

**PETZETAKIS AFRICA (PROPRIETARY) LIMITED
AND ITS SUBSIDIARIES
(REGISTRATION NUMBER 2000/020895/07)
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR 31 DECEMBER 2008**

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

Group Annual Financial Statements for the year ended 31 December 2008

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	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.
DIRECTORS	George Petzetakis Michelle Harding Peter Ker-Fox Dimitris Razis
REGISTERED OFFICE	7 West Street Houghton Johannesburg South Africa 2198
BUSINESS ADDRESS	1 Piet Pretorius Street Rosslyn Tswane South Africa 0200
POSTAL ADDRESS	PO Box 29 Rosslyn Tswane South Africa 0200
HOLDING COMPANY	AG Petzetakis International Holding Limited incorporated in Cyprus
ULTIMATE HOLDING COMPANY	Aristovoulos G. Petzetakis S.A. incorporated in Greece
AUDITORS	Moore Stephens MWM Inc. Chartered Accountants (S.A.) Registered Auditors
COMPANY REGISTRATION NUMBER	2000/020895/07
PUBLIC OFFICER	Michelle Harding

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

Group Annual Financial Statements for the year ended 31 December 2008

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The reports and statements set out below comprise the group annual financial statements presented to the shareholder:

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF PETZETAKIS AFRICA (PROPRIETARY) LIMITED

We have audited the group annual financial statements and separate annual financial statements of Petzetakis Africa (Proprietary) Limited which comprise the consolidated and separate balance sheets as at 31 December 2008 and the consolidated and separate income statements, the consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 4 to 35.

Directors' 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 of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the group consolidated financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 December 2008, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Emphasis of matter

Without qualifying our opinion, we draw your attention to the going concern note no. 3 and the penalty objection note no. 13 in the directors' report.



**Moore Stephens MWM Inc.
Chartered Accountants (S.A.)
Registered Auditors
HCS Lopes
Houghton**

06 March 2009

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES
Group Annual Financial Statements for the year ended 31 December 2008

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the group annual financial statements and related financial information included in this report. It is their responsibility to ensure that the group annual financial statements fairly present the state of affairs of the group 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 group annual financial statements.

The group 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 judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 controls provides reasonable assurance that the financial records may be relied on for the preparation of the group annual financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year ended 31 December 2009 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

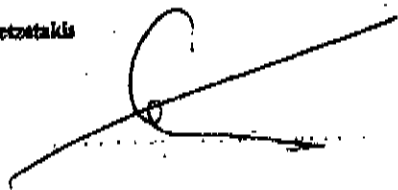
The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The group annual financial statements have been examined by the group's external auditors and their report is presented on page 3.

The group annual financial statements set out on pages 5 to 36, which have been prepared on the going concern basis, were approved by the board on 06 March 2009 and were signed on its behalf by:



M Harding

G Petzetakis



Pretoria
06 March 2009

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

Group Annual Financial Statements for the year ended 31 December 2008

DIRECTORS' REPORT

The directors submit their report for the year ended 31 December 2008.

1. REVIEW OF ACTIVITIES

Main business and operations

The group'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.

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

2. FINANCIAL RESULTS

Net (loss)/income of the group was (R46 883 000) (2007: profit R30 934 000), after taxation of (R1 964 000) (2007: (R 6 425 000)).

3. GOING CONCERN

We draw attention to the fact that at 31 December 2008, the group incurred a net loss after tax of (R 46 883 000) and had an accumulated loss of (R22 639 000).

The group annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations including the roll-over of current funding of the group and the group returns to profitable operations as well as finalising the competition commissioner penalty at a fixed rate of 5.3%

4. POST BALANCE SHEET EVENTS

Subsequent to year end Petzetakis Africa (Pty) Ltd acquired the business operations of Sekunjalo Piping Systems (Pty) Ltd. Besides the aforementioned the directors are not aware of any matter or circumstance arising since the end of the financial year.

5. AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes to the authorised or issued share capital of the company during the year.

6. NON-CURRENT ASSETS

There were no major changes in the nature of the non-current assets of the company during the year.

7. DIVIDENDS

A dividend of R 10 million was declared in July 2008 and paid in two instalments of R5 million. Payments were made in August and December 2008.

8. DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality	Resignation	Appointment
George Petzetakis	Greek		
Michelle Harding	South African		
Peter Ker-Fox	South African		
Dimitris Razis	Greek		December 2008
George Bizos (non-executive)		July 2008	
Sonwabo Edwin Funde (non-executive)		July 2008	
Ioannis Spanudakis		July 2008	

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

Group Annual Financial Statements for the year ended 31 December 2008

9. HOLDING COMPANY

The company's holding company is AG Petzetakis International Holding Limited incorporated in Cyprus.

10. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Aristovoulos G. Petzetakis S.A. incorporated in Greece.

11. SUBSIDIARY COMPANIES

Shares held by Petzetakis Africa (Pty Ltd	31 December 2008	31 December 2007
Sekunjalo Piping Systems (Pty) Ltd	100%	86%
Petzetakis Africa (Namibia) (Pty) Ltd	100%	100%
Sektel Communications (Pty) Ltd	55%	55%
Sekunjalo Utilities (Pty) Ltd	100%	100%
Sekunjalo Outsourcing (Pty) Ltd - dormant	100%	100%

Sekunjalo Outsourcing is dormant and no transactions occurred in the current year.

Mabona Industries (Pty) Ltd changed its name to Sektel Communications (Pty) Ltd on 20 January 2008. The investment of 55% was a temporary investment for a specific contract; however it is expected to become a wholly-owned subsidiary. Petzetakis Africa (Pty) Ltd will therefore again revert to a 100% shareholding in Sektel Communications (Pty) Ltd.

Petzetakis Africa (Pty) Ltd purchased the remaining 14% minority share in Sekunjalo Piping Systems (Pty) Ltd on the 1st September 2008 and now holds a 100% share in the company.

11. SECRETARY

The company had no secretary during the year.

12. AUDITORS

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

13. PENALTY OBLIGATION

The South African Competition Commission and Petzetakis Africa (Pty) Ltd entered into negotiations regarding a Consent Order Agreement, on the basis of Petzetakis' conduct and cooperation. No agreement could be reached and the matter will be referred to the Competition Tribunal. It is currently anticipated that a 5,3% penalty will be levied, calculated on turnover. It is anticipated that payment will be effected only after the second quarter of 2009. At an anticipated 5,3% penalty, a penalty of R27,273,894 is expected.

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

Group Annual Financial Statements for the year ended 31 December 2008

BALANCE SHEET

	Note(s)	Group		Company	
		2008 R '000	2007 R '000	2008 R '000	2007 R '000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	2	163 531	198 811	162 951	198 088
Investment in subsidiaries	3	-	-	19 074	8 574
Intangible assets	4	-	515	-	-
Financial assets	5	45	55	45	270
Deferred tax	6	795	2 802	-	-
		164 371	202 183	182 070	206 932
CURRENT ASSETS					
Inventories	7	93 952	116 347	83 494	100 091
Current tax receivable		430	954	430	942
Trade and other receivables	8	112 641	113 538	114 806	102 237
Cash and cash equivalents	9	15 425	22 968	3 572	17 695
		222 448	253 807	202 302	220 965
TOTAL ASSETS		386 819	455 990	384 372	427 897
EQUITY AND LIABILITIES					
EQUITY					
Share capital	10	*	*	*	*
Share premium	10	52 600	52 600	52 600	52 600
Reserves	11	84 467	110 151	84 467	110 151
Accumulated profit / (loss)		-22 639	36 197	-47 826	14 864
Minority interest		153	2 794		
		114 581	201 742	89 241	177 615
LIABILITIES					
NON-CURRENT LIABILITIES					
Finance lease obligation	13	21 148	24 034	20 919	23 589
Deferred tax	6	23 208	32 333	23 207	32 333
		44 356	56 367	44 126	55 922
CURRENT LIABILITIES					
Current tax payable		2 846	659	-	-
Finance lease obligation	13	10 502	110	9 384	110
Loan from shareholder	12	1 025	12 561	1 025	12 561
Other financial liabilities	14	17 746	12 041	17 746	12 041
Trade and other payables	15	131 782	145 237	159 425	142 464
Provisions	16	30 602	7 184	30 602	7 184
Bank overdraft	9	33 379	20 089	32 823	20 000
		227 882	197 881	251 005	194 359
TOTAL LIABILITIES		272 238	254 248	295 131	250 282
TOTAL EQUITY AND LIABILITIES		386 819	455 990	384 372	427 897

* - Less than R1 000

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

Group Annual Financial Statements for the year ended 31 December 2008

INCOME STATEMENT

	Note(s)	Group		Company	
		2008 R '000	2007 R '000	2008 R '000	2007 R '000
Revenue	17	858 769	834 162	763 532	471 097
Cost of sales		-715 749	-646 596	-677 784	-348 425
Gross profit		143 020	187 566	85 748	122 672
Other income	17.1	5 114	7 698	2 376	1 975
Penalty obligation	16	-27 274	-	-27 274	-
Operating expenses		-156 817	-152 141	-112 680	-111 954
Operating (loss) profit	18	-35 957	43 123	-51 830	12 693
Investment revenue	19	252	7 546	4 088	6 740
Finance costs	20	-13 142	-26 160	-13 081	-20 223
(Loss) profit before taxation		-48 847	24 509	-60 823	-790
Taxation	21	1 964	6 425	8 134	13 723
(Loss) profit for the year		-46 883	30 934	-52 689	12 933
Attributable to:					
Equity holders of the parent		-48 836	28 552		
Minority Interest		1 953	2 382		

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

Group Annual Financial Statements for the year ended 31 December 2008

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Total share capital	Revaluation reserve	Accu - mulated loss	Total attributable to equity holders of the group / company	Minority interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group								
Balance at 01 January 2007	*	52 600	52 600	110 151	7 645	170 396	412	170 808
<i>Changes in equity</i>								
Profit for the year	-	-	-	-	28 552	28 552	2 382	30 934
Total changes	-	-	-	-	28 552	28 552	2 382	30 934
Balance at 01 January 2008	*	52 600	52 600	110 151	36 197	198 948	2 794	201 742
<i>Changes in equity</i>								
Loss for the year	-	-	-	-	-48 836	-48 836	1 953	-46 883
Reversal of surplus on revaluation previously recognised	-	-	-	-25 684	-	-25 684	-	-25 684
Purchase of minority interest	-	-	-	-	-	-	-4 594	-4 594
Dividends	-	-	-	-	-10 000	-10 000	-	-10 000
Total changes	-	-	-	-25 684	-58 836	-84 520	-2 641	-87 161
Balance at 31 December 2008	*	52 600	52 600	84 467	-22 639	114 428	153	114 581

* - Less than R1 000

	Share capital	Share premium	Total share capital	Revaluation reserve	Accu - mulated loss	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
Company						
Balance at 01 January 2007	*	52 600	52 600	110 151	1 931	164 682
<i>Changes in equity</i>						
Profit for the year	-	-	-	-	12 932	12 932
Total changes	-	-	-	-	12 932	12 932
Balance at 01 January 2008	*	52 600	52 600	110 151	14 863	177 614
<i>Changes in equity</i>						
Loss for the year	-	-	-	-	-52 689	-52 689
Reversal of surplus on revaluation previously recognised	-	-	-	-25 684	-	-25 684
Dividends	-	-	-	-	-10 000	-10 000
Total changes	-	-	-	-25 684	-62 689	-88 373
Balance at 31 December 2008	*	52 600	52 600	84 467	-47 826	89 241

* - Less than R1 000

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

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CASH FLOW STATEMENT

	Note(s)	Group		Company	
		2008 R '000	2007 R '000	2008 R '000	2007 R '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from (used in) operations	22	83 556	57 897	71 330	26 602
Interest received		252	7 546	4 088	6 740
Finance costs		-13 142	-26 160	-13 081	-20 223
Tax paid /(refunded)	23	157	-942	-7 622	-3 794
Net cash from operating activities		70 823	38 341	54 715	9 325
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	2	-32 429	-22 454	-31 618	-10 013
Reversal of surplus on revaluations previously recognised		-17 032	-1 043	-7 926	-638
Salc (purchase) of financial assets		10	-55	226	-55
Investment in subsidiaries		-10 500		-10 500	
Net cash from investing activities		-59 951	-23 552	-49 818	-10 706
CASH FLOWS FROM FINANCING ACTIVITIES					
Financial liabilities advanced		7 100	-	7 100	22 616
Advance (repayment) of shareholders loan		-11 536	12 561	-11 536	12 561
Finance lease payments		-17 269	-16 543	-12 750	-16 253
Dividends paid		-10 000	-	-10 000	-
Loans from group companies repaid		-	-216	-157	-216
Net cash from financing activities		-31 705	-4 198	-31 843	18 708
Total cash movement for the year		-20 833	10 591	-26 946	17 327
Cash at the beginning of the year		2 879	-7 712	-2 305	-19 632
Total cash at end of the year	9	-17 954	2 879	-29 251	-2 305
Cash and cash equivalents					
Assets		15 425	22 968	3 572	17 695
Liabilities		-33 379	-20 089	-32 823	-20 000
Total		-17 954	2 879	-29 251	-2 305

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

Group Annual Financial Statements for the year ended 31 December 2008

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The group annual financial statements for the year ended 31 December 2008 have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa. The group annual financial statements have been prepared on the historical cost basis as modified by the revaluation of land and buildings, plant and machinery, available-for-sale financial assets/liabilities and asset/liabilities held at fair value and incorporate the principal accounting policies set out below.

BASIS OF CONSOLIDATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of all subsidiaries and 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.

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 held in Sekunjalo Piping Systems (Proprietary) Limited up to the date of disposal as well as in Sektel Communications (Pty) Ltd, not held by the Group.

These accounting policies are consistent with the previous year.

1.1 SIGNIFICANT JUDGEMENTS

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

Trade Receivables and/or Loans And Receivables

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

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

Group Annual Financial Statements for the year ended 31 December 2008

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Available-for-sale financial assets

The group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

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. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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. They are significantly affected by a number of factors including i.e. production estimates and supply demand, together with economic factors such as inflation and movements in the prime interest rate.

Provisions

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

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 6 – Deferred tax.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The 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 year in which such determination is made.

PETZETAKIS AFRICA (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES

Group Annual Financial Statements for the year ended 31 December 2008

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Taxation (continue)

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.

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

Property and plant is carried at revalued amounts.

Land is not depreciated while buildings are written off to their residual values on a straight-line basis over their estimated useful lives.

Plant and equipment are depreciated to their residual values on a straight-line basis over their estimated useful lives.

Item	Average useful life
Land	indefinite
Buildings	50 years
Plant and machinery	2 to 30 years
Furniture and fixtures	3 - 10 years
IT Equipment	3 - 5 years
Motor Vehicles	3 - 5 years

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

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

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

1.3 INTANGIBLE ASSETS

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.

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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.4 INVESTMENTS IN SUBSIDIARIES

Group annual financial statements

The group annual financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

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

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

1.5 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.

Fair value determination

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 and/or entity specific inputs.

Trade and other receivables

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

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.

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

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Other loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market.

Available for sale financial assets

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere.

These assets are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the asset is disposed of or is determined to be impaired.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

Equity investments for which a fair value is not determinable are held at cost. Impairments on such investments are not reversed.

1.7 TAXATION

Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior years 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 an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 year, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different year, 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 year, directly to equity.

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1.8 LEASES

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

Finance leases – lessee

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

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

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

1.9 INVENTORIES

Inventories are measured at the lower of cost and net realisable value on the weighted average basis.

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.

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

1.10 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.

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.

1.11 SHARE CAPITAL, RESERVES 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 reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. 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 shall be recognised directly in equity.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits. Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

1.13 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.

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

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

1.14 COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year 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 year 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 year in which the reversal occurs.

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

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.15 BORROWING COSTS

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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.16 EMPLOYEE BENEFITS

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.

1.17 TRANSLATION OF FOREIGN CURRENCY

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

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

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

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

1.18 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 which 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 return that are different from those of segments operating in other economic environments.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

Company	2008			2007		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	9 364	-	9 364	9 364	-	9 634
Buildings	26 792	-2 892	23 900	26 652	-2 499	24 153
Plant and machinery	245 321	-121 191	124 130	262 170	-102 350	159 820
Furniture and fixtures	3 515	-2 075	1 440	3 131	-1 705	1 426
Motor vehicles	3 015	-1 768	1 247	2 938	-1 471	1 467
IT equipment	15 949	-13 079	2 870	13 984	-12 126	1 858
Total	303 956	-141 005	162 951	318 239	-120 151	198 088

Group	2008			2007		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	9 364	-	9 364	9 364	-	9 364
Buildings	26 792	-2 892	23 900	26 652	-2 499	24 153
Plant and machinery	245 537	-121 236	124 301	262 346	-102 374	159 972
Furniture and fixtures	4 119	-2 563	1 556	3 715	-2 146	1 589
Motor vehicles	3 558	-2 031	1 527	3 481	-1 625	1 856
IT equipment	16 434	-13 551	2 883	14 457	-12 580	1 877
Total	305 804	-142 273	163 531	320 015	-121 204	198 811

Reconciliation of property, plant and equipment - Company - 2008

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	9 364	-	-	-	-	9 364
Buildings	24 153	141	-	-	-394	23 900
Plant and machinery	159 820	28 866	-16 087	-27 145	-21 324	124 130
Furniture and fixtures	1 426	401	-3	-	-384	1 440
Motor vehicles	1 467	192	-39	-	-373	1 247
IT equipment	1 858	2 018	-35	-	-971	2 870
	198 088	31 618	16 164	-27 145	-23 446	162 951

Reconciliation of property, plant and equipment - Company - 2007

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	9 364	-	-	-	-	9 364
Buildings	24 544	-	-	-	-391	24 153
Plant and machinery	174 792	6 304	-78	-	-21 198	159 820
Furniture and fixtures	645	1 126	-37	-	-308	1 426
Motor vehicles	1 313	657	-205	-	-298	1 467
IT equipment	1 483	1 926	-318	-	-1 233	1 858
	212 141	10 013	-638	-	-23 428	198 088

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Reconciliation of property, plant and equipment - Group - 2008

	R'000	R'000	R'000	R'000	R'000	R'000
	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	9 364	-	-	-	-	9 364
Buildings	24 153	141	-	-	-394	23 900
Plant and machinery	159 972	29753	-16 955	-27 145	-21 324	124 301
Furniture and fixtures	1 589	407	-3	-	-437	1 556
Motor vehicles	1 856	116	-39	-	-406	1 527
IT equipment	1 877	2 012	-35	-	-971	2 883
	198 811	32 429	-17 032	-27 145	-23 532	163 531

Reconciliation of property, plant and equipment - Group - 2007

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	9 364	-	-	-	-	9 364
Buildings	24 545	-	-	-	-392	24 153
Plant and machinery	163 806	17 458	-78	-	-21 214	159 972
Furniture and fixtures	598	2 284	-604	-	-689	1 589
Motor vehicles	1 370	657	-43	-	-128	1 856
IT equipment	1 483	2 055	-318	-	-1 343	1 877
	201 166	22 454	-1043	-	-23 766	198 811

Plant and machinery 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 February 2009 by the independent valuator Keir & Associates on the basis of depreciated replacement value based on the assets held at 31 December 2008. The valuator is not connected with the company. The valuation conforms to International Valuation Standards.

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

	31 December 2008 ZAR'000	31 December 2007 ZAR'000
Cost	23,335	23,335
Accumulated depreciation	(2,949)	(2,481)
	<u>20,386</u>	<u>20,854</u>

Certain property, plant and equipment is encumbered as stated in note 9.

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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. INVESTMENT IN SUBSIDIARIES

	Group		Company	
	2008 R '000	2007 R '000	2008 R '000	2007 R '000
Investment in Sektel Communications (Pty) Ltd	-	-	200	200
Investment in Petzetakis Africa (Namibia) (Pty) Ltd	-	-	3 085	3 085
Investment in Sekunjalo Piping Systems (Pty) Ltd	-	-	15 788	5 288
	-	-	19 074	8 574

The carrying amount of the assets is a reasonable approximation of the fair value thereof.

4. INTANGIBLE ASSETS

	R'000 Cost / Valuation	2008 R'000 Accumulated amortisation	R'000 Carrying value	R'000 Cost / Valuation	2007 R'000 Accumulated amortisation	R'000 Carrying value
Licences			-	621	-621	-
Goodwill on acquisition of Minority	5 906	-5 906	-			
Goodwill	515	-515	-	515	-	515
	6 421	-6 421	-	1 136	-621	515

Goodwill originated on the acquisition of the subsidiary company – Sekunjalo Piping Systems (Proprietary) Limited.

A further acquisition of the remaining minority interest in Sekunjalo Piping Systems (Proprietary) Limited was made with effect from 1 September 2008 for R 10 500 000 resulting in the additional Goodwill.

Management have decided to impair the goodwill as Petzetakis Africa (Pty) Ltd have after year end acquired the business operations of Sekunjalo Piping Systems (Pty) Ltd.

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	Group		Company	
	2008 R '000	2007 R '000	2008 R '000	2007 R '000
5. FINANCIAL ASSETS				
Loans and receivables				
Thabo Piping Systems (Pty) Ltd	45	55	45	270
The loan is unsecured, carries interest at the prime overdraft rate and is repayable within the next 5 years. The carrying amount and fair value equal the disclosed value of these loans.				
Beginning of the year	55	16	55	-
Proceeds on repayment of loan	-9	-47	-9	235
Interest		86		35
End of the year	45	55	45	270
6. DEFERRED TAX LIABILITY				
Balance brought forward	-29 531	-39 516	-32 333	-39 516
Originating and reversing temporary differences	5 790	-4 249	5 737	-6 994
Changes in tax rates	1 020		1 115	
Prior year over provision	308	14 234	2 272	14 177
End of the year	-22 413	-29 531	-23 207	-32 333
Deferred tax comprises:				
Property, plant and equipment	-36 487	-40 106	-36 526	-42 908
Fair value adjustment - equity net of disposals	-	1 785	-	1 785
Provision for doubtful debts	947	4 218	318	4 218
Prepayments	-85	-77	-85	-77
Assessable loss	12 395	4 954	12 395	4 954
Provisions	817	-305	691	-305
End of the year	-22 413	-29 531	-23 207	-32 333
Non-current asset	795	2 802	-	-
Non-current liability	-23 208	-32 333	-23 207	-32 333
7. INVENTORIES				
Raw materials, components	12 635	9 922	12 635	9 922
Finished goods	78 430	98 328	63 839	82 074
Production supplies	3 983	3 318	3 983	3 318
Scrap	3 776	5 051	3 776	5 051
Work in progress	1 110	294	1 110	294
Obsolete stock	-5 982	-566	-1 849	-568
	93 952	116 347	83 494	100 091

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group 2008 R '000	2007 R '000	Company 2008 R '000	2007 R '000
8. TRADE RECEIVABLES				
Trade receivables	110 781	96 282	66 920	53 344
Less: Provision for impairment of receivables	-7 589	-6 775	-2 630	-1 891
Trade receivables – net	103 192	89 507	64 290	51 453
Receivables from related companies	-	-	46 339	30 830
Prepayments	381	378	360	331
Deposits	392	635	283	523
VAT	726	2 390	-	1 382
Other receivables	7 950	20 628	3 534	17 718
	112 641	113 538	114 806	102 237

The carrying amount of the asset is a reasonable approximation of the fair value thereof.

The trade debtors have been ceded to Nedbank Limited

Credit quality of trade and other receivables

Historic level of customer default is minimal and as a result credit quality of year end trade receivables which are not past due is considered to be high.

The group recognised a provision of R 7 589 000 (2007 – ZAR 6 775 000) for the impairment of its trade receivables during the period.

Trade and other receivables past due but not impaired

2008 - Group

1 month past due	37 442
2 months past due	19 847
3 months past due	43 173
	100 462

Reconciliation of provision for impairment of receivables

Opening balance-	(6 775)
Provision for impairment	(4 919)
Amounts written off as uncollectible	4 105
Closing balance	(7 589)

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	Group		Company	
	2008 R '000	2007 R '000	2008 R '000	2007 R '000
9. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	81	79	50	47
Bank balances	15 344	22 889	3 522	17 648
Bank overdraft	-33 379	-20 089	-32 823	-20 000
	-17 954	-2 879	-29 251	-2 301
Current assets	15 425	22 968	3 572	17 695
Current liabilities	-33 379	-20 089	-32 823	-20 000

GENERAL BANKING FACILITIES

- The group enjoys the following banking facilities:
- Multi Option Facilities of ZAR58,888,862 – Nedbank Limited;
- Asset Finance Facilities of ZAR8,200,000 - Nedbank Limited;
- Letters of Guarantee of ZAR1,911,138 - Nedbank Limited;
- Letters of Credit of ZAR3,000,000 - Nedbank Limited;
- Forward exchange contracts at 10% risk of: ZAR3,000,000 - Nedbank Limited;
- Cession of CGIC policy number SDC 148726/D1 - Nedbank Limited;
- Mortgage Bond – ZAR20 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 ZAR8,000,000 over the moveables of the holding company;
- Negative Pledge in favour of Nedbank Limited;
- Notarial special covering bond of ZAR2,400,000 held over the two Nokia Extruders;
- Pledge and cession over call account 03/7469543767 - Nedbank Limited;
- Nedfleet Facilities of ZAR150,000;
- Term Loan Facilities of ZAR207,771 - Nedbank Limited;
- Premium Finance Facilities of ZAR1,479,789 - Nedbank Limited;
- Derivative Product Facilities of ZAR30,000,000 - Nedbank Limited;
- Lombard's Guarantee Facility of ZAR4,097,899;
- Performance Guarantee of ZAR 300,000 by Standard Bank of South Africa;
- Fleet Management Card ZAR 150,000 by Standard Bank of South Africa; and
- Credit Card ZAR 90,000 Standard Bank of South Africa.

10. SHARE CAPITAL

Authorised

- 1 000 ordinary shares of R1 each	1 000	1 000	1 000	1 000
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Issued

- 101 ordinary shares of R1 each	*	*	*	*
Share premium	52 600	52 600	52 600	52 600
	52 600	52 600	52 600	52 600

* - Less than R1 000

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	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
11. REVALUATION RESERVE				
Revaluation of plant and machinery	75 100	100 784	75 100	100 784
Revaluation of land and building	9 003	9 003	9 003	9 003
Revaluation of office equipment	364	364	364	364
	84 467	110 151	84 467	110 151

12. LOAN FROM SHAREHOLDER

AG Petzetakis International Holdings Limited	1 025	12 561	1 025	12 561
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The loan is unsecured and carries interest at prime rates. The loan is held at amortised cost. The fair value of the loan is equal to the face value thereof as the company has no fixed repayment terms. The loan is subordinated in favour of Nedbank Ltd

13. FINANCE LEASE OBLIGATION

Minimum lease payments due

- within one year	10 502	110	9 384	110
- not later than five years	21 148	24 034	20 919	23 589
	31 650	24 144	30 303	23 699

Present value of minimum lease payments

Non-current liabilities	21 148	24 034	20 919	23 589
Current liabilities	10 502	110	9 384	110
	31 650	24 144	30 303	23 699

It is group policy to lease certain motor vehicles and office equipment under finance leases. The average lease term was 5 years and the average effective borrowing rate was 15% (2007: 14%). Interest rates are linked to prime at the contract date.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets.

14. OTHER FINANCIAL LIABILITIES

Ronnie Dennison Agencies (Pty) Ltd	7 100	-	7 100	-
The loan is unsecured, carries interest at prime rates and is repayable within the next 12 months.				
Investec Private Bank	10 646	12 041	10 646	12 041
The loan is secured over erf 46 Rosslyn Township, bears interest at a fixed rate of 11% (2007- 11%), and is repayable over a period of 60 months which commenced in January 2005 with a 60% residual.				

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	17 746	12 041	17 746	12 041
	Group		Company	
Note(s)	2008 R '000	2007 R '000	2008 R '000	2007 R '000
15. TRADE AND OTHER PAYABLES				
Trade payables	-121 651	-136 998	-151 677	-136 034
VAT	-1 785		-1 217	
Leave pay accrual	-1 991	-1 673	-1 686	-1 374
Sundry accruals	-6 355	-6 566	-4 845	-5 056
	-131 782	-145 237	-159 425	-142 464

The carrying amount is a reasonable approximation of the fair value of the trade and other payables

16. PROVISIONS

Provision for penalty	27 274	-	27 274	-
Sundry provisions	3 328	7 184	3 328	7 184
	30 602	7 184	30 602	7 184

The South African Competition Commission and Petzetakis Africa (Pty) Ltd entered into negotiations regarding a Consent Order Agreement, on the basis of Petzetakis' conduct and cooperation. No agreement could be reached and the matter will be referred to the Competition Tribunal. It is currently anticipated that a 5,3% penalty will be levied, calculated on turnover. It is anticipated that payment will be effected only after the second quarter of 2009. At an anticipated 5,3% penalty, a penalty of R27,273,894 is expected.

17. REVENUE

Revenue comprises turnover, which excludes value-added tax and represents the invoiced value of goods supplied and services rendered.

17.1 OTHER INCOME

Other income for the year is stated after accounting for the following:

Bad debts recovered	3 637	6 761	737	453
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18. OPERATING PROFIT/LOSS

Operating profit/(loss) for the year is stated after accounting for the following:

Operating lease charges

Premises • Contractual amounts	3 593	3 482	1 642	1 638
Motor vehicles • Contractual amounts	125	168	36	63
Equipment • Contractual amounts	1 810	1 617	989	1 037
	5 528	5 267	2 667	2 738
Loss on sale of property, plant and equipment	-2 203	-44	-2 203	-194
Impairment on loans	-157	-	-157	-
(Loss) profit on exchange differences	-16	3	-16	3
Depreciation on property, plant and equipment	23 803	23 754	23 588	23 449
Employee costs	106 679	100 098	92 965	86 126
Research and development	48	334	48	334

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18. OPERATING PROFIT/LOSS (Continued)

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Travel and entertainment – Holding Company				
Management	278	276	278	276
Management fees paid to Holding Company	9 242	2 047	9 242	2 047
Legal expenses – Competition Commission	795	286	795	286
Professional fees	26	515	26	515
Legal fees – debt collection	814	1 040	814	1 040
Expenses incurred due to PVC Line 2 explosion	3 663	2 732	3 663	2 732
Provision for write-off of loan – Ronnie Dennison				
Agencies (Pty) Ltd	-	5 840	-	-
Cycad product claim and costs	-	6 979	-	6 979
Sekunjalo Piping Systems (Pty) Ltd				
-Valuation	86	-	86	-
Plant and machinery – revaluation costs	350	-	350	-
Impairment of debt – Wilvon	196	-	-	-
Loss on disposal of interest in Thabo Piping Systems (Pty) Ltd	158	-	158	-
Impairment of Sekunjalo Piping Systems (Pty) Ltd - Goodwill	6 421	-	-	-

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	Group		Company	
	2008 R '000	2007 R '000	2008 R '000	2007 R '000
19. INVESTMENT REVENUE				
Interest revenue				
Bank	252	7 546	153	6 187
Intercompany - Branches	-	-	3 935	553
	252	7 546	4 088	6 740
20. FINANCE COSTS				
Finance leases	3 783	2 565	3 728	2 507
Bank	9 218	23 494	9 212	17 615
Other interest paid	141	101	141	101
	13 142	26 160	13 081	20 223
21. TAXATION				
Major components of the tax expenses				
Current				
Secondary tax on companies	991	-	991	-
Normal tax	4 206	7 070	-	-
Prior period correction	-43	228	-	-
	5 154	7 298	991	-
Deferred				
Originating and reversing	-4 779	-12 905	-5 737	-12 905
Changes in tax rates	-1 911		-1 115	
Prior period correction	-313	-818	-2 273	-818
Assessed loss utilised	-115		-	
	-7 118	-13 723	-9 125	-13 723
	-1 964	-6 425	-8 134	-13 723
Reconciliation of the tax (income) / expense				
Reconciliation between the accounting profit and tax expense.				
Accounting (loss)/profit	-41 764	21 889	-60 208	-790
Tax at the applicable rate of 28% (2007: 29%)	5 331	7 108	-	-
Permanent differences		-101	-	-71
Utilisation of the assessed loss	-115		-	
Prior period (over-) / under provision	-30	-13 653	-	-13 652
Deferred tax correction	-6 229	221	-8 010	
Change in tax rates	-1 912		-1 115	
Secondary Tax on Companies	991		991	
Total tax (income) / expense	-1 964	-6 425	-8 134	-13 723

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note(s)	Group		Company	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
22. CASH GENERATED FROM (USED IN) OPERATIONS					
(Loss) profit before taxation		-48 847	24 509	-60 824	-790
Adjustments for:					
Depreciation and amortisation	2	23 532	23 766	23 446	23 428
Loss on sale of assets		2 361	194	2 361	44
Interest received		-252	-7 546	-4 088	-6 740
Finance costs		13 142	26 160	13 081	20 223
Competition Commission penalty	16	27 283		27 283	
Impairment loss		33 566	621	27 145	621
(Profit) / loss in foreign exchange		16	-3	16	-3
Changes in working capital:					
Inventories		22 395	-17 027	16 597	-17 027
Trade and other receivables		897	13 833	-12 569	13 833
Trade and other payables		9 463	-6 610	38 882	-6 987
		83 556	57 897	71 330	26 602
23. TAX PAID					
Balance at beginning of the year		295	-7 662	-942	-10 871
Current tax for the year recognised in income statement		1 964	6 425	8 134	13 723
Balance at end of the year		-2 416	295	430	942
		-157	-942	-7 622	-3 794
24. DIRECTORS EMOLUMENTS					
Executive Directors					
Services rendered while being directors of the company		2 363	3 736	2 363	3 736

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25. FINANCIAL INSTRUMENTS

Financial liabilities by category **R'000**

The accounting policies for financial instruments have been applied to the line items below:

	Financial liabilities at amortised cost
2008 - Group	
Loan from shareholder	1 025
Trade and other payables	131 782
Bank overdraft	33 379
2008 - Company	
Loan from shareholder	1 025
Trade and other payables	159 425
Bank overdraft	32 823

Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables R'000	Available for sale R'000	Total R'000
2008 - Group			
Other financial assets		45	45
Trade and other receivables	112 641		112 641
Cash and cash equivalents	15 425		15 425
2008 - Company			
Other financial assets		45	45
Trade and other receivables	114 806		114 806
Cash and cash equivalents	3 752		3 752

26. RISK MANAGEMENT

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

The group's activities expose it to a variety of financial risks including liquidity risk, interest rate risk, credit risk, currency risk and price risk.

The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Risk management is carried out by a central treasury department (group treasury) under policies approved by the board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 risk 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:

	Group		Company	
	2008 '000	2007 '000	2008 '000	2007 '000
Debt (i)	50 421	48 746	49 074	48 301
Cash and cash equivalents	17 954	2 879	29 251	2 305
Net debt	68 375	45 867	78 325	50 606
Equity (ii)	114 581	201 742	89 241	177 615
Net debt to equity ratio	60%	23%	88%	28%

- i) Debt is defined as long- and short-term borrowings
- ii) Equity includes all capital and reserves of the Entity

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.

The capital structure of the group consists of equity attributable to equity holders of the group which comprises issued share capital and premium and accumulated profits as disclosed in the Statement of Changes in Equity and the statement of changes in equity, interest bearing borrowings as disclosed under note 9 and cash and cash equivalents as disclosed under note 9.

The group's capital management objectives is to meet its liquidity requirements, repay borrowings as they fall due to ensure there is sufficient capital available for the funding requirements of the group (including capital expenditure) and maximizes shareholders' returns and reduce costs of capital.

The group's capital management policy is to hold sufficient capital as management believes is necessary to ensure that obligations can always be met on a timely basis and to maintain a positive net assets and net current asset position on the balance sheet.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

Interest rate risk

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Management's objectives for managing market risk are to minimise the company's exposure.

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Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors and other relevant financial instruments. The company only deposits cash with major banks with high quality credit standing.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Foreign exchange risk

The group does not hedge foreign exchange fluctuations.

Price risk

The group is not exposed to equity securities price risk.

27. AUDITORS REMUNERATION

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Fees	1 473	676	721	314

28. 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 period, the company entered into the following transactions.

		Sales to related parties R'000	Management fees R'000	Purchases from related parties R'000	Amounts owed by related parties R'000	Amounts owed to related parties R'000
Sekunjalo Piping Systems (Pty) Ltd	2008	202 348	-1 779	-	26 879	-
	2007	244 778	-	-	30 887	-
Petzetakis Africa (Namibia) (Pty) Ltd	2008	-	6 689	-	-	5 826
	2007	-	-	12 005	-	7 124
Sektel Communications (Pty) Ltd	2008	17 412	-1 423	-	494	-
	2007	-	-	-	-	66
AG Petzetakis International Holdings Limited	2008	-	-	-	-	1 025
	2007	-	-	-	1 777	14 338
AG Petzetakis	2008	-	9 242	-	-	-
	2007	-	2 047	-	-	-
Sekunjalo Utilities (Pty) Ltd	2008	-	-3 487	-	6 966	-
	2007	-	-	-	-	-

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29. EARNINGS (LOSS) PER SHARE

Basic

Basic earnings per share is 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.

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Profit (loss) attributable to equity holders of the company	-48 836	28 552	-52 689	12 933
Weighted average number of ordinary shares in issue	101	101	101	101
Basic earnings per share (ZAR cents per share)	-484	283	-522	288

30. SEGMENT REPORT

	2008 - Group				
	PVC R'000	HDPE R'000	FLEX R'000	OTHER R'000	TOTAL R'000
Revenue	283 976	324 585	147 828	102 380	858 769
Operating Profit	-26 654	727	-929	-9 101	-35 957
Profit before Tax	-33 787	-5 209	-2 525	-7 326	-48 847
Net profit	-42 386	-6 535	-3 167	5 205	-46 883
Depreciation	13 943	6 402	2 263	924	23 532
Total Assets	144 614	142 886	70 515	28 804	386 819
Total Liabilities	83 767	95 746	43 606	49 119	272 238

	2007 - Group				
	PVC R'000	HDPE R'000	FLEX R'000	OTHER R'000	TOTAL R'000
Revenue	252 468	206 514	105 145	270 035	834 162
Operating Profit	10 359	14 997	8 345	9 422	43 123
Profit before Tax	4 680	9 035	6 104	4 690	24 509
Net profit	3 163	6 106	4 125	17 540	30 934
Depreciation	11 429	3 963	1 884	6 490	23 766
Total Assets	202 969	148 659	81 304	23 058	455 990
Total Liabilities	110 109	90 067	45 857	8 215	254 248

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31. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following Standards and/or Interpretations were in issue but not yet effective.

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

- Measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time.
- 1 July 2009

IFRS 2, *Share Based Payments*

- Amendments to vesting conditions and cancellations
- 1 January 2009

IFRS 3, *Business Combinations*

- Amendments to accounting for business combinations
- 1 July 2009

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

- Plan to sell the controlling interest in a subsidiary
- 1 July 2009

IFRS 7 *Financial Instruments: Disclosures*

- Presentation of finance costs
- 1 January 2009

IFRS 8, *Operating Segments*

- New standard on segment reporting (replaces IAS 14)
- 1 January 2009

IAS 1, *Presentation of Financial Statements*

- Amendments to structure of Financial Statements
 - Current/non-current classification of derivatives
- 1 January 2009

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

- Status of implementation guidance
- 1 January 2009

IAS 10 *Events after the Reporting Period*

- Dividends declared after the end of the reporting period
- 1 January 2009

IAS 16 *Property, Plant and Equipment*

- Recoverable amount
 - Sale of assets held for rental
- 1 January 2009

IAS 18 *Revenue*

- Costs of originating a loan
- 1 January 2009

IAS 19 *Employee Benefits*

- Curtailments and negative past service cost
 - Plan administration costs
 - Replacement of term 'fall due'
 - Guidance on contingent liabilities
- 1 January 2009

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

- Government loans with a below-market rate of interest
 - Consistency of terminology with other IFRSs
- 1 January 2009

IAS 23 *Borrowing Costs*

- Amendment requiring capitalization only model
 - Components of borrowing costs
- 1 January 2009

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

IAS 27 Consolidated and Separate Financial Statements

- Amendment dealing with measurement of the cost of investments when adopting IFRS for the first time.
 - Measurement of subsidiary held for sale in separate financial statements
- 1 January 2009

IAS 27 Consolidated and Separate Financial Statements

- Consequential amendments from changes to Business Combinations
- 1 July 2009

IAS 28 Investments in Associates

- Required disclosures when investments in associates
 - are accounted for at fair value through profit or loss
 - Impairment of investment in associate
- 1 January 2009

IAS 28 Investments in Associates

- Consequential amendments from changes to Business Combinations
- 1 July 2009

IAS 29 Financial Reporting in Hyperinflationary Economies

- Description of measurement basis in financial statements
 - Consistency of terminology with other IFRSs
- 1 January 2009

IAS 31 Interests in Joint Ventures

- Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss
- 1 January 2009

IAS 31 Interests in Joint Ventures

- Consequential amendments from changes to Business Combinations
- 1 July 2009

IAS 32 Financial Instruments: Presentation

- Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities
- 1 January 2009

IAS 34 Interim Financial Reporting

- Earnings per share disclosures in interim financial reports
- 1 January 2009

IAS 36 Impairment of Assets

- Disclosure of estimates used to determine recoverable amount
- 1 January 2009

IAS 38 Intangible Assets

- Advertising and promotional activities
 - Unit of production method of amortization
- 1 January 2009

IAS 39 Financial Instruments: Recognition and Measurement

- Reclassification of derivatives into or out of the classification of at fair value through profit or loss
 - Designating and documenting hedges at the segment level
 - Applicable effective interest rate on cessation of fair value hedge accounting
- 1 January 2009

IAS 39 Financial Instruments: Recognition and Measurement

- Clarifies two hedge accounting issues:
 - o Inflation in a financial hedged item
 - o A one-sided risk in a hedged item
- 1 July 2009

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IAS 40 *Investment Property*

- Property under construction or development for future use as investment property
 - Consistency of terminology with IAS 8
 - Investment property held under lease
- 1 January 2009

IAS 41 *Agriculture*

- Discount rate for fair value calculations
 - Additional biological transformation
 - Examples of agricultural produce and products
 - Point-of-sale costs
- 1 January 2009

IFRIC 15 *Agreements for the Construction of Real Estate*

1 January 2009

IFRIC 17 *Distribution of Non-cash Assets to Owners*

1 July 2009