

**PETZETAKIS AFRICA (PROPRIETARY)  
LIMITED AND ITS SUBSIDIARIES  
(REGISTRATION NUMBER 2000/020895/07)  
GROUP FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**Moore Stephens MWM Inc.  
Chartered Accountants (S.A.)  
Registered Auditors  
14 March 2008**

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES  
GROUP FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

<b>COUNTRY OF INCORPORATION</b>	South Africa
<b>NATURE OF BUSINESS</b>	The company's major activities are the manufacturing and distribution of plastic pipe systems, fittings and flexible hoses to the civil engineering, building, mining, industrial and agricultural markets.
<b>DIRECTORS</b>	George Bizos (non-executive) Sonwabo Edwin Funde (non-executive) Michelle Harding Peter Ker-Fox George Petzetakis Ioannis Spanudakis
<b>REGISTERED OFFICE</b>	7 West Street Houghton 2198
<b>BUSINESS ADDRESS</b>	1 Piet Pretorius Street Rosslyn 0200
<b>POSTAL ADDRESS</b>	PO Box 29 Rosslyn 0200
<b>HOLDING COMPANY</b>	A. G. Petzetakis International Holdings Limited (a company incorporated in Cyprus)
<b>AUDITORS</b>	Moore Stephens MWM Inc. Chartered Accountants (S.A.) Registered Auditors
<b>COMPANY REGISTRATION</b>	2000/020895/07

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES  
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The reports and statements set out below comprise the group financial statements presented to shareholder:

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**REPORT OF THE INDEPENDENT AUDITORS  
TO THE SHAREHOLDER OF PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES**

We have audited the accompanying financial statements of Petzetakis Africa (Proprietary) Limited and its subsidiaries, which comprise the directors' report, the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 32.

**Director's Responsibility for the Financial Statements**

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1973. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

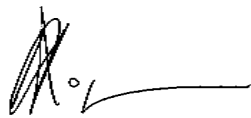
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 director, 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 financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1973.



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**Moore Stephens MWM Inc.**  
Chartered Accountants (SA)  
Registered Auditors

HCS Lopes  
Houghton  
14 March 2008

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES  
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**DIRECTORS' RESPONSIBILITIES AND APPROVAL**

The directors are required by the Companies Act, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the company's cash flow forecast for the twelve months to 31 December 2008 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 3.

The annual financial statements set out on page 5 to 32, which have been prepared on the going concern basis, were approved by the board of directors and were signed on its behalf by:

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Director

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Director

**Pretoria**

**14 March 2008**

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

The directors have pleasure in presenting their report for the year ended 31 December 2007. This report forms part of the group financial statements.

**1. NATURE OF BUSINESS**

The company's major activities are the manufacturing and distribution of plastic pipe systems, fittings and flexible hoses to civil engineering, building, mining, industrial and agricultural markets.

**2. FINANCIAL RESULTS**

The financial results for the year under review are set out fully in the attached financial statements.

**3. SHARE CAPITAL**

There were no changes in the authorised and issued share capital of the company during the accounting period under review.

**4. DIVIDENDS**

No dividends were declared or recommended during the period.

**5. MANAGEMENT OF COMPANY**

No part of the business of the company was managed by a third party or company in which a director had an interest under any agreement during the accounting period.

**6. DIRECTORS**

The directors of the company during the accounting period and up to the date of this report were as follows:

George Bizos	(non-executive)
Sonwabo Edwin Funde	(non-executive)
Michelle Harding	
George Petzetakis*	
Peter Ker-Fox	
Ioannis Spanudakis*	

*\*Greek*

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**7. SUBSIDIARY COMPANIES**

Sekunjalo Piping Systems (Proprietary) Limited ('Sekunjalo') was incorporated on 17 May 2000 with an issued share capital of 300 ordinary shares of R1 each.

Petzetakis Africa (Namibia) (Proprietary) Limited ('Petzetakis (Namibia)') was incorporated on 11 January 1993 with an issued share capital of 100 ordinary shares of N\$1 each.

Mabona Industries (Proprietary) Limited ('Mabona') was incorporated on 27 January 1998 with an issued share capital of 1 000 ordinary shares of R1 each.

Mabona Industries (Proprietary) Limited changed its name to Sektel Communications (Proprietary) Limited on 2 January 2008.

Details of Petzetakis Africa's interests in subsidiaries are as follows:

<b>Number of shares held by Petzetakis Africa</b>	<b>Percentage shareholding</b>	
	<b>2007</b>	<b>2006</b>
Sekunjalo	86%	86%
Petzetakis (Namibia)	100%	100%
Mabona	100%	100%

**8. PROPERTY, PLANT AND EQUIPMENT**

The group acquired assets at a cost of ZAR 21,196, 692

The group disposed of assets amounting to ZAR 2,624,061

Except as noted above, there have been no major changes in the property, plant and equipment during the period or any changes in the policy relating to their use.

**9. HOLDING COMPANY**

The holding company of this company is A.G. Petzetakis International Holdings Limited, which is incorporated in Cyprus.

**10. SECRETARY**

The company has no appointed secretary.

**11. EVENTS AFTER THE BALANCE SHEET DATE**

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

**12. AUDITORS**

Moore Stephens MWM Inc. will continue in office in accordance with section 270(2) of the Companies Act.

**Pretoria  
14 March 2008**

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES**  
**GROUP BALANCE SHEET AS AT 31 DECEMBER 2007**

	Notes	31 December 2007 ZAR'000	31 December 2006 ZAR'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	198,812	202,096
Intangible assets	2	515	1,136
Available-for-sale financial asset	3	55	16
Loan receivable	4	-	5,028
		<u>199,382</u>	<u>208,276</u>
<b>CURRENT ASSETS</b>			
Inventories	5	116,355	99,328
Trade and other receivables	6	99,720	113,553
Taxation receivable		1,063	1,545
Bank and cash	7	2,977	11,957
		<u>220,115</u>	<u>226,383</u>
<b>TOTAL ASSETS</b>		<u>419,497</u>	<u>434,659</u>
<b>CAPITAL AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Issued capital	8	*	*
Share premium	8	52,600	52,600
Other reserves	9	110,151	110,151
Retained earnings		36,730	7,645
		<u>199,481</u>	<u>170,396</u>
Minority interest		2,794	412
		<u>202,275</u>	<u>170,808</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	10	28,325	50,196
Deferred taxation	11	29,588	39,516
		<u>57,913</u>	<u>89,712</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	132,881	139,491
Borrowings	10	22,198	31,555
Derivative financial instruments	13	2,557	1,042
Provisions for other liabilities and charges	14	1,673	2,051
		<u>159,309</u>	<u>174,139</u>
		<u>217,222</u>	<u>263,851</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>419,497</u>	<u>434,659</u>

\* : Less than ZAR 1 000

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES  
GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	31 December 2007 ZAR'000	31 December 2006 ZAR'000
<b>REVENUE</b>	15	846,087	732,009
Cost of revenue	16	<u>(677,537)</u>	<u>(608,352)</u>
<b>GROSS PROFIT</b>		168,550	123,657
Administrative expenses	16	(35,795)	(71,148)
Sales expenses	16	(98,030)	(92,257)
Other income		<u>8,383</u>	<u>2,462</u>
<b>OPERATING PROFIT (LOSS)</b>	17	43,108	(37,286)
Interest received		7,392	5,526
Interest paid		<u>(25,997)</u>	<u>(15,264)</u>
<b>NET INCOME (LOSS) BEFORE TAXATION</b>		24,503	(47,024)
Taxation	18	<u>6,964</u>	<u>2,878</u>
<b>NET INCOME (LOSS) AFTER TAXATION</b>		31,467	(44,146)
<b>Attributable to:</b>			
Equity holders of the company		29,085	(38,188)
Minority interest		<u>2,382</u>	<u>(5,958)</u>
<b>NET INCOME (LOSS) AFTER TAXATION</b>		<u>31,467</u>	<u>(44,146)</u>
Earnings per share for profit/(loss) attributable to equity holders of the company during the year (expressed in ZAR cents per share)			
- basic	19	28,797,030	(37,809,901)

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES**  
**GROUP STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>Share capital ZAR'000</b>	<b>Share premium ZAR'000</b>	<b>Other reserves ZAR'000</b>	<b>Retained earnings ZAR'000</b>	<b>Minority interest ZAR'000</b>	<b>Total ZAR'000</b>
Balance – 31 December 2005	*	52,600	110,151	44,273	10,150	217,174
Restatement – retrospective change of shareholding in subsidiary				2,027	(2,027)	-
Goodwill restatement as a result of retrospective change				(467)		(467)
Net loss for the year				(38,188)	(5,958)	(44,146)
Sale of shares to minorities					(1,753)	(1,753)
Balance – 31 December 2006		52,600	110,151	7,645	412	170,808
Net income for the year				29,085	2,382	31,467
Balance – 31 December 2007	*	52,600	110,151	36,730	2,794	202,275

\* : Less than ZAR1 000

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES**  
**GROUP CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	31 December 2007 ZAR'000	31 December 2006 ZAR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (utilised in)/generated by operating activities	24	55,404	57,768
Interest paid		(25,997)	(14,745)
Taxation		<u>(2,482)</u>	<u>(5,541)</u>
Net cash from operating activities		<u>26,925</u>	<u>37,482</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Expenditure to maintain operating capacity</b>			
Property, plant and equipment acquired		(21,197)	(17,801)
Proceeds on disposals of property, plant and equipment		2,585	10,656
Loan repayments - related parties		6,543	358
Interest received		<u>7,392</u>	<u>5,526</u>
Net cash generated by investing activities		<u>(4,677)</u>	<u>(1,261)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		<u>(11,559)</u>	<u>(544)</u>
Net cash used in financing activities		<u>(11,559)</u>	<u>(544)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		10,689	35,677
<b>CASH AND CASH EQUIVALENTS - 31 DECEMBER 2006</b>		<u>(7,712)</u>	<u>(43,389)</u>
<b>CASH AND CASH EQUIVALENTS - 31 DECEMBER 2007</b>		<u><u>2,977</u></u>	<u><u>(7,712)</u></u>

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**1. BASIS OF PREPARATION**

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group financial statements, are disclosed where applicable.

Standards, interpretations and amendments to published standards that are effective 1 January 2007

The following standards and/or interpretations have been issued during the current period and as a result have been applied in the preparation of these financial statements:

– IFRS 7, Financial Statements: Disclosure

In the current year, the Group has adopted IFRS7, and the consequential amendments to IAS 1. The impact of the adoption of IFRS 7 and the changes to IAS 1, has been to expand the disclosure provided in these financial statements regarding the Group's financial instruments and management of capital. Refer to note 20.

– IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies

This Interpretation addresses the application of IAS 29 in a reporting period when an economy first becomes hyperinflationary, as well as the accounting for deferred tax items. This Interpretation is not expected to have any impact on the consolidated financial statements of the Group.

– IFRIC 8, Scope of IFRS 2

The Interpretation addresses whether IFRS 2 applies to share-based payment transactions in which an entity cannot identify specifically some or all of the goods and services received. This Interpretation is not expected to have any impact on the consolidated financial statements of the Group.

– IFRIC 9, Reassessment of embedded derivatives

The Interpretation determines that the assessment of whether an embedded derivative needs to be separated from the host contract may be performed only when the entity first becomes a party of the contract. Subsequent reassessment is therefore prohibited, unless there has been a significant change in the terms of the contract. This Interpretation is not expected to have any impact on the consolidated financial statements of the Group.

– IFRIC 10, Interim Financial Reporting and Impairment

This Interpretation determines that an entity may not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. This interpretation is not expected to have any impact on the financial statements of the Group.

Standards, interpretations and amendments issued however not adopted

– IFRIC 11, IFRS 2 – Group and Treasury Share Transactions

This Interpretation has been issued during November 2006 and will be applicable for the 2008 financial year-end of the Group. This Interpretation requires a share-based payment arrangement in which the entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. The Interpretation also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity settled in the entity's financial statements. This Interpretation is not expected to have any impact on the consolidated financial statements of the Group in future periods.

– IFRIC 12, Service Concession Arrangements

This Interpretation has been issued during January 2008. As the Group does not enter into any service concession arrangements, this Interpretation is not expected to have any impact on the consolidated financial statements of the Group in future periods.

– IFRIC 13, Customer Loyalty Programmes

This Interpretation addresses accounting by entities that grant loyalty award credits to customers who buy other goods and services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. The interpretation will be applicable for the 2009 financial year-end of the Group.

– IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

This Interpretation requires entities to measure any economic benefits available to them in the form of refunds or reductions in future contributions at the maximum amount that is consistent with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan. The interpretation will be applicable for the 2008 financial year-end of the Group.

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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– IFRS 8, Operating Segments

This Standard has been issued during November 2007 and will be applicable for 2009 financial year end of the Group. The Standard requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance.

– IAS 23 (Revised), Borrowing Costs

This standard prescribes the accounting treatment for borrowing costs. Borrowing costs include interest on bank overdrafts and borrowings, amortisation of discounts or premiums on borrowings, amortisation of ancillary costs incurred in the arrangement of borrowings, finance leases and exchange differences on foreign currency borrowings where they are regarded as an adjustment to interest costs. This Standard will be applicable for the 2009 financial year end of the Group.

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**1.1 BASIS OF CONSOLIDATION**

(a) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of all 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, 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.

(b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which Petzetakis Africa (Proprietary) Limited had control.

Minority interests represent the interests in Sekunjalo Piping Systems (Proprietary) Limited, not held by the Group.

**1.2 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 of segments operating in other economic environments.

**1.3 FOREIGN CURRENCY TRANSLATION**

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in South African Rands (ZAR), which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**1.3 FOREIGN CURRENCY TRANSLATION - (continued)**

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are, included in the fair value reserve in equity.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

**1.4 PROPERTY, PLANT AND EQUIPMENT**

Land and buildings comprise mainly factories and offices. Land and buildings and plant and equipment are shown at fair value, based on periodic, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings and plant and equipment are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

Land is not depreciated. Depreciation on other 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:

– Buildings	50 years
– Machinery	2,5-30 years
– Vehicles	3-5 years
– Furniture, fittings and equipment	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**1.5 INTANGIBLE ASSETS**

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Petzetakis Africa (Pty) Ltd and its subsidiaries allocate goodwill to each business segment in each country in which it operates.

(b) *Trademarks and licences*

Trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

**1.6 IMPAIRMENT OF ASSETS**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**1.7 FINANCIAL INSTRUMENTS**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: 'financial assets held for trading', and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

(c) *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.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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**1.7 FINANCIAL ASSETS - (continued)**

(d) *Held to maturity*

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the company has the positive intention and ability to hold to maturity are classified as held to maturity.

(e) *Financial liabilities at fair value through profit or loss*

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

(f) *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Hedging activities Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within 'other (losses)/gains – net', in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary securities classified as available for sale and non-monetary securities classified as available for sale are recognised in equity.

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When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments are established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 1.10.

### **1.8 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or (3) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 13. The full fair value of hedging derivatives 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 remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### *(a) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other (losses)/gains – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

#### *(b) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other (losses)/gains – net'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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**1.8 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (continued)**

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) *Net investment hedge*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(d) *Derivatives that do not qualify for hedge accounting*

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within 'other (losses)/gains – net'.

**1.9 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average of standard manufacturing cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

**1.10 TRADE RECEIVABLES**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'selling and marketing costs'.

**1.11 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes 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.

**1.12 SHARE CAPITAL**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the

Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

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**1.13 BORROWINGS**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**1.14 DEFERRED TAXATION**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**1.15 EMPLOYEE BENEFITS**

*Pension obligations*

The company operates a pension and provident scheme. The schemes are generally funded through payments to trustee-administered funds.

The Group operates defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**1.16 PROVISIONS**

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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**1.17 REVENUE RECOGNITION**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(a) *Sales of goods – wholesale*

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Pipes, hoses and fittings products are sold with a right of replacement only in those instances where the product is defective.

(b) *Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(d) *Interest income*

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

**1.18 LEASED ASSETS**

Leases of fixed assets where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate of the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The fixed assets acquired under finance leasing contracts are depreciated over the useful life of the assets as described in note 1.4.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**1.19 DIVIDEND DISTRIBUTION**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

**1.20 SIGNIFICANT ESTIMATES AND JUDGEMENTS**

The preparation of the consolidated financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect the reported amounts of assets, liabilities and contingent liabilities at the balance sheet date as well as affecting the reported income and expenses for the year. Although estimates are based on management's best knowledge and judgement of current facts as at the balance sheet date, the actual outcome may differ from these estimates.

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**2. PROPERTY, PLANT AND EQUIPMENT**

VALUE IN ZAR'000	31 December 2007							
	Land	Buildings	Machinery	Transportation Means	Fixtures and Equipment	Assets under construction	Intangible assets	Total
<b><u>COST</u></b>								
<b>Opening 1.1.07</b>	9,364	26,652	244,276	883	19,893	376	6,149	<b>307,592</b>
Additions for the year	0	0	6,413	462	3,158	11,045	0	<b>21,197</b>
Disposals for the year	0	0	247	201	2,175	0	0	<b>2,624</b>
<b>Total cost 31.12.07</b>	<b>9,364</b>	<b>26,652</b>	<b>250,441</b>	<b>1,144</b>	<b>20,994</b>	<b>11,421</b>	<b>6,149</b>	<b>326,164</b>
<b><u>ACCUMULATED DEPRECIATION</u></b>								
<b>Opening 1.1.07</b>	0	2,108	81,326	327	15,586	0	5,013	<b>104,360</b>
Charge for the year	0	392	21,214	128	2,017	0	621	<b>24,357</b>
Disposals for the year	0	0	169	158	1,571	0	0	<b>1,897</b>
<b>Total Accumulated Depreciation 31.12.07</b>	<b>0</b>	<b>2,499</b>	<b>102,371</b>	<b>297</b>	<b>16,033</b>	<b>0</b>	<b>5,634</b>	<b>126,838</b>
<b>NET BOOK VALUE 31.12.07</b>	<b>9,364</b>	<b>24,152</b>	<b>148,070</b>	<b>847</b>	<b>4,961</b>	<b>11,421</b>	<b>515</b>	<b>199,327</b>
VALUE IN ZAR'000	31 December 2006							
	Land	Buildings	Machinery	Transportation Means	Fixtures and Equipment	Assets under Construction	Intangible assets	Total
<b><u>COST</u></b>								
<b>Opening 1.1.06</b>	9,364	26,652	254,008	832	3,262	376	6,149	<b>300,642</b>
Additions for the year	0	0	17,690	55	56	0	0	<b>17,801</b>
Disposals for the year	0	0	10,818	3	30	0	0	<b>10,851</b>
<b>Total cost 31.12.06</b>	<b>9,364</b>	<b>26,652</b>	<b>260,880</b>	<b>883</b>	<b>3,288</b>	<b>376</b>	<b>6,149</b>	<b>307,591</b>
<b><u>ACCUMULATED DEPRECIATION</u></b>								
<b>Opening 1.1.06</b>	0	1,716	71,925	171	1,877	0	1,621	<b>77,310</b>
Charge for the year	0	392	22,636	156	475	0	1,157	<b>24,816</b>
Disposals for the year	0	0	0	0	0	0	(2,235)	<b>(2,235)</b>
<b>Total Accumulated Depreciation 31.12.06</b>	<b>0</b>	<b>2,108</b>	<b>94,561</b>	<b>327</b>	<b>2,352</b>	<b>0</b>	<b>5,013</b>	<b>104,360</b>
<b>NET BOOK VALUE 31.12.06</b>	<b>9,364</b>	<b>24,544</b>	<b>166,319</b>	<b>556</b>	<b>936</b>	<b>376</b>	<b>1,136</b>	<b>203,231</b>

Plant and equipment is carried at a revalued amount, which is the fair value at the date of revaluation less any subsequent accumulated depreciation. The valuation of plant and equipment was carried out in September 2004 by the independent valuator Keir & Associates on the basis of depreciated replacement value. The valuator is not connected with the company. The valuation conforms to International Valuation Standards.

The Group's land and buildings were last revalued on 31 December 2005 by an independent valuator – Promax Valuation Services. The valuator is not connected with the company. Valuations were made on the basis of market value. The revaluation surplus net of applicable deferred taxation was credited to the other reserves in shareholders' equity. The next revaluation will take place in 2008.

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**2. PROPERTY, PLANT AND EQUIPMENT - (Continued)**

If the land and buildings were measured using the cost model, the carrying amounts would be as follows:

	<b>31 December 2007 ZAR'000</b>	<b>31 December 2006 ZAR'000</b>
Cost	23,335	23,335
Accumulated depreciation	2,481	2,014
	<u>20,854</u>	<u>21,321</u>

Certain property, plant and equipment are encumbered as stated in note 10.

Land and buildings comprise:

- Erf 100 unit 10 of the Rosslyn Ext 1 Township, Pretoria, Gauteng, with factory and administrative buildings thereon.
- Erf 100 unit 3 of the Rosslyn Ext 1 Township, Pretoria, Gauteng, with factory buildings thereon.
- Erf 46 portion 3 of the Rosslyn Township, Pretoria, Gauteng, with factory and administrative buildings thereon.

**INTANGIBLE ASSETS**

<b>VALUE IN ZAR'000 31 December 2007</b>	<b>Goodwill</b>	<b>Licences</b>	<b>Total</b>
<b>Carrying value 1.1.07</b>	<b>515</b>	<b>621</b>	<b>1 136</b>
Additions (disposals) for the year	-	-	-
Impairments/depreciation for the year	-	(621)	(621)
<b>Total carrying value 31.12.07</b>	<b>515</b>	<b>-</b>	<b>515</b>
<b>VALUE IN ZAR'000 31 December 2006</b>	<b>Goodwill</b>	<b>Licences</b>	<b>Total</b>
<b>Carrying value 1.1.07</b>	3 217	1 311	<b>4 528</b>
Additions (disposals) for the year	(2 235)	0	<b>(2 235)</b>
Impairments/depreciation for the year	(467)	(690)	<b>(1 157)</b>
<b>Total carrying value 31.12.07</b>	<b>515</b>	<b>621</b>	<b>1 136</b>

Impairment of goodwill is assessed on an annual basis. The licence fee has a finite life as at 31 December 2007 and is amortised under straight line method over a period of 5 years.

Amortisation of ZAR 621,142 (2006 – ZAR689,844) has been charged in administrative expenses.

Goodwill originally arose on the acquisition of the subsidiary company – Sekunjalo Piping Systems (Proprietary) Limited. The impairment test was based upon the adjusted interim 2007 after tax profits of Sekunjalo Piping Systems (Proprietary) Limited.

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	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>ZAR' 000</b>	<b>ZAR'000</b>
<b>3. AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>		
Shares - unlisted		
Thabo Piping Systems (Proprietary) Limited – 15% interest		
Beginning of the year	16	64
Proceeds on repayment of loan	(47)	(48)
Interest	86	0
	<u>55</u>	<u>16</u>
End of the period	<u>55</u>	<u>16</u>
There was no impairment provision on available-for-sale financial assets in 2007 or 2006.		
<b>4. LOAN RECEIVABLE</b>		
Ronnie Dennison Agencies (Proprietary) Limited	5,840	5,028
Provision for loss on loan	(5,840)	0
	<u>0</u>	<u>5,028</u>
The loan is unsecured and bore interest at 8.5% during the year under review. There are no fixed terms for the repayment thereof.		
<b>5. INVENTORIES</b>		
Raw materials	17,993	15,218
Work in progress	294	813
Goods in transit	6,000	-
Finished and semifinished goods	92,068	83,297
	<u>116,355</u>	<u>99,328</u>
<b>6. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	96,271	125,937
Less: Provision for impairment of receivables	(5,287)	(25,205)
Trade receivables – net	90,984	100,732
Receivables from related companies	1,777	1,870
Deposits	625	640
Vat receivable	2,390	5,975
Other receivables	3,566	3,915
Prepayments	378	421
	<u>99,720</u>	<u>113,553</u>

All non-current receivables are due within five years from the balance sheet date.

The group recognised a provision of ZAR5,287,152 (2006 – ZAR25,205,361) for the impairment of its trade receivables during the year.

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**31 December 2007**  
**ZAR' 000**

**31 December 2006**  
**ZAR'000**

**7. GENERAL BANKING FACILITIES**

The group has the following banking facilities:

- Multi Option Facilities of ZAR58,888,862;
- Asset Finance Facilities of ZAR8 200 000;
- Letters of Guarantee of ZAR1 911 138;
- Letters of Credit of ZAR3 000 000;
- Forward exchange contracts at 10% risk: R3 000 000;
- Cession of CGIC policy number SDC148726/D1;
- Cession of loan funds by AG Petzetakis International Holdings Ltd;
- Mortgage Bond – R20 million over Portion 3 of Erf 46 Rosslyn Township Portion 10 of Erf 100 Rosslyn Township Ext 1; Portion 3 of Erf 100 Rosslyn Township Ext 1;
- Notarial Bond R8 000 000;
- Negative Pledge;
- Notarial special covering bond no BN 113453/2002 R2 400 000;
- Pledge and cession over call account 03/7469543767;
- Subordination of loan given by AG Petzetakis International Holdings Ltd;
- Unlimited suretyship including cession of loan funds acknowledged by Petzetakis Africa (Pty) Ltd;
- Nedfleet Facilities of ZAR150 000;
- Term Loan Facilities of ZAR207,771;
- Premium Finance Facilities of ZAR1,479,789;
- Derivative Product Facilities of ZAR30 000 000; and
- Lombard's Guarantee Facility of ZAR3,807,066

**8. ISSUED CAPITAL**

Authorised

- 1 000 ordinary shares of R1 each

	1	1
--	---	---

Issued

- 101 ordinary shares of R1 each
- Share premium

	*	*
	52,600	52,600
	52,600	52,600

\* Less than ZAR1 000

**9. OTHER RESERVES**

- Revaluation of plant and machinery
- Revaluation of land and building
- Revaluation of office and computer equipment
- End of the year**

	100,784	100,784
	9,003	9,003
	364	364
	110,151	110,151

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	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>ZAR'000</b>	<b>ZAR'000</b>
<b>10. BORROWINGS</b>		
<i>Nedbank</i>		
The loan is paid up. It had an effective interest rate of prime less 1% per annum and was secured by industrial machinery.	-	356
Liabilities under instalment sales agreements are payable over 1-36 months at prime rates less 1% per annum. The loans are secured by assets financed.	747	1,041
<i>Wesbank</i>		
The loans are payable over a period of 5 years. The interest rate is prime less 2% per annum. The loans are secured by the assets financed.	22,496	18,935
<i>Investec</i>		
The loan is payable over 60 months which commenced in January 2005 at a fixed interest rate of 11% per annum, with a 60% residual and is secured by Erf 46, Rosslyn Township.	12,041	13,294
<i>Dell Financial Services Africa (Pty) Ltd</i>		
The PABX System and server are financed per finance lease payable over 36 months. The interest rate is 7% per annum.	796	-
<i>Nashua</i>		
Liabilities under finance lease agreements are payable over 4 to 22 months at a weighted average interest rate of 11,5% per annum and is secured by assets financed.	105	683
<i>A.G. Petzetakis International Holdings Limited</i>		
The loan is unsecured and bears interest at prime rates.	14,338	27,773
Bank overdrafts	-	19,669
	50,523	81,751
Less: Current portion included in current liabilities	(22,198)	(11,886)
Less: Bank overdrafts	-	(19,669)
	<u>28,325</u>	<u>50,196</u>

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	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>ZAR'000</b>	<b>ZAR'000</b>
<b>11. DEFERRED TAXATION</b>		
Beginning of the year	39,516	42,341
Charge for the year	4,249	2,878
Prior year over provision	<u>(14,177)</u>	<u>(5,703)</u>
End of the year	<u><u>29,588</u></u>	<u><u>39,516</u></u>
<i>Deferred tax comprises:</i>		
Property, plant and equipment	40,307	43,081
Provisions	(4,218)	(1,490)
Prepayments	77	116
Doubtful debts	305	(5,263)
Assessable loss	(4,954)	4,858
Fair value adjustment recognised in equity net of disposals	(1,785)	(1,786)
Finance lease	<u>(144)</u>	<u>-</u>
End of year	<u><u>29,588</u></u>	<u><u>39,516</u></u>
<b>12. TRADE AND OTHER PAYABLES</b>		
Trade payables	54,856	59,791
Accrued expenses	<u>78,025</u>	<u>79,700</u>
	<u><u>132,881</u></u>	<u><u>139,491</u></u>
<b>13. DERIVATIVE FINANCIAL INSTRUMENTS</b>		
Forward foreign exchange contract – held-for-trading (liabilities)	<u><u>2,557</u></u>	<u><u>1,042</u></u>
<p>Trading derivatives are classified as a current asset or liability. 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 hedged item is less than 12 months.</p> <p><i>Forward foreign exchange contracts</i></p> <p>The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2007 are ZAR2 556 948 (2006 – ZAR1 041 597)</p>		
<b>14. PROVISIONS FOR OTHER LIABILITIES AND CHARGES</b>		
Beginning of the year	2,051	2,043
- Additional provisions	6,130	2,051
- Used during the year	<u>(6,508)</u>	<u>(2,043)</u>
End of the year	<u><u>1,673</u></u>	<u><u>2,051</u></u>
<p>The above provision relates to leave pay.</p>		
<b>15. REVENUE</b>		
<p>Revenue comprises turnover, which excludes value-added tax and represents the invoiced value of goods supplied and services rendered.</p>		

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	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>ZAR'000</b>	<b>ZAR'000</b>
<b>16. OPERATING EXPENSES</b>		
An analysis of the group's expenses is as follows:		
Wages	98,947	103,099
Utilities	9,772	8,653
Amortisation and Depreciation	24,375	24,874
Sundry expenses	142,997	168,716
Material costs	532,771	463,914
Marketing / promotion costs	2,500	2,501
	<u>811,362</u>	<u>779,536</u>
The above amounts have been allocated as follows:		
<b>Cost of sales</b>		
Wages	50,521	49,585
Utilities	9,772	8,653
Amortisation and Depreciation	21,938	21,827
Sundry expenses	62,535	64,374
Material costs	532,771	463,914
	<u>677,537</u>	<u>608,352</u>
<b>Distribution expenses</b>		
Wages	30,936	40,114
Depreciation	1,133	1,817
Sundry expenses	63,460	47,825
Marketing/promotion costs	2,500	2,501
	<u>98,030</u>	<u>92,257</u>
<b>Administrative expenses</b>		
Wages	17,490	13,400
Amortisation and Depreciation	1,303	1,230
Sundry expenses	17,002	56,517
	<u>35,795</u>	<u>71,148</u>
<b>17. OPERATING PROFIT / (LOSS)</b>		
<b>Operating profit (or loss) is stated after:</b>		
Auditors' remuneration	694	726
Depreciation	23,754	23,659
Executive directors' emoluments	3,736	4,446
Foreign exchange losses / (gains)	57	2
Operating lease charges	5,284	5,609
(Profit)/Loss on disposal of property, plant and equipment	44	1,070
Expense charge relating to pension costs – defined contribution plan	5,706	4,495

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	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>ZAR'000</b>	<b>ZAR'000</b>
<b>The following once-off expenses occurred during the year :</b>		
Shareholder visit expenses	276	545
Management fees	2,000	-
Extraordinary legal expenses	286	-
Extraordinary professional fees	515	-
Legal fees for collections	1,040	-
Expenses incurred due to the PVC Line 2 explosion	2,732	-
Cycad product claim and costs	6,979	-
Provision for write-off of loan - Ronnie Dennison Agencies (Pty) Ltd	5,840	-

**18. TAXATION**

South African normal tax		
- Current year	(2,489)	-
- Prior year under/(over) provision	(471)	-
Deferred tax		
- Current year	(4,249)	(1,870)
- Prior year under/(over) provision	14,173	4,748
	<u>6,964</u>	<u>2,878</u>

No provision has been made for Capital Gains taxation since there were no realised gains at values above those prevailing at 30 September 2001.

**19. EARNINGS PER SHARE**

*Basic*

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

Profit (loss) attributable to equity holders of the company	29,085	(38,188)
Weighted average number of ordinary shares in issue	101	101
Basic earnings per share (ZAR cents per share)	28,797,030	(37,809,901)

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**20. SEGMENT REPORT**

	<b>Infra- Structure</b>	<b>Housing</b>	<b>Agriculture</b>	<b>Industrial</b>	<b>Mining/Garden</b>	<b>Other</b>	<b>Total</b>
<b>31 December 2007</b>							
Volume Sales ('000 Kg)	12,420	4,402	6,947	6,423	8,254	1,243	<b>39,689</b>
Sales to external customers	250,535	100,004	133,854	142,886	189,652	29,156	<b>846,087</b>
Sales to internal customers (within the group)							-
<b>Total sales</b>	<b>250,535</b>	<b>100,004</b>	<b>133,854</b>	<b>142,886</b>	<b>189,652</b>	<b>29,156</b>	<b>846,087</b>
<b>31 December 2006</b>							
Volume Sales ('000 Kg)	13,090	4,164	6,668	6,046	7,791	33	<b>37,792</b>
Sales to external customers	257,832	84,316	111,650	118,208	159,253	750	<b>732,009</b>
Sales to internal customers (within the group)	-						-
<b>Total sales</b>	<b>257,832</b>	<b>84,316</b>	<b>111,650</b>	<b>118,208</b>	<b>159,253</b>	<b>750</b>	<b>732,009</b>

		<b>S. Africa</b>	<b>Other</b>	<b>Total</b>
<b>31 December 2007</b>				
Volume Sales ('000 Kg)		35,527	4,162	<b>39,689</b>
Sales to external customers		746,670	99,417	<b>846,087</b>
Sales to internal Customers (within a group)		-	-	-
<b>Total sales</b>		<b>746,670</b>	<b>99,417</b>	<b>846,087</b>

		<b>S. Africa</b>	<b>Other</b>	<b>Total</b>
<b>31 December 2006</b>				
Volume Sales ('000 Kg)		34,017	3,775	<b>37,792</b>
Sales to external customers		661,282	70,727	<b>732,009</b>
Sales to internal Customers (within the group)		-	-	-
<b>Total sales</b>		<b>661,282</b>	<b>70,727</b>	<b>732,009</b>

**21. FINANCIAL INSTRUMENTS**

Exposure to currency and credit risk arises in the normal course of the company and its subsidiaries' business. Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates. Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged. The company and its subsidiaries use financial instruments as hedges for certain sales transactions with external parties.

**21.1 Currency risk**

The Company and its subsidiaries incur currency risk as a result of sales or purchases that are denominated in a currency other than their functional currency. The currencies giving rise to currency risk in which the company primarily deals are Euros.

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**31 December 2007**  
**ZAR'000**

**31 December 2006**  
**ZAR'000**

**21. FINANCIAL INSTRUMENTS - (Continued)**

**21.2 Credit risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit. Reputable financial institutions are used for investing and cash handling purposes. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

**21.3 Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2006.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 10, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

**21.4 Gearing ratio**

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 20-25% determined as the proportion of net debt to equity. Based on the committee's recommendations, the Group expects to maintain its gearing ratio close to 25%.

The gearing ratio at the year end was as follows:

Debt (i)	50,523	81,751
Cash and cash equivalents	(2,977)	(11,957)
Net debt	47,546	69,794
Equity (ii)	188,990	170,396
Net debt to equity ratio	25%	41%

(i) Debt is defined as long- and short-term borrowings, as detailed in note 10.

(ii) Equity includes all capital and reserves of the Group.

**22. COMMITMENTS**

*Operating lease commitments*

	<b>Due within 1 year</b>	<b>Due between 1 - 5 years</b>	<b>Due after 5 years</b>
Land and buildings	3,061	2,250	-
Furniture and equipment	1,309	3,524	-
	<u>4,370</u>	<u>5,774</u>	<u>-</u>

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**23. RELATED PARTIES**

The Company's immediate holding company is A.G. Petzetakis International Holdings Limited incorporated in Cyprus. The Company and its subsidiaries purchase goods from and sell goods to each other in the ordinary course of business.

During the year, the company entered into the following transactions.

		Sales to related parties ZAR'000	Purchases from related parties ZAR'000	Amounts owed by related parties ZAR'000	Amounts owed to related parties ZAR'000
Sekunjalo Piping Systems (Proprietary) Limited	2007	244,778	-	30,887	-
	2006	258,394	-	74,479	-
Petzetakis Africa (Namibia) (Proprietary) Limited	2007	-	12,005	-	7,124
	2006	-	19,070	-	6,120
Mabona Industries (Proprietary) Limited	2007	-	-	-	66
	2006	-	-	-	71
A.G. Petzetakis International Holdings Limited	2007	-	-	1,777	14,338
	2006	-	-	1,321	29,094

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	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>ZAR'000</b>	<b>ZAR'000</b>
<b>24. NOTES TO THE CASH FLOW STATEMENT</b>		
<b>24.1 CASH (UTILISED IN)/GENERATED BY OPERATING ACTIVITIES</b>		
Income before interest and taxation	43,107	(37,805)
Adjustments for:		
Amortisation and Depreciation	22,478	23,659
(Profit)/loss on disposals of property, plant and equipment	-	1,070
	<u>65,585</u>	<u>(13,076)</u>
Movements in working capital		
Increase in inventories	(17,027)	10,805
Increase in accounts receivable	13,833	19,217
Increase in accounts payable	(6,609)	40,767
Increase in provisions	(378)	-
Decrease in other financial assets	-	55
	<u>55,404</u>	<u>57,768</u>
<b>24.2 TAXATION PAID / (RECEIVED)</b>		
Amount (outstanding) prepaid at beginning of year	1,545	3,996
Charge per income statement	(2,964)	-
Amount outstanding (prepaid) at end of year	<u>(1,063)</u>	<u>(1,545)</u>
	<u>(2,482)</u>	<u>(5,541)</u>
<b>24.3 DISPOSAL OF INVESTMENT IN SUBSIDIARY</b>		
<i>City Plastics (Pty) Ltd</i>		
Plant and equipment	-	291
Intangible asset	-	1,275
Deferred taxation	-	53
Inventory	-	3,258
Trade receivables	-	1,801
Trade payables	-	(3,376)
Taxation owing	-	(50)
Bank and cash balances	-	442
Borrowings – long term	-	(118)
Shareholders' loans	-	(140)
	<u>-</u>	<u>3,436</u>
Minority interest	-	(1,753)
Amounts receivable from subsidiary	-	799
Goodwill on acquisition	-	95
Post acquisition profits disposed of	-	(690)
Profit / (loss) on sale of shares	-	1,088
	<u>-</u>	<u>1,088</u>
Proceeds on sale of shares	-	799
Bank and cash balances on disposal	-	(441)
Net proceeds on disposal	<u>-</u>	<u>358</u>
<b>24.4 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash and cash equivalents	2,977	11,957
Bank overdraft	-	(19,669)
	<u>2,977</u>	<u>(7,712)</u>