688					1 688	1 688
Profit on disposal of non-current assets	1 903	8	–			1 911	1 911
Interest received	1 194	36	–			1 230	1 230
Interest paid ^{(2),(4)}	(12 980)	(2 124)	(880)		7 525	(15 984)	(8 459)

	BSI Audited 12 months 31 March 2007 ⁽⁶⁾ R'000	Acquisition of Discount Steel Zambia 12 months 31 March 2007 ⁽⁶⁾ R'000	Acquisition of Discount Steel Congo 12 months 31 March 2007 ⁽⁶⁾ R'000	Consolidation ⁽⁶⁾ adjustments ⁽⁶⁾ R'000	Unaudited Pro forma After implementation of Restructure Agreements consolidation adjustments 12 months 31 March 2007 R'000	Unaudited Pro forma After group restructuring and private placement adjustments 12 months 31 March 2007 R'000
Profit before taxation	47 769	1 691	6 418	–	55 878	63 403
Taxation	(14 239)	(646)	(274)	–	(15 159)	(17 341)
Profit after taxation	33 530	1 045	6 144	–	40 719	46 062
Minority interest	(8 491)	–	–	8 491	–	–
Earnings attributable to ordinary shareholders	25 039	1 045	6 144	8 491	40 719	46 062
Reconciliation of headline earnings:						
Earnings attributable to ordinary shareholders	25 039	1 045	6 144	8 491	40 719	46 062
Fair value adjustments on investment property	(1 688)	–	–	–	(1 688)	(1 688)
Profit on disposal of non-current assets	(1 903)	(8)	–	–	(1 911)	(1 911)
Headline earnings attributable to ordinary shareholders	21 448	1 037	6 144	8 491	37 120	42 463
<i>Pro forma</i> weighted average shares in issue on which earnings are based ⁽⁹⁾	616 854 996				616 854 996	719 854 996
<i>Pro forma</i> earnings per share (cents)	4.1				6.6	6.4
<i>Pro forma</i> headline earnings per share (cents)	3.5				6.0	5.9

Notes:

- The unaudited *pro forma* income statement was prepared on the basis that the implementation of the Restructure Agreements and private placement in terms of the offer for subscription were completed on 1 April 2006 and that a total of R100 million less estimated costs as set out in paragraph 15 of this prospectus were raised for the company.
- The conservative average interest rate used in calculations in terms of interest savings and interest earned on surplus cash, is 7.5%.
- The number of shares issued in terms of the private placement also includes the 3 000 000 shares issued by the company to Exchange Sponsors (Pty) Limited, the Designated Adviser.
- Interest expenditure has been adjusted to account for the estimated interest saving as a result of the private placement as it has been assumed that funds received will be utilised to repay certain debt currently held by the group.
- The BSI and Discount Steel Zambia 31 March 2007 figures were extracted from the audited financial statements of the company at that date. The financial statements of BSI and Discount Steel Zambia cover a 12-month period. These financial statements were audited by BDO Spencer Steward (Midlands) Inc and BDO Spencer Steward (Zambia) Inc respectively who issued an unqualified audit opinion. The Discount Steel Congo 31 March 2007 figures were extracted from the management accounts of the company at that date. The financial statements of Discount Steel Congo cover a 12-month period.
- Consolidation adjustments relate to inter-company sales and minority interest being eliminated on consolidation.
- The unaudited *pro forma* income statement has not been adjusted for any potential revaluations and allocations that may arise from the application of IFRS 3 as IFRS 3 does not apply as all the entities that form part of the group restructuring were under common control. Goodwill is carried at cost less any accumulated impairment. Goodwill is not amortised.
- The accounting policies of BSI, Discount Steel Zambia and Discount Steel Congo are consistent and have been applied in the presentation of the *pro forma* financial information. Revised or new standards, interpretations and amendments which may apply subsequent to the date of preparation of the *pro forma* income statement and balance sheet have not been applied in the *pro forma* information presented.

Unaudited pro forma balance sheet reflecting the group restructuring and private placement adjustments

	Audited 31 March 2007 ⁽¹⁾⁽⁶⁾ R'000	BSI of Discount Steel Zambia 12 months 31 March 2007 ⁽⁶⁾ R'000	Acquisition of Discount Steel Congo 12 months 31 March 2007 ⁽⁶⁾ R'000	BSI implementation of Restructure Agreements and consolidation adjustments 31 March 2007 ⁽⁶⁾ R'000	Unaudited Pro forma After implementation of Restructure Agreements and consolidation adjustments 31 March 2007 R'000	Private placement adjustments ⁽²⁾ R'000	Unaudited Pro forma After group restructuring and private placement adjustments 31 March 2007 R'000
ASSETS							
Non-current assets							
Property, plant and equipment	39 099	6 940	534	—	46 573	—	46 573
Goodwill	3 773	—	—	18 660	22 433	—	22 433
Deferred tax	3 114	137	—	—	3 251	—	3 251
Other financial assets	—	—	406	—	406	—	406
Current assets							
Current tax receivable	286	—	—	—	286	—	286
Inventories	90 533	16 532	6 723	—	113 788	—	113 788
Non-current assets held for resale	3 000	—	—	—	3 000	—	3 000
Derivative financial instruments	5 726	—	—	—	5 726	—	5 726
Trade and other receivables	185 755	14 981	1 533	—	202 269	—	202 269
Cash and cash equivalents ⁽³⁾	23 158	1 439	1 773	—	26 370	—	26 370
Total assets	354 444	40 029	10 969	18 660	424 102	—	424 102
EQUITY AND LIABILITIES							
Equity							
Share capital ⁽⁴⁾	1	41	240	(281)	1	1	2
Reserves	1 474	1 184	201	(1 385)	1 474	98 700	100 174
Retained income	60 522	14 339	2 232	(787)	76 306	—	76 306
Minority interest	18 622	—	—	(18 622)	—	—	—
Ordinary shareholders' funds	80 619	15 564	2 673	(21 075)	77 781	98 701	176 482
LIABILITIES							
Non-current liabilities							
Other financial liabilities	16 601	—	6 604	38 500	38 500	(38 500)	—
Borrowings	—	—	—	—	23 205	—	23 205
Current liabilities							
Loans from shareholders ⁽⁵⁾	8 358	—	—	—	8 358	(1 489)	6 869
Loan from associated company	—	—	(1 235)	1 235	—	—	—
Current tax payable	9 619	146	—	—	9 765	—	9 765
Derivative financial instruments	5 759	—	—	—	5 759	—	5 759
Trade and other payables	105 009	22 295	2 927	—	130 231	—	130 231
Bank overdraft	128 479	2 024	—	—	130 503	(58 712)	71 791
Total liabilities	273 825	24 465	8 296	39 735	346 321	(98 701)	247 620
Total equity and liabilities	354 444	40 029	10 969	18 660	424 102	—	424 102
<i>Pro forma</i> shares in issue ⁽²⁾⁽⁴⁾					616 854 996	103 000 000	719 854 996
Net asset value per share (cents)					12.6	9.0	24.5
Net tangible asset value per share (cents)					9.0	—	21.4

Notes:

1. The unaudited *pro forma* balance sheet was prepared on the basis that the group restructuring and the private placement were completed on 31 March 2007.
2. Share capital and share premium have been adjusted for the 100 000 000 new shares issued in terms of the private placement of the offer for subscription and the 3 000 000 ordinary shares issued to Exchange Sponsors (Pty) Limited, the Designated Adviser. The estimated expenses, as set out in paragraph 15 of this prospectus, are provided for against the share premium account in the private placement column.
3. The non-current and current mortgage bonds and instalment sale agreements and cash and cash equivalents have been adjusted for the cash received in terms of the private placement. The R79.5 million relates to the surplus cash retained by BSI after funding the Drawbridge sale agreement. Interest savings on the reduction of the financial liabilities, the bank overdraft and the surplus cash have been calculated and adjusted to the *pro forma* income statement.
4. The issued share capital of the company was restructured prior to the private placement as set out in paragraph 24 of this prospectus.
5. The BSI and Discount Steel Zambia 31 March 2007 figures were extracted from the audited financial statements of the company at that date. The Discount Steel Congo 31 March 2007 was extracted from the management accounts at that date.
6. The BSI implementation of the Restructure Agreements column is in terms of paragraph 28.1 of the prospectus.
7. The unaudited *pro forma* balance sheet has not been adjusted for any potential revaluations and allocations that may arise from the application of IFRS 3 (Business Combinations) as IFRS 3 does not apply. Goodwill is carried at cost less any accumulated impairment. Goodwill is not amortised.
8. The accounting policies of BSI, Discount Steel Zambia and Discount Steel Congo are consistent and have been applied in the presentation of the *pro forma* financial information. Revised or new standards, interpretations and amendments which may apply subsequent to the date of preparation of the *pro forma* balance sheet and income statement have not been applied in the *pro forma* information presented.

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED
PRO FORMA INCOME STATEMENT AND BALANCE SHEET**

"The Directors
BSI Limited
PO Box 101096
Scottsville
Pietermaritzburg
3209

8 October 2007

Gentlemen,

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE PRO FORMA
FINANCIAL INFORMATION OF BSI LIMITED ("BSI")**

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in Annexure 5, paragraph 4 of the salient features and paragraph 12.1.2 of the prospectus issued in connection with the group restructuring and private placement of 100 000 000 ordinary shares in BSI ("the private placement") that is the subject of the prospectus.

The *pro forma* financial information has been prepared in accordance with the JSE Limited ("JSE") Listings Requirements ("Listings Requirements"), for illustrative purposes only, to provide information about how the group restructuring and the private placement might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.

Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the prospectus and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* information financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of BSI and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the prospectus of BSI. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Guide on Pro Forma Financial Information* issued by The South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of BSI, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the company in respect of the corporate actions that are the subject of the prospectus.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of BSI and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing or International Standards on Review Engagements* and, accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of Sections 8.17 and 8.30 of the Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the issuer;
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

Consent

We consent to the inclusion of this letter and the reference to our opinion in the prospectus to be issued by BSI in the form and context in which it appears.

Yours faithfully

BDO SPENCER STEWARD (Midlands) Inc

*Registered Auditors
Chartered Accountants (SA)*

PO Box 673
Pietermaritzburg
3200

Per: **Caroline Ovenstone**
Partner”

VENDORS

The following represents a list of the vendors of the material assets acquired by BSI during the three years preceding the publication of this prospectus:

Nature of asset acquired	Names of vendors	Beneficial shareholders	Acquiring company	Date of acquisition	Addresses of vendor	Amount paid to vendors
Discount Steel KZN (Pty) Limited 30% of share capital	R I Mcilwaine L Daff, G Daff	R I Mcilwaine L Daff, G Daff	BSI (SA) Limited	1 April 2007	Eden Park Drive Mkondeni Pietermaritzburg	R13 276.24 discharged by the issue of 13 276 243 ordinary shares in BSI at par value
Garrison Steel (Pty) Limited 25% of share capital	W R Teichmann	W R Teichmann	BSI (SA) Limited	1 April 2007	Eden Park Drive Mkondeni Pietermaritzburg	R23 522.02 discharged by the issue of 23 522 018 ordinary shares in BSI at par value
Discount Steel Africa (Pty) Limited 35% of share capital	G D G Mackenzie P Arnott	G D G Mackenzie P Arnott	BSI (SA) Limited	1 April 2007	Eden Park Drive Mkondeni Pietermaritzburg	R105 017.63 discharged by the issue of 105 017 633 ordinary shares in BSI at par value
Discount Steel Trading (Pty) Limited 30% of share capital	Craig Parry Family Trust F E Barnard	Craig Parry Family Trust F E Barnard	BSI (SA) Limited	1 April 2007	Eden Park Drive Mkondeni Pietermaritzburg	R37 917.89 discharged by the issue of 37 917 886 ordinary shares in BSI at par value
Discount Steel Zambia (Pty) Limited 100% of share capital	Drawbridge Trading Limited	The Old Course Trust	Discount Steel Africa (Pty) Limited	1 April 2007	Nautilus House La Cour Des Casernes St Hillier, Jersey JE1 3NH Channel Island	US\$3 666 666
Discount Steel Lubumbashi 100% of share capital	Drawbridge Trading Limited	The Old Course Trust	Discount Steel Zambia (Pty) Limited	1 April 2007	Nautilus House La Cour Des Casernes St Hillier, Jersey JE1 3NH Channel Island	US\$1 833 334

Notes:

1. BSI and its subsidiaries acquired the above material assets as part of a group restructuring with effect from 1 April 2007.
2. None of the assets were acquired by the vendors within three years preceding this prospectus.
3. The vendors provided profit warranties, through to 31 March 2008, to BSI.
4. The selling shareholders have in terms of confidentiality and restraint agreements, undertaken not to conduct business in competition with BSI for a period of five years from 31 March 2007. No restraint of trade payments were paid by BSI to the vendors.
5. There are no liabilities in terms of accrued taxation for the above acquisitions.
6. No promoter had any beneficial interest, direct or indirect, in any of the above transactions.
7. No cash or securities were paid or benefit given within the three preceding years or proposed to be paid or given to any promoter, not being a director.

CORPORATE GOVERNANCE

The directors endorse, and accept full responsibility for, the application of the principles necessary to ensure that effective corporate governance is practised consistently throughout the company. BSI is committed to the principles of openness to all stakeholders, integrity and accountability and adheres to the Code of Corporate Practices and Conduct ("the Code") as advocated in the King Code. One of the important objectives of the board would be to find the correct balance between conforming within the parameters of the Code and performing in an entrepreneurial way.

The directors are pro-actively taking steps to ensure that all the elements required to make BSI fully compliant with the recommendations incorporated in the Code have been implemented. A summary of the current compliance is as follows:

1. BOARD OF DIRECTORS

The board of directors sets the company's overall policy and provides guidance and input in areas relating to strategic direction, planning, acquisitions, performance measurement, resource allocation, key appointments, standards of conduct and communication with shareholders.

Generally, directors have been and will be nominated based on their calibre, credibility, knowledge, experience and time and attention they can devote to the role. Before nomination, appropriate background checks are performed on proposed new directors. New appointments to the board are submitted to the board for approval prior to appointment. All appointments are formal and transparent and a matter for the board as a whole. New directors are taken through a formal induction programme and are provided with all the necessary background information to familiarise them with issues affecting the board.

The board's independence from the team responsible for the daily management of BSI will be maintained by:

- functioning board committees comprised mainly of non-executive directors;
- the non-executive directors not holding fixed term contracts;
- all directors, with prior permission of the board, being entitled to seek independent professional advice and the affairs of BSI at the company's expense;
- all directors having access to the advice and services of the Company Secretary;
- the appointment or dismissal of the Company Secretary being decided by the board as a whole and not by one individual director.

The board comprises two independent non-executive directors and three executive directors. The non-executive directors are fully independent of management and free to make their own decisions and independent judgements. They enjoy no benefits from the company for their services as director, other than their fees and potential capital gains and dividends on their interests in ordinary shares.

The executive directors have fixed terms of appointment which do not exceed five years in duration. The appointment of the non-executive directors is subject by rotation, to retirement and re-election by shareholders at least every three years, in accordance with BSI's articles of association. A brief CV of each director standing for election or re-election at the annual general meeting will be included in the notice of annual general meeting.

The board retains full and effective control over the company. The board intends to meet at least four times a year with additional meetings called, if necessary or desirable. Information relevant to a meeting will be supplied on a timely basis to the board ensuring directors can make informed decisions. The board is also responsible for monitoring the activities of the executive management.

The company's corporate philosophy is consistent with the principles of the King Report II on Corporate Governance, in that, *inter alia*:

- At present the Chairperson is an executive Director and the role of the Chairperson and the Managing Director are not separated. These are not ALT^x requirements.
- At this stage, the company does not have a formal Nomination or Risk Committee. Future appointments to the board will, however, be formal and a transparent matter for the board as a whole.

2. REMUNERATION COMMITTEE

The company currently does not have a Remuneration Committee, as this is not an ALT^X requirement.

3. AUDIT COMMITTEE

The Audit Committee will be chaired by a non-executive director and the company's Designated Adviser will be a member thereof. It will be attended by the Financial Director and will be formed for the purposes of monitoring and reviewing:

- the effectiveness of the company's information systems and other systems of internal control;
- the effectiveness of the internal audit function;
- the reports of both the external and internal auditors;
- the annual report and specifically the annual financial statements included therein;
- the accounting policies of the company and any proposed revisions thereto;
- the external audit findings, reports and fees and the approval thereof;
- ensuring that non-audit services will not be obtained from the external auditors where the provisions of such services could impair audit independence;
- compliance with applicable legislation and requirements of regulatory authorities.

The external auditors will have unrestricted access to the Audit Committee and its chairman with a view to ensuring that their independence is not impaired.

4. CODE OF ETHICS

The company adheres to the Code of Ethics. The company observes a close period from the end of the reporting period until the announcement of interim and year-end results, during which period neither directors nor employees may deal, directly or indirectly, in the ordinary shares of the company.

5. COMMUNICATION

The company has a policy of open and transparent communication with its ordinary shareholders and other stakeholders and will meet regularly with institutional shareholders, investment analysts and other stakeholders.

SALIENT FEATURES OF THE COMPANY'S SHARE INCENTIVE SCHEME

The salient features of the share incentive scheme, which was adopted on 6 September 2007, established as an incentive to promote the continued growth of the group by giving employees an opportunity to acquire shares therein, are set out below:

1. DEFINITIONS

“Acceptance Date”	the date of acceptance by a Participant of an offer for the purchase of Scheme Shares in terms of clause 6 or to acquire Rights and Options to purchase Allocation Shares in terms of clause 3;
“Eligible Applicant”	a person eligible for participation in this Scheme, namely, any Employee of the Group who has not less than 12 months' uninterrupted service with the Group or as may be otherwise determined from time to time by the Board as well as a non-executive director of the Company;
“Employee”	an employee of the Group and shall include an executive director of the Group and to whom an offer shall have been directed to acquire Shares;
“Group”	the Company and its subsidiaries;
“Purchase Price”	in relation to Scheme Shares and/or Allocation Shares, an amount equivalent to the middle market price of the Shares on the JSE on the trading day immediately preceding that on which a resolution of the Board is passed for the purposes of allotting Scheme Shares or granting Rights and Options to purchase Allocation Shares. The middle market price of the Shares on the JSE shall be determined by way of a certificate issued by a stockbroker licensed to trade on the JSE;
“Scheme Shares”	Shares purchased by a Participant under this Scheme for as long as the Participant has not made payment in full of his Share Scheme Debt relating to those Shares, which Shares shall rank <i>pari passu</i> in every respect with the existing ordinary issued shares of the Company; and
“Shares”	ordinary shares in the capital of the Company.

2. PURPOSE AND NATURE

This Scheme is introduced for the purpose of providing an opportunity to the employees of the Group to acquire shares in the capital of the Company, either directly or through the grant of options, so as to give such employees the incentive to advance the interests of the Company for the ultimate benefit of all stakeholders in the Company.

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

The Directors of BSI shall from time to time instruct the Trustees to offer the opportunity to acquire Rights and Options to purchase Allocation Shares or to acquire Scheme Shares to Eligible Applicants in respect of such number of Shares, which in aggregate, together with any Scheme Shares already in issue and/or the number of Allocation Shares at that time shall not exceed 20 percent of the ordinary issued share capital of the Company at the date of the offer or such increased percentage as may from time to time be approved by the JSE and by the Company in general meeting.

The maximum number of shares which may presently be issued in terms of the Scheme is therefore 123 970 999 Shares, being 20 percent of the present issued share capital of 619 854 996 Shares. The maximum number of Shares in respect of which any single Eligible Participant shall have rights in terms of the Scheme shall be limited to 1 percent of the ordinary issued share capital of the Company from time to time, provided that the Board may resolve to increase such maximum number of Shares in respect of a single Eligible Participant to not more than 2 percent of the ordinary issued capital of the Company.

The Directors shall forward to the Trustees a certified copy of the resolution authorising an offer of Scheme Shares and/or Allocation Shares to specific Eligible Applicants and the Trustees shall offer the number of Scheme Shares and/or Allocation Shares referred to in such resolution to the Eligible Applicant named in such resolution. Scheme Shares and/or Allocation Shares shall be offered at the Purchase Price referred to above.

4. PRICING

The Trustees shall, on the authority of a resolution of the Board and subject to the provisions of clause 6.2, offer Eligible Applicants the right to purchase Scheme Shares at the Purchase Price, which Purchase Price may be higher or lower than the price at which the Scheme Shares in question were acquired by the Trust.

5. RELEASE PERIOD

All amounts paid by a Participant shall be applied rateably toward payment of the Purchase Price of all of the Scheme Shares which such Participant has purchased unless the Participant allocates, in writing at the time that he makes such payment, the payment to specific Scheme Shares. The balance of the Share Scheme Debt of a Participant may be paid by him to the Trust at any time; provided that the Share Scheme Debt shall be paid in full by no later than the fourth anniversary of the Acceptance Date; provided that further that the Board may, in its discretion, increase the period for repayment stipulated in this clause, either generally or in any particular case.

When the Share Scheme Debt in respect thereof will have been paid in full, a Participant shall, subject to clause 3.16, be entitled to the release of his Scheme Shares from the operation of this Scheme after the expiry of a period of:

- 5.1** one year after the Acceptance Date, in respect of 20 percent of the Scheme Shares, or part thereof;
- 5.2** two years after the Acceptance Date, in respect of a further 25 percent of the Scheme Shares, or part thereof;
- 5.3** three years after the Acceptance Date in respect of a further 25 percent of the Scheme Shares, or part thereof;
- 5.4** four years after the Acceptance Date in respect of a further 30 percent of the Scheme Shares, or the balance of the Scheme Shares.

A Participant's Share Scheme Debt shall bear interest on the balance thereof outstanding from time to time. Such interest shall be at a rate which is not less than the rate of interest stipulated from time to time in terms of the Seventh Schedule to the Income Tax Act, 1962, as amended. The Board may in its discretion alter the rate of interest from time to time; provided that no alteration in the rate shall have retrospective effect.

If the full amount of the Share Scheme Debt is not paid on the due date for payment thereof in terms of the Scheme, the Trustees shall call upon the Participant in writing to effect such payment and if such demand is not complied with within twenty-one days of the date thereof, the Trustees may cancel the sale and take possession of such Scheme Shares, in which event the Participant shall be released from all further liability in respect of his Share Scheme Debt or the Trustees may, in their sole and absolute discretion, permit the Participant to sell so many of the Scheme Shares as may be necessary to enable the Participant to discharge his Share Scheme Debt so as to procure the release of the remainder of the Scheme Shares to which he is entitled.

6. DEATH, RETIREMENT OR DISABILITY OR RESIGNATION

6.1 Retirement or disability

If a Participant becomes retired in terms of the rules of the Group's pension fund or who retires with the approval of the Board or who becomes permanently incapacitated prior to the fourth anniversary of the Acceptance Date, shall, within two years after his becoming retired or permanently incapacitated, have the right and obligation at his election to pay his Share Scheme Debt in full in respect of all of his Scheme Shares and have them released to him or to have his Scheme Shares repurchased by the Trustees at the Repurchase Price of the Scheme Shares, in which latter mentioned event such retired or incapacitated Participant shall be released from all liability in respect of his Share Scheme Debt.

6.2 Death

If a Participant dies before the arrival of the fourth anniversary of the Acceptance Date, then at any time before the finalisation of his estate or within two years after his death, whichever is the earlier, the Participant's executor shall have the right and obligation at his election to pay the Share Scheme Debt in full and have the Scheme Shares released or to have such Scheme Shares repurchased by the Trustees at the Repurchase Price of the Scheme Shares, in which latter mentioned event the estate of the Participant shall be released from all liability in respect of the Share Scheme Debt.

6.3 Dismissal

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

6.4 Cessation of employment for other reasons

- If a Participant for any reason other than his dismissal, death, retirement or permanent incapacity, does not remain employed by the Group for a period of four years from the Acceptance Date; or
- The Participant remains an Employee of the Group but desires, at any time prior to the expiry of four years from the Acceptance Date, to terminate his participation in the Scheme,

then within a period of thirty days from the date upon which he ceases to be employed by the Group or the date upon which he notifies the Trustees in writing that he no longer wishes to participate as a member of the Scheme, whichever is appropriate, the Trustees in their sole and absolute discretion may repurchase the Scheme Shares from the Participant at the Repurchase Price. The Participant shall in the above events have no further rights or claims against the Trust arising from the acquisition of his Scheme Shares.

7. AMENDMENTS

It shall be competent for the Board and the Trustees to amend any of the provisions of the Scheme provided that:

7.1 no such amendment shall affect the vested rights of any Participant;

7.2 no such amendment affecting any of the following matters shall be competent unless it is sanctioned by the Company in general meeting:

7.2.1 the eligibility of Participants under this Scheme;

7.2.2 the proportion, expressed as a percentage, which the Shares that may be acquired by the Trustees for purposes of the Scheme, bears to the entire issued ordinary share capital of the Company for the time being;

- 7.2.3** the maximum number of Scheme Shares that may be acquired by any Participant;
- 7.2.4** the Purchase Price;
- 7.2.5** the period within which payment of the Purchase Price is to be made;
- 7.2.6** the period within which payment of the Scheme Debt is to be made;
- 7.2.7** the vesting period of the Scheme Shares;
- 7.2.8** the procedure to be adopted on termination of employment or retirement of a Scheme Participant;
- 7.2.9** the voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, attaching to the Scheme Shares; and
- 7.2.10** any amendment of clause 15.2.

8. TRUSTEES

There shall at all times be a minimum of two Trustees in office. John Morland Wallace Identity Number 511228 5184 089, and Richard Gordon Lewis Identity Number 581019 5100 083 (not being salaried directors or Employees of the Group), are appointed as Trustees of the Trust and accept that appointment by their signatures hereto.

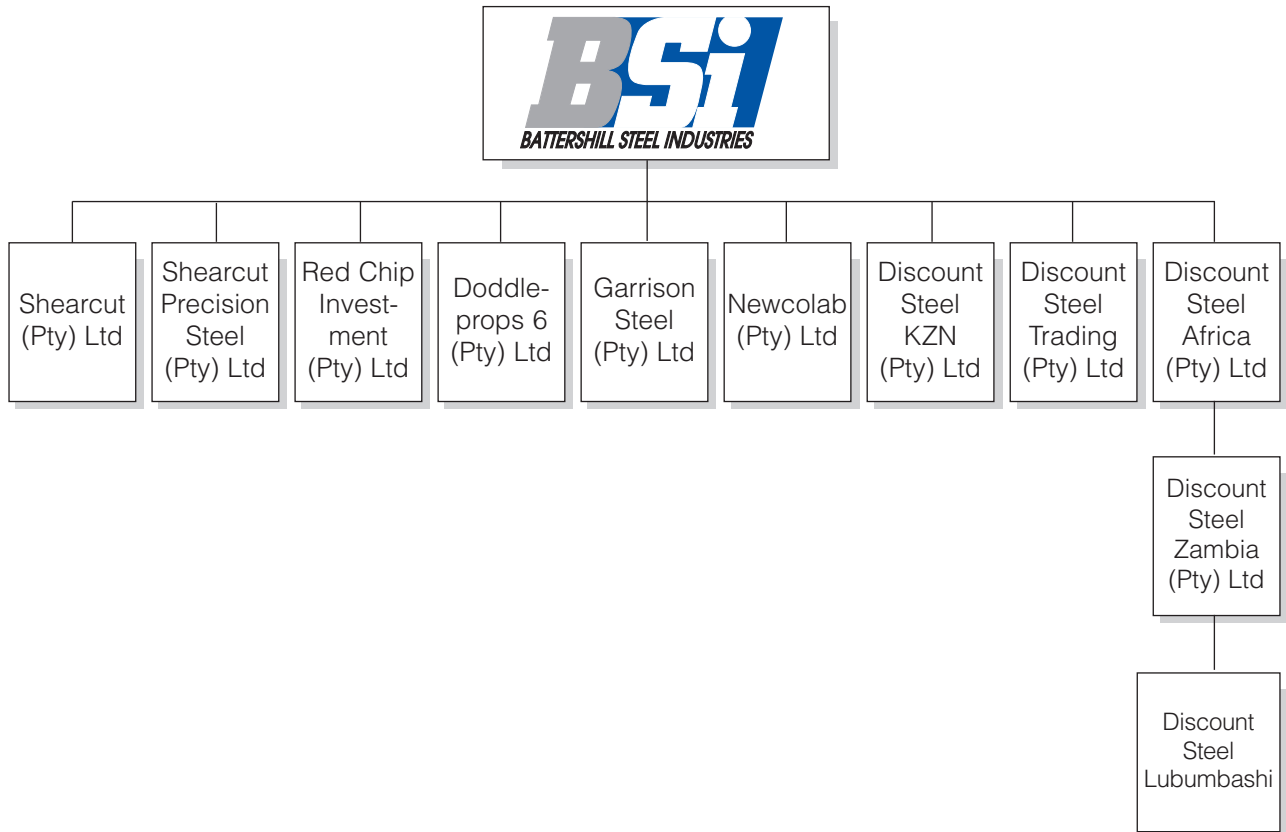
No Trustee shall be eligible for participation under the Scheme.

9. ANNUAL DISCLOSURE

The Company shall in its annual financial statements, provide particulars of:

- 9.1** the number of Scheme Shares which have been taken up by Participants in terms of offers made to them and which Scheme Shares are subject to the Scheme;
- 9.2** any changes in the number of Scheme Shares which have been taken up by Participants during the year;
- 9.3** the number of Scheme Shares initially taken up by Participants as Scheme Shares and which during the year have ceased to be Scheme Shares;
- 9.4** the Purchase Price at which Employees were offered Scheme Shares during the year and the total number of Scheme Shares taken up by Eligible Applicants at such Purchase Price;
- 9.5** the total number of Scheme Shares still available to be taken up by Eligible Applicants in terms of the Scheme;
- 9.6** the aggregate amount owing by Participants to the Trust at the end of each year.

GROUP STRUCTURE



Note: All the companies will be wholly-owned subsidiaries after the group restructuring at the last practicable date.



BSI (SA) Limited

(Incorporated in the Republic of South Africa)

(Registration number 2001/023164/06)

(JSE code: BSS ISIN: ZAE000107371)

("BSI" or "the company")

PRIVATE PLACEMENT APPLICATION FORM

In respect of the private placement by way of subscription of 100 000 000 BSI ordinary shares at an issue price of 100 cents per share and an offer for the sale of 57 600 000 ordinary shares by the selling shareholders at a sale price of 100 cents per share, registered in terms of this prospectus issued on 15 October 2007 ("this prospectus")

Please refer to the instructions overleaf before completing this private placement application form.

Certificated shares – payment by bank guaranteed cheque or banker's draft

Applicants who elect to receive their allocated shares in certificated form and who wish to pay by way of **bank guaranteed cheque or banker's draft** must complete and return this private placement application form, together with their payment in the form of a bank guaranteed cheque or banker's draft (crossed "not transferable" and drawn in favour of "BSI Listing") in an envelope marked "BSI Listing" to:

if delivered by hand or by courier:

Designated Adviser
Exchange Sponsors (Pty) Limited
39 First Road
Hyde Park
Johannesburg
2196

if posted:

Designated Adviser
Exchange Sponsors (Pty) Limited
PO Box 411216
Craighall
2024

Certificated shares – payment by electronic transfer

Applicants who elect to receive their allocated shares in certificated form and who wish to pay by way of **electronic transfer** may do so, in which case the **private placement application, and proof of such payment by electronic transfer must be hand delivered, posted or faxed to BSI (and not the transfer secretaries) to:**

if delivered by hand:

Designated Adviser
Exchange Sponsors (Pty) Limited
39 First Road
Hyde Park
Johannesburg
2196

if posted:

Designated Adviser
Exchange Sponsors (Pty) Limited
PO Box 411216
Craighall
2024

if faxed:

Designated Adviser
(011) 447 1929

so as to be received by no later than 12:00 on Wednesday, 17 October 2007.

Payment by electronic transfer must be made into the following bank account:

Bank:	Nedbank
Branch:	Business Durban
Branch code:	164 826
Account name:	BSI Listing
Account number:	1648166059
Account type:	Current

BSI accepts no responsibility and will not be liable for the correct or any allocation of private placement shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or BSI, for any reason, not being able to reconcile a payment or purported payment with a particular application for private placement shares.

Dematerialised shares – payment by electronic transfer or through Central Securities Depository Participant ("CSDP") or broker

Applicants who elect to receive their allocated shares in dematerialised form and who wish to pay by way of **electronic transfer** must do so, in which case the **private placement application and the section on their CSDP or broker must be completed and stamped or signed by the relevant CSDP or broker and proof of such payment by electronic transfer must be hand delivered, posted or faxed to:**

if delivered by hand:

Designated Adviser
Exchange Sponsors (Pty) Limited
39 First Road
Hyde Park
2196

if posted:

Designated Adviser
Exchange Sponsors (Pty) Limited
PO Box 411216
Craighall
2024

if faxed:

Designated Adviser
(011) 447 1929

so as to be received by no later than 12:00 on Wednesday, 17 October 2007.

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Account name:	BSI Listing
Account number:	1648166059
Account type:	Current

BSI accepts no responsibility and will not be liable for the correctness of any allocation of private placement shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or BSI, for any reason, not being able to reconcile a payment or purported payment with a particular application for private placement shares.

Applicants, who wish to receive their allocated shares in dematerialised form, can also complete and return this private placement application form to their duly appointed CSDP or broker by the time and date stipulated in the agreement governing their relationship with their CSDP or broker, together with the method of payment as stipulated in such agreement.

NO LATE APPLICATIONS WILL BE ACCEPTED.

Reservation of rights

The directors of BSI reserve the right to accept or refuse any application(s), either in whole or in part, or to *pro rate* any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

The directors of BSI reserve the right to accept or reject, either in whole or in part, any private placement applications should the terms contained in the prospectus of which this private placement application form forms part and the instructions herein not be complied with.

Applications must be for a minimum of 5 000 shares and multiples of 1 000 shares thereafter.

To the Directors**BSI (SA) Limited**

1. I/We, the undersigned, confirm that I/we have full legal capacity to contract and, having read this prospectus, hereby irrevocably apply for and request you to accept my/our application for the undermentioned number of shares in BSI at 100 cents per share or any lesser number that may, in your absolute discretion, be allotted to me/us, subject to the articles of association of BSI.
2. I/We wish to receive our allocated shares in dematerialised form and will hand this private placement application form to our appointed CSDP or broker. I/We accept that payment in respect of these applications will be, in terms of the custody agreement entered into between me/us and our CSDP or broker, on a delivery versus payment basis. (delete if not applicable).
3. I/We wish to receive our allocated shares in certificated form and commit to accept the physical share certificate. Accordingly, I/we hereby enclose a crossed cheque/banker's draft in favour of "**BSI Listing**" for the appropriate amount due in terms of this application (delete if not applicable).
4. I/We understand that the subscription for or purchase of shares in terms of the prospectus is conditional on the granting of a listing of the shares of BSI, by Wednesday, 24 October 2007 or such later date as the directors may determine, on the Alternative Exchange (ALT^X) of the JSE Limited.

Dated _____ 2007 Telephone number (_____)

Signature _____

Assisted by (where applicable) _____

Surname of individual or Name of entity	Mr Mrs Ms Other title
First names (in full)	
To be completed by all applicants Postal address (Preferably PO Box address) Refund cheque and/or share certificate, if applicable, will be sent to this address	
Telephone number (_____)	
Total number of ordinary shares applied for Note: Minimum number of 5 000 shares and thereafter in multiples of 1 000 shares	(Enter figures only – not words)
Total amount of cheque or banker's draft to cover ordinary shares applied for herein at 100 cents per share	R (Enter figures only – not words)

Section must be completed if shares required in dematerialised form. Required information must be obtained or completed by CSDP or broker

CSDP name	
CSDP contact person	
CSDP contact telephone number	
SCA or bank CSD account number	
Scrip account number	
Settlement bank account number	
CSDP signature or stamp	

This application will constitute a legal contract between BSI and the applicant. The issuer of the shares is BSI. Application forms for certificated or uncertificated shares will not be accepted unless the above information has been furnished.

INSTRUCTIONS:

1. Applications may be made on this private placement application form only. Copies or reproductions of this private placement application form will be accepted.
2. Applications are irrevocable and may not be withdrawn once submitted to the Designated Adviser, transfer secretaries, CSDP's or brokers.
3. All CSDP's and brokers will be required to retain the private placement application form for presentation to the directors if required.
4. Please refer to the terms and conditions of the private placement set out in paragraph 10 of the prospectus. Applicants should consult their brokers, bankers or other professional advisers in case of doubt as to the correct completion of this private placement application form.
5. Applications must be for a minimum of 5 000 shares and thereafter in whole multiples of 1 000 shares.
6. Applicants who wish to receive their shares in uncertificated form and who do have a CSDP or broker must do so in terms of the custody agreement entered into between them and their CSDP or broker on a delivery versus payment basis.
7. Applicants who wish to receive their shares in certificated form must submit only one private placement application form and one bank guaranteed cheque or banker's draft in respect of each application. Payment may also be by way of electronic transfer as set out above. To the extent that more than one application is submitted, the first private placement application form received will be the one in respect of which BSI shares will be allocated in terms of the prospectus and further application form(s) will be ignored. The application monies applicable thereto will be held by the transfer secretaries and returned without interest to the applicants concerned with all other returned cheques in terms of the prospectus at the applicant's risk. Postal orders, cash or telegraphic transfers will **not** be accepted.
8. No receipts will be issued for private placement application forms, application monies or any supporting documentation and applications will only be regarded as complete when the relevant cheque/banker's draft has been paid. All monies will be deposited immediately for payment. If a receipt is required, shareholders or lodging agents are required to prepare special transaction receipts for private placement application forms lodged.
9. If any cheque or banker's draft is dishonoured, the group may, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
10. All alterations on this private placement application form must be authenticated by full signature.
11. BSI will use the "certified transfer deeds" and other temporary "documents of title" procedure approved by the JSE Limited and therefore will issue only a "block" certificate for the shares allotted in terms of this application for the applicant who requests a share certificate.
12. Blocked Rand may be used by emigrants and non-residents of the common monetary area (comprising the Republics of South African and Namibia and the Kingdoms of Swaziland and Lesotho) for payment in terms of private placement application and reference should be made to paragraph 10.12 of this prospectus, which deals with Exchange Control Regulations.