SPANJAARD LIMITED

ANNUAL REPORT 2007

SABS ISO 9001
LISTED SUPPLIER

SPANJAARD LIMITED

The Spanjaard Group of companies was founded in 1960 and has today grown into a listed JSE company that is highly respected for the manufacture of specialised lubricants and allied chemical products for industrial, marine and domestic (amongst other) use.

The Group maintains its own research and development facility and product formulations are constantly under review to enable the Group to supply products with the latest technology. Spanjaard products are highly acclaimed worldwide for their performance and quality and export to over 30 countries. Spanjaard Limited is an accredited ISO 9001 listed supplier and maintains its brand promise: "Proven technology for your satisfaction".

For general enquiries, contact Spanjaard Limited: sales@spanjaardltd.com or visit the Spanjaard Limited website: www.spanjaardltd.com

WWW.SPANJAARDLTD.COM

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the members of the Company will be held at The Wanderers Club, 21 North Road, Illovo, Johannesburg, at 12h00 on 13 July 2007 for the following purposes:

1. To consider and approve the annual financial statements for the year ended 28 February 2007.

2. To authorise the directors, at their discretion and subject to the requirements of the JSE Limited, to allot and issue shares during the forthcoming year.

3. To confirm the reappointment of the auditors for the forthcoming year.

4. To transact such other ordinary business of the Company as may be transacted at an annual general meeting.

5. To elect as directors Mr. D.H. Petersen and Dr. D.P. van der Nest, who retire by rotation in terms of the Articles of Association of the Company and who offer themselves for re-election.

A member entitled to vote at this meeting may appoint a proxy, who need not be a member, to attend, speak and vote in his stead.

By order of the Board

A.B.M. Wilson
Company Secretary

CORPORATE INFORMATION

DIRECTORS:	R.J.W. Spanjaard *(Executive Chairman)* G.F. Cort G.S. le Roux – *C.A.(S.A.) M Comm (C.O.O.)* B.L. Montgomery *(Non-executive)* D.H. Petersen B.Sc. *(German)* A.R.J. Spanjaard Dr. D.P. van der Nest – D.Tech. *(Non-executive)*
COMMERCIAL BANKERS:	The Standard Bank of South Africa Limited Johannesburg Branch 88 Commissioner Street Johannesburg 2001
AUDITORS:	Moores Rowland 2nd Floor Moores Rowland House 5 St Davids Place Parktown 2193
COMPANY SECRETARY AND REGISTERED OFFICE:	A.B.M. Wilson 748–750 Fifth Street Wynberg Sandton 2090
TRANSFER SECRETARIES:	Computershare Investor Services 2004 (Proprietary) Limited 70 Marshall Street Johannesburg 2001
REGISTRATION NUMBER:	1960/004393/06

Back row left to right: D.P. van der Nest, B.L. Montgomery, G.S. le Roux
Front row: D.H. Petersen, G.F. Cort, A.R.J. Spanjaard, R.J.W. Spanjaard

CORPORATE GOVERNANCE

Spanjaard Limited and its subsidiaries fully support the principles set out in the King II Report on Corporate Governance and have applied those parts of the King Report that are deemed applicable and efficient for a group of this nature and size.

Under the stewardship of the Board, an open governance process is managed, through which stakeholders may derive assurance that the Group is being managed in an ethical and disciplined manner according to risk parameters based on the principles of transparency, accountability, responsibility and fairness.

BOARD OF DIRECTORS

The Board of Directors is based on a unitary structure and comprises five executive directors and two non-executive directors. Any new directors are appointed by the Board of Directors as a whole. The Board of Directors meets regularly in order to set overall Group policies and takes decisions on matters of strategic importance to the Group. The executive directors, including the Chairman, are involved in the day-to-day management of the business.

All directors have access to the advice and service of the Company Secretary, who is responsible for ensuring that Board procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the Group at the Group's expense. A number of sub-committees have been appointed by the Board to assist in discharging its duties, details of which are provided below.

During the year directors attended Board meetings as follows:

Director	30 May 2006 Attended	21 Sept 2006 Attended	22 Feb 2007 Attended	Total meetings	Total attended	% meetings attended
R.J.W. Spanjaard *(Chairman)*	Yes	Yes	Yes	3	3	100
G.F. Cort	Yes	Yes	Yes	3	3	100
G.S. le Roux	Yes	Yes	Yes	3	3	100
B.L. Montgomery	Yes	No	Yes	3	2	67
R.G. Nicholson	Yes	No	N/A	2	1	50
D.H. Petersen	Yes	Yes	Yes	3	3	100
A.R.J. Spanjaard	Yes	Yes	Yes	3	3	100
Dr. D.P. van der Nest	N/A	N/A	Yes	1	1	100

The roles of the chief operating officer and financial director are combined and are performed by Mr. G.S. le Roux.

Mr R.G. Nicholson (non-executive) passed away on 22 September 2006.

Re-election of Board members is on a rotational basis to ensure Board continuity. The *curriculum vitae* of the directors to be re-elected are set out below:

- D.H. Petersen (55) – Was appointed as director on 4 December 1989 and is acting as Technical Director for the Group.
- Dr. D.P. van der Nest (39) – Was appointed to the Board as non-executive director on 1 November 2006.

Dr. van der Nest is currently a lecturer in the Department of Auditing at the Tshwane University of Technology. He has been appointed by the MEC: Education North West Province, the Minister of Social Development (National) and the Minister of Public Services and Administration as the chairperson of the audit committees of these departments. He is also a member of the Institute of Public Finance and Auditing and, the Institute of Internal Auditors.

CORPORATE GOVERNANCE

(continued)

AUDIT COMMITTEE

The committee presently comprises:

- Dr. D.P. van der Nest (Chairman) – non-executive director
- B.L. Montgomery (member) – non-executive director.

The external auditors of the Group, Moores Rowland, have unrestricted access to this committee. Members of the Group's financial management attend all meetings by invitation.

The committee focuses on financial reporting requirements, both internal and external, and reviews fees charged by the independent auditors, the appointment of the independent auditors, risk analysis and compliance with corporate governance.

The committee is governed by a written charter and the audit committee members have considered and are of the opinion that they are adequately independent from the Company and Group, and management thereof, within the spirit of the King II Code of Corporate Practices and Conduct.

REMUNERATION COMMITTEE

The remuneration committee comprises the executive chairman, R.J.W. Spanjaard, and one non-executive director, B.L.Montgomery. The remuneration committee is responsible for ensuring that executive directors and senior management are appropriately remunerated and incentivised for their contribution to the Group's financial and operating performance.

INTERNAL CONTROL

The directors acknowledge their responsibility for the Group's systems of internal financial control which have been established in order to provide reasonable assurance of the safeguarding of assets against unauthorised use or disposal and the maintenance of proper and reliable accounting records and financial information. These controls have been effective in the current financial year and remain effective upon 18 May 2007.

The responsibility for the operation of these systems of internal control lies with the executive directors who review them regularly to be satisfied that they are appropriate to provide reasonable assurance against material misstatement or loss. Due to this compensating control and the small size of the Group it is the view of the Board that no internal audit function is required.

The control systems include established policies and procedures, limits of authority, delegation and detailed reporting mechanisms with comparisons against expectations and budgets. These control systems are communicated throughout the organisation and are relied upon to provide reasonable and not absolute assurance.

Since 1 November 1994 the Company has implemented ISO 9001:2000 as an additional system to complement its internal controls. SABS renewed the annual certification on 22 November 2006 without major non-compliances.

EMPLOYMENT EQUITY

The Group is committed to complying with the Employment Equity Act and has submitted its plan to the Department of Labour.

CORPORATE GOVERNANCE

(continued)

The employment objective of the Group is to achieve workplace equity by promoting equal opportunity and fair treatment in the workplace through the:

- elimination of unfair discrimination;
- the implementation of Affirmative Action measures to redress the disadvantages in employment experienced by designated groups, women and people with disabilities, in order to ensure their equitable representation in all occupational categories and levels in the workforce.

Various measures have been implemented in the workplace to ensure that the objectives of the Employment Equity Act are attained. Measures to increase awareness include the display of a summary of the Act as well as discussions with employees and employee representatives.

The Group has appointed Emex BEE management systems to compile a BBBEE scorecard as a verified report on the current status as a BBBEE contributor according to the latest DTI Codes of Good Practice (released 9 February 2007).

FIVE YEAR REVIEW

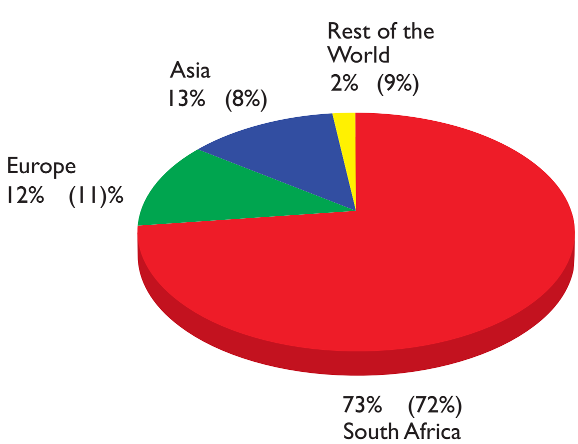
		2007 R'000	2006 R'000	2005 R'000	2004 R'000	2003 R'000
Revenue	Note 1	**78,874**	71,130	67,423	65,778	72,244
Profit from operations		**1,840**	143	756	5,427	2,320
Finance cost		**(274)**	186	106	148	(1,936)
Interest expense – net		**(275)**	(254)	(147)	(902)	(1,166)
Profit/(loss) on foreign exchange		**1**	440	253	1,050	(770)
Profit before tax		**1,566**	329	862	5,575	384
Income tax expense		**558**	114	334	970	(43)
Net profit	Note 2	**1,008**	215	528	4,605	427
Dividend declared	Note 3	**285**	114	399	570	57
Profit after dividend		**723**	101	129	4,035	370
Earnings per ordinary share (cents)		**17.7**	3.8	9.3	80.8	7.5
Headline earnings per ordinary share (cents)		**18.3**	3.1	10.3	29.0	12.6
Net asset value per ordinary share (cents)		**443.5**	240.0	234.1	232.7	171.6
Dividend declared per ordinary share (cents)		**5.0**	2.0	7.0	10.0	1.0

Note 1
The results relating to years ended 28 February 2005, 2006 and 2007 are prepared in accordance with International Financial Reporting Standards. The results for the years ended 29/28 February 2004 and 2003 are prepared in accordance with South African Statements of Generally Accepted Accounting Practice.

Note 2
Net profit for the financial year ended 29 February 2004 included profit on sale of trademark amounting to R3,157,000.

Note 3
Dividend declared No.14 of 5 cents per share was declared on 25 April 2007 and will be reflected in the 2008 annual financial statements. Dividend No.13 of 2 cents per share was declared after 28 February 2006 and has been disclosed in the statement of changes in equity for the year ended 28 February 2007.

SALES REVENUE BY GEOGRAPHICAL MARKET
for the year ended 28 February 2007



	2007 R'000	2006 R'000
South Africa	**55,567**	52,488
Europe	**10,100**	7,221
Asia	**11,566**	10,311
Rest of World	**1,611**	1,110
	78,874	71,130

CHAIRMAN'S REPORT

for the year ended 28 February 2007

GENERAL REVIEW

Metal powder operation

The metal powder operation has regained business lost in the second half of the year under review, and the division is expected to trade profitably again in the new financial year.

Special lubricants and allied chemical products operation

We are pleased to report a strong performance for the year under review, delivering a turnover of R78 million, resulting in an 11% increase over the previous year and net profit after tax of R1,008,000 (2006: R215,000).

The resources dedicated to create an infrastructure for potential growth in foreign markets have started to contribute to the increase in revenue. Revenue in foreign markets amounts to R23 million (2006: R18 million).

The Group achieved a 2% increase in gross profit percentage and is reaching economies of scale where increased revenue and efficiency in manufacturing are contributing directly to net profit.

DIVIDEND

The directors have approved the declaration of a dividend of 5 cents per share on 25 April 2007.

OVERALL

During the financial year, the Group adopted the revaluation model in terms of IAS 16, Property, Plant and Equipment.

Previously Property, Plant and Equipment were shown at cost less subsequent depreciation.

As a result of the adoption of the revaluation model the Company will show land and buildings and plant and machinery at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings, plant and machinery.

It is the first time that the Company has adopted the revaluation model under IAS 16 and it has therefore elected not to adjust for this change in accounting policy retrospectively as allowed by IAS 16.

The Group reassessed the useful life and residual values of their property, plant and equipment at year-end resulting in a decrease in the depreciation charge.

We look forward to the beginning of a new phase in the development of the Group flowing from the association with Purple Capital Limited who are acquiring a 29.99% interest in Spanjaard Limited. All told, the outlook for the current financial year is extremely positive.

I wish to extend my thanks to my colleagues on the Board of Directors, the management team and each employee for their contribution.

R.J.W. Spanjaard

Executive Chairman

18 May 2007

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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

The annual financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments 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 directors set 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 Group's cash flow forecast for the year to 29 February 2008 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.

Although the directors are primarily responsible for the financial affairs of the Group, they are supported by the Company's external auditors.

The external auditors are responsible for independently reviewing and reporting on the Group's annual financial statements. The annual financial statements have been examined by the Group's external auditors and their report is presented on page 9.

The annual financial statements set out on pages 10 to 40, which have been prepared on the going concern basis, were approved by the directors on 18 May 2007 and were signed on its behalf by:

R.J.W. Spanjaard

G.S. le Roux

COMPANY SECRETARY'S CONFIRMATION IN TERMS OF SECTION 68G (d) OF THE COMPANIES ACT

I confirm that the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public company in terms of the Companies Act 61 of 1973, as amended, and that all such returns are true, correct and up to date as at 28 February 2007.

A.B.M. Wilson

Company Secretary

18 May 2007

INDEPENDENT AUDITOR'S REPORT

To the members of Spanjaard Limited and its subsidiaries

We have audited the annual financial statements and group annual financial statements of Spanjaard Limited , which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 28 February 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 40.

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, the JSE Listing Requirements 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 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.

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as of 28 February 2007, and of their financial performance and their 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.

Moores Rowland

Moores Rowland

Registered Auditors
Chartered Accountants (SA)

18 May 2007

Johannesburg

Partner: R Oudmayer

DIRECTORS' REPORT

for the year ended 28 February 2007

The directors have pleasure in submitting their annual report which forms part of the audited financial statements of the Company and of the Group for the year ended 28 February 2007.

NATURE OF BUSINESS

The Company is a manufacturer and distributor of specialised lubricants and allied chemical products for industrial and consumer/automotive applications. Subsidiaries comprise two companies producing metal powders, two property companies, one foreign company trading in the United Kingdom and one dormant company in Zimbabwe.

Export business continues to form a significant part of turnover.

GENERAL REVIEW AND FINANCIAL RESULTS

The financial statements on pages 10 to 40 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 28 February 2007.

The Company has adopted appropriate accounting policies that have been applied and have been supported by reasonable and prudent judgments and estimates that are consistent.

SUBSEQUENT EVENTS

Purple Capital Limited and Spanjaard Limited jointly announced on 13 April 2007, that they have concluded an agreement in terms of which Purple Capital Limited will subscribe for 2,442,850 new ordinary shares in Spanjaard Limited at a subscription price of 260 cents per share, being an aggregate amount of R6.35 million for an effective 29.99% equity stake, post subscription of the new shares. Spanjaard Limited and Purple Capital Limited believe there is an opportunity to unlock value through acquisitions in the industry, improved cost structures and efficiency. The cash that will be received for the new shares issued will be utilised for future acquisitions and other expansion opportunities.

Spanjaard Limited intends to acquire Spanjaard EU BV as a 100% subsidiary of Spanjaard Limited from Spanjaard Group Limited. Spanjaard EU BV is founded in the Netherlands and is used as distribution leg of all products exported by Spanjaard Limited to the EU countries.

No other matter which is material to the financial affairs of the Company or the Group has occurred between 28 February 2007 and the date of approval of the annual financial statements.

SHARE CAPITAL

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

DIVIDENDS

The directors have declared a final dividend (No.14) of 5 cents per share for the year ended 28 February 2007 payable to all shareholders of Spanjaard Limited recorded in the books of the company at the close of business on Friday, 15 June 2007. The last day to trade *cum* dividend is Friday, 15 June 2007. Shares will commence trading *ex*-dividend on Monday, 18 June 2007. The dividend is payable on Monday, 25 June 2007. The dividend amounted to R285,000 for the year (2006: R114,000).

CAPITAL EXPENDITURE

During the year the Group purchased plant and equipment amounting to R826 104 (2006: R1,366,000), consisting mainly of plant and machinery and computer and office equipment. Future capital expenditure will be funded from internal resources and, if appropriate, borrowings.

HOLDING COMPANY

The Company's ultimate holding company is Spanjaard Group Limited, which held 64.5% (2006: 64.5%) of the issued share capital at 28 February 2007.

DIRECTORS' REPORT

for the year ended 28 February 2007 (continued)

PROPERTY

Details of the freehold land and buildings of the various companies are contained in registers, which are available for inspection at the registered offices.

GOING CONCERN

The financial statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The directors have a reasonable expectation that the Group has adequate resources to continue as a going concern.

SUBSIDIARY COMPANIES

No changes in the Group structure took place during the year. The following information relates to the Company's financial interest in its subsidiaries.

Subsidiary	Country of incorporation	Issued share capital	% interest held	**Shares at cost 2007 R'000**	**Amounts due (to)/from subsidiary company 2007 R'000**
Bronzmet (Pty) Limited[1]	South Africa	R100	100	**–**	**–**
Coppermet (Pty) Limited	South Africa	R10,100	100	**–**	**1,683**
Slip Products SA (Pty) Limited	South Africa	R200	100	**–**	**–**
Torpedo Investments (Pty) Limited	South Africa	R2	100	**–**	**–**
Spanjaard UK Limited	United Kingdom	GBP24,181	100	**228**	**(354)**
Molyslip Zimbabwe (Pvt) Limited2	Zimbabwe	Z$500	100	**–**	**–**
				228	**1,329**

The holding company's interest in the aggregate after tax profit earned by subsidiaries during the year amounted to R122,197 (2006: R571,252).

1 Indirectly held via Coppermet (Pty) Limited
2 Indirectly held via Spanjaard UK Limited

DIRECTORATE

The Board of Directors consists of two non-executive directors and five executive directors. The following were the directors of the Company during the financial year:

Director	**Appointed on**	**Resigned on**
R.J.W. Spanjaard *(Executive Chairman)*	2 December 1960	
G.F. Cort	6 February 2006	
G.S. le Roux *(Chief Operating Officer)*	6 February 2006	
B.L. Montgomery *(Non-executive)*	23 November 2005	
R.G. Nicholson *(Non-executive)*	17 May 1996	22 September 2006
D.H. Petersen	4 September 1989	
A.R.J. Spanjaard	23 November 2005	
D.P. van der Nest	1 November 2006	

DIRECTORS' REPORT

for the year ended 28 February 2007 (continued)

DIRECTORS' REMUNERATION

Directors' remuneration for the year under review in aggregate was as follows:

	Fees R'000	Basic R'000	Allowances R'000	Medical R'000	Retirement R'000	Bonus R'000	Other R'000	**2007 R'000**	2006 R'000
Executive directors									
R.J.W. Spanjaard	–	683	236	31	–	–	36	986	916
G.F. Cort	–	320	193	21	42	–	34	610	45
G.S. le Roux	–	486	144	18	30	31	–	709	42
D.H. Petersen	–	574	137	34	100	–	18	863	862
A.R.J Spanjaard	–	392	81	20	20	–	12	525	76
C.J. Kairuz	–	–	–	–	–	–	–	–	988
R. Sack	–	–	–	–	–	–	–	–	530
	–	2,455	791	124	192	31	100	3,693	3,459
Non-executive									
B.L. Montgomery	50	–	–	–	–	–	–	50	14
R.G. Nicholson	29	–	–	–	–	–	–	29	50
Dr. D.P. vd Nest	17	–	–	–	–	–	–	17	–
R.B. Spanjaard	–	–	–	–	–	–	–	–	37
	96	–	–	–	–	–	–	96	101
Total	96	2,455	791	124	192	31	100	3,789	3,560

In terms of the Articles of Association the fees for directors' services are determined by the Company in an annual general meeting.

INTERESTS OF DIRECTORS

The interests of directors in the shares of the Company were as follows:

2007

	Direct		Indirect		
Director	**Beneficial**	**Non-beneficial**	**Beneficial**	**Non-beneficial**	**Total**
R.J.W. Spanjaard	689,943	–	3,676,150	–	4,366,093
G.F. Cort	100	–	–	–	100
B.L. Montgomery	25,000	–	–	–	25,000
D.H. Petersen	368,100	–	–	–	368,100
A.R.J. Spanjaard	20,500	–	–	–	20,500
	1,103,643	–	3,676,150	–	4,779,793

DIRECTORS' REPORT

for the year ended 28 February 2007 (continued)

2006

	Direct		Indirect		
Director	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Total
R.J.W. Spanjaard	684,943	–	3,676,150	–	4,361,093
G.F. Cort	100	–	–	–	100
D.H. Petersen	368,100	–	–	–	368,100
A.R.J. Spanjaard	500	–	–	–	500
R.B. Spanjaard	25,700	–	–	–	25,700
	1,079,343	–	3,676,150	–	4,755,493

COMPANY SECRETARY

The secretary of the Company is Mrs. A.B.M. Wilson, whose business and postal addresses are:

Business address:
748–750 Fifth Street
Wynberg
Sandton
2090

Postal address:
PO Box 7294
Johannesburg
2000

AUDITORS

The company has changed auditors from PricewaterhouseCoopers Inc. to Moores Rowland during the year under review. Moores Rowland will continue as auditors in accordance with Section 270(2) of the Companies Act.

BALANCE SHEETS

as at 28 February 2007

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**R'000**	R'000	**R'000**	R'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**19,567**	4,805	**8,899**	2,350
Goodwill	6	**–**	72	**–**	–
Investment in subsidiaries	7	**–**	–	**1,557**	1,679
Deferred tax assets	18	**628**	777	**90**	319
		20,195	5,654	**10,546**	4,348
Current assets					
Inventories	8	**6,711**	6,344	**4,522**	4,867
Trade receivables and prepayments	9	**12,245**	9,587	**11,119**	6,410
Amount due by related company	10	**644**	2,909	**–**	492
Amount due by holding company	11	**1,759**	2,317	**1,759**	2,317
Current income tax prepayments		**191**	120	**122**	171
Cash and cash equivalents	12	**1,700**	574	**1,488**	623
		23,250	21,851	**19,010**	14,880
Total assets		**43,445**	27,505	**29,556**	19,228
EQUITY AND LIABILITIES					
Capital and reserves attributable to shareholders					
Ordinary shares	13	**285**	285	**285**	285
Share premium		**235**	235	**235**	235
Reserves		**24,764**	13,158	**15,353**	8,885
Foreign currency translation reserve		**190**	–	**–**	–
Revaluation reserve		**10,522**	–	**4,800**	–
Retained earnings		**14,052**	13,158	**10,553**	8,885
Total shareholders' equity		**25,284**	13,678	**15,873**	9,405
LIABILITIES					
Non-current liabilities					
Borrowings	16	**954**	1,636	**327**	985
Deferred tax liabilities	18	**4,729**	377	**2,061**	25
		5,683	2,013	**2,388**	1,010
Current liabilities					
Trade and other payables	14	**11,341**	9,187	**10,316**	7,595
Borrowings	16	**938**	2,420	**827**	1,108
Provisions	19	**182**	192	**135**	95
Shareholders for dividends		**17**	15	**17**	15
		12,478	11,814	**11,295**	8,813
Total liabilities		**18,161**	13,827	**13,683**	9,823
Total equity and liabilities		**43,445**	27,505	**29,556**	19,228

INCOME STATEMENTS

for the year ended 28 February 2007

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**R'000**	R'000	**R'000**	R'000
Revenue		**78,874**	71,130	**59,871**	48,414
Cost of sales		**55,060**	51,055	**38,315**	33,763
Gross profit		**23,814**	20,075	**21,556**	14,651
Other income		**459**	380	**1,908**	989
Distribution costs		**(3,129)**	(2,962)	**(2,426)**	(1,910)
Administrative expenses		**(19,231)**	(17,313)	**(18,568)**	(14,733)
Other expenses		**(72)**	(38)	**–**	(38)
Finance costs	22(a)	**(655)**	(451)	**(569)**	(384)
Finance income	22(b)	**380**	638	**451**	873
Profit before taxation	20	**1,566**	329	**2,352**	(552)
Income tax expense	23	**558**	114	**570**	(152)
Net profit/(loss)		**1,008**	215	**1,782**	(400)
		Cents	Cents		
Earnings per ordinary share	24	**17.7**	3.8		
Dividend per ordinary share		**2.0**	0.0		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2007

	Share capital R'000	Share premium R'000	Foreign currency translation reserve R'000	Revaluation surplus R'000	Retained earnings R'000	Total R'000
Group						
Balance at 1 March 2005	285	235	–	–	12,943	13,463
Net profit	–	–	–	–	215	215
Balance at 1 March 2006	285	235	–	–	13,158	13,678
Net profit	–	–	–	–	1,008	1,008
Foreign currency translation gain	–	–	190	–	–	190
Revaluation of property, plant and equipment	–	–	–	10,522	–	10,522
Dividend paid	–	–	–	–	(114)	(114)
Balance at 28 February 2007	**285**	**235**	**190**	**10,522**	**14,052**	**25,284**
Company						
Balance at 1 March 2005	285	235	–	–	9,285	9,805
Net loss	–	–	–	–	(400)	(400)
Balance at 1 March 2006	285	235	–	–	8,885	9,405
Net profit	–	–	–	–	1,782	1,782
Revaluation of property, plant and equipment	–	–	–	4,800	–	4,800
Dividend paid	–	–	–	–	(114)	(114)
Balance at 28 February 2007	**285**	**235**	**–**	**4,800**	**10,553**	**15,873**

CASH FLOW STATEMENTS

for the year ended 28 February 2007

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**R'000**	R'000	**R'000**	R'000
Cash flows from operating activities					
Cash generated/(utilised from) operations	25	**1,861**	1,770	**1,575**	(1,801)
Finance costs	22(a)	**(655)**	(451)	**(569)**	(384)
Finance income	22(b)	**380**	638	**451**	873
Tax paid	26	**(424)**	(406)	**(217)**	(404)
Dividend paid	27	**(112)**	(395)	**(112)**	(395)
Net cash generated from/(used in) operating activities		**1,050**	1,156	**1,128**	(2,111)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(825)**	(1,366)	**(523)**	(1,311)
Proceeds from sale of property, plant and equipment		**52**	83	**27**	83
Proceeds from loans received from subsidiaries		**–**	–	**(910)**	1,609
Loans granted to subsidiaries		**–**	–	**1,032**	288
Net cash (used in)/generated from investing activities		**(773)**	(1,283)	**(374)**	669
Cash flows from financing activities					
(Decrease)/increase in borrowings		**(910)**	847	**(939)**	923
Decrease/(increase) in amount due by holding company		**2,265**	(710)	**558**	(710)
Decrease/(increase) in amount due by related company		**558**	(2,909)	**492**	(492)
Increase in foreign currency translation reserve		**190**	–	**–**	–
Net cash generated from/(used in) financing activities		**2,103**	(2,772)	**111**	(279)
Net increase/(decrease) in cash and cash equivalents		**2,380**	(2,899)	**865**	(1,721)
Cash and cash equivalents at beginning of year		**(680)**	2,219	**623**	2,344
Cash and cash equivalents at end of year	12	**1,700**	(680)	**1,488**	623

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007

1. PRINCIPAL ACCOUNTING POLICIES

A. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, plant and machinery, financial assets and financial liabilities held-for-trading.

B. Group accounting

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies, are consolidated.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, sharesissued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. See note F for the accounting policy on goodwill. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

C. Investment in subsidiaries of the Company

Investments in subsidiaries are recognised at cost less accumulated impairment losses.

D. Foreign currency translation

(1) 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, which is the Company's functional and presentation currency.

(2) 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.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(3) Group companies

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

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

D. Foreign currency translation (continued)

(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 the dates of the transactions; and

(iii) All resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, such exchange differences 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.

E. Borrowing costs

Interest costs are charged against income using the effective interest rate method.

F. Property, plant and equipment

Land and buildings comprise mainly factories and offices. Land, buildings, plant and machinery are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings, plant and machinery. 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 is stated at historical cost less depreciation.

Where assets are carried at revalued amounts, the valuations are performed with sufficient regularity to ensure that the fair value of the revalued assets do not differ materially from their carrying amounts. Any increase in the assets' carrying amounts, as a result of a revaluation, is credited directly to equity in the revaluation surplus.
The increase is recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any decrease in the assets' carrying amounts, as a result of a revaluation, is recognised in the income statement in the year in which it arises. However, the decrease is debited directly against the revaluation surplus in equity to the extent that it reverses any revaluation previously credited to this reserve for a specific asset.

Upon derecognition of any revalued asset, the portion of the revaluation surplus relating to the particular asset being disposed of is transferred to retained earnings.

Depreciation is calculated on the straight-line method to write off the cost or revalued amount of each asset to their residual values over their estimated useful lives as follows:

Buildings	25 – 50 years
Plant and equipment	5 – 25 years
Motor vehicles	5 years
Office furniture and equipment	6 years
Computer software	3 years

Land is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

F. Property, plant and equipment (continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

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

G. Intangible assets

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired entity at the date of acquisition. At each balance sheet date the Company assesses whether there is any indication of impairment to the carrying value. If such an indication exists, the extent to which the carrying amount of goodwill can be recovered is assessed and any required adjustment is included in operating profit. Goodwill is not amortised.

(2) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years.

(3) Other intangible assets

Expenditure to acquire patents, trademarks and licences is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 20 years. Intangible assets are not revalued.

H. Impairment of assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed for impairment losses 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 carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price 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.

I. Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on 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 cost is charged to the income statement over the lease period so as to produce a constant

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

I. Leases (continued)

periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where 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.

J. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average 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) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

K. Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. 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. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

L. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on 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 included within borrowings in current liabilities on the balance sheet.

M. Share capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid, including any attributable incremental external costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

N. Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

O. Deferred income tax

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantially enacted tax rates are used in the determination of deferred income tax.

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

Deferred tax assets arising from temporary differences are recognised when there is a reasonable expectation of realisation.

Deferred tax assets arising from calculated tax losses are recognised as an asset only when there is assurance beyond reasonable doubt that future taxable income would be sufficient to allow the benefit of the loss to be utilised.

P. Employee benefits

(1) *Provident fund obligations*

The scheme is funded through payments to a defined contribution plan. A defined contribution plan is a provident plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

(2) *Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(3) *Profit sharing and bonus plans*

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

(i) there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or

(ii) past practice has created a valid expectation by employees that they will receive a bonus/profit sharing and the amount can be determined before the time of issuing the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Q. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

R. Revenue recognition

Revenue comprises the fair value for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Revenue arising from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. Dividends are recognised when the right to receive payment is established.

S. Dividends

Dividends payable are recorded in the Group's financial statements in the period in which they are declared.

T. Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

U. Derivatives

Forward foreign exchange contracts are initially recognised in the balance sheet at cost and subsequently are measured at fair value. Changes in the fair value of these instruments are recognised immediately in the income statement.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the income statement.

The fair value of publicly traded derivatives and trading and available-for-sale securities is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt. Other techniques, such as estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

For financial assets and liabilities with a maturity of less than one year, the face values less any estimated credit adjustments 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 available to the Group for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

2. ERROR IN DISCLOSURE

The Group discloses its land and buildings at cost less subsequent depreciation for buildings. As a result of an error in disclosure the Group's prior year annual financial statements stated that land and buildings are disclosed at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings.

There are no adjustments necessary to the balances and amounts in the financial statements for the current and prior period resulting from this error in disclosure.

3. CHANGE IN ACCOUNTING POLICY

During the financial year, the Group adopted the revaluation model in terms of IAS 16, Property, Plant and Equipment (IAS 16) previously, land, buildings, plant and machinery were shown at cost less subsequent depreciation for buildings, plant and machinery.

As a result of the adoption of the revaluation model the Company will show land and buildings and plant and machinery at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings, plant and machinery.

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. Increases in the carrying value of the assets over and above the net amounts are credited directly to a revaluation reserve in shareholders' equity net of the related deferred tax. Depreciation is calculated on the straight-line method to write off the revalued amount of each asset to their residual values over their estimated useful lives.

It is the first time that the Company will be adopting the revaluation model under IAS 16 and it has therefore elected not to adjust for this change in accounting policy retrospectively as allowed by IAS 16.

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

4. SEGMENT INFORMATION

A. Primary reporting format – business segments

	Lubricants R'000	Metal powders R'000	Other R'000	Group R'000
2007				
Sales	**55,979**	**21,696**	**1,199**	**78,874**
Profit from operations	**1,698**	**(225)**	**368**	**1,841**
Finance costs – net				**(275)**
Profit before tax				**1,566**
Income tax expense				**(558)**
Net profit				**1,008**
Segment assets	**29,466**	**9,354**	**4,535**	**43,355**
Unallocated assets				**90**
Total assets				**43,445**
Segment liabilities	**11,622**	**3,898**	**173**	**15,693**
Unallocated liabilities				**2,468**
Total liabilities				**18,161**
Other segment items				
Capital expenditure	**523**	**150**	**152**	**825**
Depreciation	**727**	**87**	**53**	**867**
2006				
Sales	48,414	19,405	3,311	71,130
Profit from operations	(778)	408	513	143
Finance costs – net				186
Profit before tax				329
Income tax expense				(114)
Net profit				215
Segment assets	18,909	7,470	349	26,728
Unallocated assets				777
Total assets				27,505
Segment liabilities	9,798	2,945	707	13,450
Unallocated liabilities				377
Total liabilities				13,827
Other segment items				
Capital expenditure	1,311	52	3	1,366
Depreciation	899	162	133	1,194

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

4. SEGMENT INFORMATION (continued)

At 28 February 2007, the Group was organised on a worldwide basis into two main business segments:

- Lubricants: the manufacture of specialised industrial and consumer lubricants
- Metal powders: the manufacture of various types and grades of metal powders

Other operations of the Group mainly comprise the distribution of manufactured goods to consumers in overseas markets and dormant companies, neither of which are of a sufficient size to be reported separately.

There are no significant sales between the business segments.

Segment assets consist primarily of property, plant, equipment, intangible assets, inventory, receivables and operating cash and exclude taxation assets. Segment liabilities comprise operating liabilities and exclude taxation liabilities. Capital expenditure comprises additions to property, plant and equipment.

B. Secondary reporting format – geographical segments

The Group's two business segments are managed on a worldwide basis and also operate in two main geographical areas:

- South Africa is the home country of the parent company which is also the main operating company. The areas of operation are principally the manufacture of specialised lubricants and metal powders.
- Europe is the main area of operation from where export sales are distributed.

Sales, as detailed below, are based on the region in which the customer is located. There are no sales between the segments. Total assets and capital expenditure are where the assets are located.

	Sales		Assets		Capital expenditure	
	2007	2006	**2007**	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
South Africa	**56,597**	52,488	**43,445**	27,505	**826**	1,366
Europe	**10,100**	7,221	**–**	–	**–**	–
Asia	**10,566**	10,311	**–**	–	**–**	–
Other countries	**1,611**	1,110	**–**	–	**–**	–
	78,874	71,130	**43,445**	27,505	**826**	1,366

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Freehold land and buildings R'000	Plant and equipment R'000	Motor vehicles R'000	Office furniture and equipment R'000	Total R'000
5. PROPERTY, PLANT AND EQUIPMENT					
Group					
28 February 2006					
Opening net book amount	1,271	2,565	243	596	4,675
Additions	–	179	195	992	1,366
Disposals	–	–	(42)	–	(42)
Depreciation charge	(41)	(654)	(68)	(431)	(1,194)
Closing net book amount	1,230	2,090	328	1,157	4,805
At 28 February 2006					
Cost	1,950	9,092	544	4,174	15,760
Accumulated depreciation	(720)	(7,002)	(216)	(3,017)	(10,955)
Net book amount	1,230	2,090	328	1,157	4,805
28 February 2007					
Opening net book amount	**1,230**	**2,090**	**328**	**1,157**	**4,805**
Additions	**155**	**106**	**316**	**248**	**825**
Revaluation	**5,215**	**9,605**	**–**	**–**	**14,820**
Disposals	**–**	**(16)**	**–**	**–**	**(16)**
Depreciation charge	**–**	**(349)**	**(88)**	**(430)**	**(867)**
Closing net book amount	**6,600**	**11,436**	**556**	**975**	**19,567**
At 28 February 2007					
Revaluation/cost	**6,600**	**12,226**	**795**	**4,422**	**24,043**
Accumulated depreciation	**–**	**(790)**	**(239)**	**(3,447)**	**(4,476)**
Net book amount	**6,600**	**11,436**	**556**	**975**	**19,567**

The Group's land and buildings comprise Erf 116, Wynberg, Sandton, with a factory, a warehouse and offices erected thereon and Erf 547, Alrode Extension 7, with a factory and offices erected thereon. The Group's land and buildings were valued during the year under review by Charles Zeff & Son Appraisers CC, a member of the Valuers' Insititute of South Africa. Valuations were performed using the discounted cash flow method at 28 February 2007. The Wynberg and Alrode properties were valued at R2,200,000 and R4,400,000 respectively.

Mortgage bonds are secured on properties to the value of R652,388 (2006: R710,157).

Group assets encumbered by instalment sale agreements with a book value of R1,164,872 (2006: R1,982,061) include motor vehicles, plant and equipment and computer equipment.

Additions include R360,744 (2006: R1,082,087) assets leased under finance leases where the Group is the lessee.

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Plant and equipment R'000	Motor vehicles R'000	Office furniture and equipment R'000	Total R'000
5. PROPERTY, PLANT AND EQUIPMENT (continued)				
Company				
28 February 2006				
Opening net book amount	1,235	231	516	1,982
Additions	146	195	970	1,311
Disposals	–	(42)	–	(42)
Depreciation charge	(418)	(63)	(420)	(901)
Closing net book amount	963	321	1,066	2,350
At 28 February 2006				
Cost	5,540	513	3,912	9,965
Accumulated depreciation	(4,577)	(192)	(2,846)	(7,615)
Net book amount	963	321	1,066	2,350
28 February 2007				
Opening net book amount	**963**	**321**	**1,066**	**2,350**
Additions	**81**	**200**	**242**	**523**
Revaluation	**6,761**	**–**	**–**	**6,761**
Disposals	**(8)**	**–**	**–**	**(8)**
Depreciation charge	**(234)**	**(75)**	**(418)**	**(727)**
Closing net book amount	**7,563**	**446**	**890**	**8,899**
At 28 February 2007				
Cost	**8,318**	**647**	**4,154**	**13,119**
Accumulated depreciation	**(755)**	**(201)**	**(3,264)**	**(4,220)**
Net book amount	**7,563**	**446**	**890**	**8,899**

Company assets encumbered by instalment sale agreements with a book value of R1,164,872 (2006: R1,982,061) include motor vehicles, plant and equipment and computer equipment.

Additions include R360,744 (2006: R1,082,087) assets leased under finance leases where the Company is the lessee.

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
6. GOODWILL				
Goodwill arising on purchase of business	**72**	72		
Opening carrying value	**72**	72		
Impairment	**(72)**	–		
Closing carrying value	**–**	72		
7. INVESTMENT IN SUBSIDIARIES				
Investments in unlisted subsidiaries are made up as follows:				
Shares at cost less amounts written off			**228**	228
Loans owing by subsidiaries			**1,683**	2,715
Loans owing to subsidiaries			**(354)**	(1,264)
Net interests in subsidiaries			**1,557**	1,679
Directors' valuations of investment in unlisted subsidiaries are at cost.				
8. INVENTORIES				
Raw materials (at cost)	**5,021**	4,876	**2,939**	3,842
Finished goods (at cost)	**1,690**	1,468	**1,583**	1,025
	6,711	6,344	**4,522**	4,867
9. TRADE RECEIVABLES AND PREPAYMENTS				
Trade receivables	**12,127**	8,596	**11,059**	5,732
Prepayments	**51**	284	**49**	277
Value added tax	**–**	339	**–**	109
Forward foreign exchange contracts	**–**	128	**–**	121
Other	**67**	240	**11**	171
	12,245	9,587	**11,119**	6,410
10. AMOUNT DUE BY RELATED COMPANY				
Spanjaard EU BV	**644**	2,909	**–**	492
Spanjaard EU BV is a subsidiary of the ultimate holding company, Spanjaard Group Limited.				
The amount due arises from operational transactions during the financial year. The highest balance amounted to R815,000. The loan granted to the related company is unsecured, has no fixed terms of repayment and bears interest at prime bank overdraft rates.				
11. AMOUNT DUE BY HOLDING COMPANY				
Spanjaard Group Limited	**1,759**	2 317	**1,759**	2 317

The amount due arises from operational transactions during the financial year. The highest balance amounted to R2,855,865. The loan to the company's holding company is unsecured, has no fixed terms of repayment and bears interest at the prime interest rate.

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
12. CASH AND CASH EQUIVALENTS				
Cash at bank	**1,699**	573	**1,487**	622
Cash on hand	**1**	1	**1**	1
	1,700	574	**1,488**	623
For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:				
Cash and bank balances	**1,700**	574	**1,488**	623
Bank overdrafts	**–**	–	**–**	–
Bank borrowings	**–**	(1,254)	**–**	–
	1,700	(680)	**1,488**	623
13. ORDINARY SHARES				
Authorised				
15,000,000 ordinary shares of 5 cents each	**750**	750	**750**	750
Issued				
5,700,000 ordinary shares of 5 cents each	**285**	285	**285**	285
14. TRADE AND OTHER PAYABLES				
Trade payables	**9,925**	8,076	**9,010**	6,779
Leave pay accrual	**–**	157	**–**	139
Accrued expenses	**823**	300	**823**	205
Audit fee accrual	**238**	406	**144**	214
Other payables	**355**	248	**339**	258
	11,341	9,187	**10,316**	7,595
15. CONTINGENCIES				
The directors are not aware of any contingent liabilities.				
16. BORROWINGS				
Current				
Bank borrowings	**–**	1,254	**–**	–
Finance lease liabilities	**879**	885	**827**	885
Mortgage bond	**59**	59	**–**	–
Other loan	**–**	222	**–**	223
	938	2,420	**827**	1,108

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
16. BORROWINGS (continued)				
Non-current				
Finance lease liabilities	**361**	985	**327**	985
Mortgage bond	**593**	651	**–**	–
	954	1,636	**327**	985
Total borrowings	**1,892**	4,056	**1,154**	2,093
Finance lease liabilities				
Instalment sale agreements covering certain machinery, motor vehicles and office equipment, having a net book value of R1,164,872 (2006: R1,982,061)	**1,240**	1,870	**1,154**	1,870
Generally agreements bear interest at 1.5% below the prime overdraft rate, the current weighted average rate being 11% (2006: 9%). Repayments are made on a monthly basis and the remaining repayment periods on these agreements vary from 1 to 28 months.				
Less: Current portion	**(879)**	(885)	**(827)**	(885)
	361	985	**327**	985
The present value of finance lease liabilities is as follows:				
Not later than 1 year	**879**	885	**827**	885
Later than 1 year but not later than 5 years	**361**	985	**327**	985
	1,240	1 870	**1,154**	1,870
Finance lease liabilities – minimum lease payment				
Not later than 1 year	**900**	1,072	**847**	1,072
Later than 1 year but not later than 5 years	**400**	1,140	**362**	1,140
	1,300	2,212	**1,209**	2,212
Future finance charges on finance leases	**(60)**	(342)	**(55)**	(342)
	1,240	1,870	**1,154**	1,870
Mortgage bonds				
First mortgage bond over land and buildings, Erf 116 Wynberg, Sandton, bearing interest at participation bond rates, the current rate being 10.85% (2006: 9.85%). The bond is repayable in 13 annual instalments of R31,000 commencing on January 2000, with a final payment of R26,000.	**212**	244		
Less: Current portion	**(31)**	(32)		
	181	212		

SPANJAARD

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
16. BORROWINGS (continued)				
First mortgage bond over land and buildings, Erf 547 Alrode Extension 7, bearing interest at the prime overdraft rate, the current rate being 12.5% (2006: 10.5%). The balance of the bond is repayable in 108 remaining monthly instalments. Current repayments are R6,818 per month.	**440**	466		
Less : Current portion	**(28)**	(27)		
	412	439		
Total non-current portion of mortgage bonds	**593**	651		
Maturity of mortgage bonds				
The remaining term and notional principle amount of the outstanding interest borrowing are as follows:				
Less than 1 year	**59**	59		
1 to 5 years	**279**	270		
More than 5 years	**313**	381		
	651	710		
The mortgage bonds are secured over certain of the land and buildings of the Group.				
Bank borrowings				
Bank overdraft	**–**	1,254		
Borrowing facilities				
The Group has the following undrawn borrowing facilities:				
Bank overdraft – prime rate	**5,600**	5,600		
The Group's borrowing powers are unlimited in terms of its Articles of Association.				
The bank overdraft and bank borrowings, are secured by guarantees and cession of trade receivables.				
17. COMMITMENTS				
Capital commitments				
Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:				
Land and buildings – improvements	**453**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
18. DEFERRED INCOME TAXES				
Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 29% (2006: 29%).				
The movement on the net deferred income tax account is as follows:				
At beginning of year	**400**	374	**294**	142
Taxable temporary differences:				
Plant and equipment	**(2,855)**	3	**(2,041)**	(8)
Property	**(1,502)**	–	**–**	–
Prepaid expenses	**(5)**	(18)	**5**	(17)
Deductible temporary differences:				
Trademark expenses	**7**	(7)	**(6)**	(7)
Assessed losses	**(144)**	94	**(222)**	221
Leave pay accrual	**(2)**	(10)	**(1)**	(12)
Impairment of trade receivables	**–**	(26)	**–**	(20)
Rate change	**–**	(10)	**–**	(5)
At end of year	**(4,101)**	400	**(1,971)**	294

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of R1,830,043 (2006: R2,381,512) to carry forward against future taxable income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) comprise the following:

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Deferred tax liability				
Accelerated tax depreciation:				
– on plant and equipment	**(3,148)**	(293)	**(2,047)**	(6)
– on property	**(1,566)**	(64)	**–**	–
Prepaid expenses	**(15)**	(20)	**(14)**	(19)
	(4,729)	(377)	**(2,061)**	(25)
Deferred tax asset				
Assessed losses	**531**	675	**–**	222
Unrealised intra-group profits	**–**	–	**–**	–
Trademarks	**50**	57	**51**	57
Leave pay accrual	**47**	45	**39**	40
	628	777	**90**	319
Net deferred income tax (liability)/asset	**(4,101)**	400	**(1,971)**	294

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Compensation commissioner R'000	Freight costs R'000	Leave pay R'000	Total R'000
19. PROVISIONS				
Group				
At 1 March 2006	–	192	–	192
Utilised during the year	–	(192)	–	(192)
	–	–	–	–
Additional provision	18	–	164	182
At 28 February 2007	**18**	**–**	**164**	**182**
Company				
At 1 March 2006	–	95	–	95
Utilised during the year	–	(95)	–	(95)
	–	–	–	–
Additional provision	–	–	135	135
At 28 February 2007	**–**	**–**	**135**	**135**

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
20. PROFIT BEFORE TAXATION				
The following items have been included in arriving at profit /(loss) before tax:				
Depreciation on property, plant and equipment	**867**	1,194	**727**	901
Buildings	**–**	41	**–**	–
Plant and equipment	**349**	654	**234**	418
Motor vehicles	**88**	68	**75**	63
Office equipment and furniture	**430**	431	**418**	420
Staff costs (note 21)	**12,579**	13,626	**11,686**	12,055
Raw materials and consumables used	**45,366**	41,236	**32,193**	25,843
Transportation costs	**3,129**	2,962	**2,425**	1,910
Advertising costs	**185**	342	**185**	342
Repair and maintenance expenditure on property, plant and equipment	**527**	665	**346**	471
Total cost of goods sold, marketing and distribution costs and administrative expenses	**77,420**	71,330	**59,309**	50,406
Auditors' remuneration	**263**	443	**174**	245
Profit on disposal of property, plant and equipment	**38**	41	**19**	41
Average number of employees during the year:	**48**	86	**45**	67

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
21. STAFF COSTS				
Salaries and wages	**12,415**	13,377	**11,529**	11,808
Statutory contributions	**115**	114	**108**	123
Provident fund – defined contribution plans	**49**	135	**49**	124
	12,579	13,626	**11,686**	12,055
It is compulsory for all employees to be a member of the provident fund.				
The Company outsourced certain of its labour arrangements. The amount paid to the outsourced company is reflected in salaries and wages.				
22. FINANCE COSTS AND INCOME				
A. Costs				
Interest expense:				
– Bank borrowings	**405**	209	**238**	95
– Finance leases	**156**	157	**149**	157
– Mortgage bonds	**75**	–	**–**	–
– Other	**19**	85	**182**	132
	655	451	**569**	384
B. Income				
Interest income	**(379)**	(199)	**(494)**	(564)
Net foreign exchange transaction (gains)/losses	**(1)**	(439)	**43**	(309)
	(380)	(638)	**(451)**	(873)
23. INCOME TAX EXPENSE				
South African normal tax				
Current tax				
– current	**215**	114	**140**	–
– prior year adjustment	**112**	–	**112**	–
Deferred tax				
– current	**203**	(19)	**304**	(152)
Foreign tax	**14**	19	**–**	–
Secondary tax on companies	**14**	–	**14**	–
Tax charge	**558**	114	**570**	(152)

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
23. INCOME TAX EXPENSE (continued)				
The tax on the Group's profit before tax differs from the theoretical amount that would arise using the South African tax rate as follows:	**%**	%	**%**	%
South African normal tax rate	**29**	29	**29**	29
Adjustments for:				
Expenses not deductible for tax purposes	**(1)**	–	**–**	–
Income not subject to tax	**–**	(3)	**(10)**	(2)
Rate change	**–**	(3)	**–**	1
Reversal of deferred tax asset	**–**	12	**–**	–
Secondary tax on companies	**1**	–	**1**	–
Under provision for taxation – prior years	**7**	–	**4**	–
Utilisation of assessed losses	**–**	–	**–**	–
Net increase/(decrease)	**7**	6	**(5)**	(1)
Effective tax rate	**36**	35	**24**	28

24. EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per ordinary share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The Company has no dilutive potential ordinary shares.

	Group 2007	Group 2006	Company 2007	Company 2006
Net profit attributable to shareholders (R'000)	**1,008**	215		
Weighted average number of ordinary shares in issue ('000s)	**5,700**	5,700		
Basic and diluted earnings per share (cents)	**17.7**	3.8		

The calculation of headline earnings per share is based on earnings as calculated below and 5,700,000 (2006: 5,700,000) ordinary shares in issue throughout the year.

	Group 2007	Group 2006	Company 2007	Company 2006
Net profit attributable to shareholders (R'000)	**1,008**	215		
Adjustments for:				
Impairment loss – goodwill (R'000)	**72**	–		
Profit on disposal of property, plant and equipment (R'000)	**(38)**	(41)		
Headline earnings (R'000)	**1,042**	174		
Weighted average number of ordinary shares in issue ('000's)	**5,700**	5,700		
Headline earnings per share (cents)	**18.3**	3.1		

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
25. CASH GENERATED FROM OPERATIONS				
Profit/(loss) before tax	**1,566**	329	**2,352**	(552)
Adjustments for:				
– Depreciation	**867**	1,194	**727**	901
– Finance costs	**655**	451	**569**	384
– Finance income	**(380)**	(638)	**(451)**	(873)
– Profit on sale of property, plant and equipment	**(38)**	(41)	**(19)**	(41)
– Impairment of goodwill	**72**	–	**–**	–
Changes in working capital:				
– Inventories	**(367)**	1,028	**345**	(973)
– Provisions	**(10)**	27	**40**	7
– Trade receivables	**(3,531)**	1,641	**(4,709)**	1,018
– Other receivables	**873**	507	**–**	(678)
– Trade and other payables	**2,154**	(2,728)	**2,721**	(994)
Cash generated from/(used in) operations	**1,861**	1,770	**1,575**	(1,801)
26. INCOME TAX PAID				
Opening balance	**(120)**	153	**(171)**	233
Charge per income statement excluding movement in deferred tax	**353**	133	**266**	–
Closing balance	**191**	120	**122**	171
Tax paid	**424**	406	**217**	404
27. DIVIDEND PAID				
Opening balance	**15**	410	**15**	410
Declaration for the year	**114**	–	**114**	–
Closing balance	**(17)**	(15)	**(17)**	(15)
Dividend paid	**112**	395	**112**	395

28. FINANCIAL INSTRUMENTS

Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. To manage their foreign exchange risk arising from future commercial transactions and minimising assets and liabilities, entities in the Group use derivative financial instruments such as forward foreign exchange contracts to reduce certain exposures.

(1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar, European Union Euro and Swiss Franc. Entities in the Group use forward foreign exchange contracts to reduce their exposure to foreign currency risk in connection with the functional currency.

(2) Interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates. Cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks.

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

(3) Credit risk

The Group has no significant concentrations of credit risk, due to its wide spread of customers. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and that partially guarantee the recoverability of trade receivables.

(4) 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.

	2007 Carrying amount R'000	2007 Fair value R'000	2006 Carrying amount R'000	2006 Fair value R'000
Group				
Financial assets				
Trade receivables	**12,245**	**12,245**	9,587	9,587
Cash and cash equivalents	**1,700**	**1,700**	574	574
Amount due by related company	**644**	**644**	2,909	2,909
Amount due by holding company	**1,759**	**1,759**	2,317	2,317
Financial liabilities				
Borrowings				
– Non-current	**954**	**954**	1,636	1,636
– Current	**938**	**938**	1,167	1,167
Trade and other payables	**11,341**	**11,341**	9,187	9,187
Bank overdraft	**–**	**–**	1,254	1,254
Company				
Financial assets				
Trade receivables	**11,119**	**11,119**	6,410	6,410
Cash and cash equivalents	**1,488**	**1,488**	623	623
Amount due by related company	**–**	**–**	492	492
Amount due by holding company	**1,759**	**1,759**	2,317	2,317
Financial liabilities				
Borrowings				
– Non-current	**827**	**827**	985	985
– Current	**327**	**327**	1,108	1,108
Trade and other payables	**10,316**	**10,316**	7,595	7,595

Estimation of fair values

The carrying amounts of short-term instruments are a reasonable estimate of the fair values because of the short maturity of such instruments. The carrying amounts of long-term borrowings are a reasonable estimate of fair value as the borrowings are based on floating market rates.

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

29. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Provision for obsolete stock

Provision for obsolete stock is based on past experience. Specific provision is made for obsolete stock. Stock that had not moved for the past six months has been scrutinised and management's best judgment has been used to determine whether stock would still be used in future manufacturing or need to be written off.

B. Provision for doubtful debts.

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 trade receivables are insured with Credit Guarantee Corporation of Africa Limited. Only the risk portion of the impaired trade receivables will be disclosed as an impairment, 80% of insured trade receivables are insured per the mentioned policy.

C. Depreciation of property, plant and equipment

Depreciation on assets is calculated using the straight-line method to allocate their cost to residual values over their estimated useful lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

D. Tolling fees

Tolling fees are charged in the Group from Bronzmet (Pty) Limited to Coppermet (Pty) Limited. The fee is based on an estimation of the percentage copper melted by Coppermet (Pty) Limited using the Bronzmet (Pty) Limited plant.

E. Management fees

Directors, senior management and admin personnel are employed by Spanjaard Limited. Spanjaard Limited charge a management fee to subsidiary companies based on the percentage time spent by personnel on subsidiary related responsibilities.

F. Costing of finished goods.

Calculation of an assembly variance with the manufacturing of finished goods is based on the cost of raw materials used per the recipe of the finished product including a scrap percentage of 3 percent.

NOTES TO THE FINANCIAL STATEMENTS

28 February 2007 (continued)

30. RELATED PARTY TRANSACTIONS

All transactions with related parties are in the normal course of business at arm's-length.

The following related party transactions occurred during the financial year:

Name of party	Relationship	Indebtedness		Transactions undertaken
Spanjaard Group Limited	Ultimate holding company	R1,759,071	(2006: R2,317,000)	Royalties paid for use of trademarks – R519,000 (2006: R512,000) Interest received on loan R263,402 (2006: R85,330)
Spanjaard EU BV Limited	Subsidiary of holding company	R644,000	(2006: R2,909,000)	Sales for the year Management fees paid to Spanjaard Limited
Coppermet (Pty) Limited	Subsidiary company	R 1,682,875	(2006: R 2,714,923)	R384,000 (2006: R500,000)
Spanjaard UK Limited	Subsidiary company	R 353,536	(2006: R 270,673)	R54,000 (2006: R54,000)
Torpedo Investments (Pty) Limited	Subsidiary company	R Nil	(2006: R 754,673)	R30,000 (2006: R30,000)
Slip Products (SA) (Pty) Limited	Subsidiary company	R Nil	(2006: R 239,812)	R30,000 (2006: R30,000)

ANALYSIS OF SHAREHOLDING

Share information as at 28 February 2007

The following information has been extracted from the register of shareholders at 28 February 2007 :

	Number of share-holders	% of total share-holders	Number of shares held '000	% of total shares issued
Share categories:				
Public				
1 – 5,000 shares	306	92.17	104	1.83
5,001 – 10,000 shares	6	1.80	54	0.95
10,001 – 50,000 shares	14	4.22	373	6.55
50,001 – 100,000 shares	1	0.30	98	1.71
100,001 – and over	5	1.51	5,071	88.96
	332	100.00	5,700	100.00
Group categories:				
Public				
Public company	3	0.90	3,679	64.55
Individuals	203	61.14	1,933	33.90
Nominees and trusts	8	2.41	51	0.90
Private companies	87	26.20	33	0.58
Close corporations	31	9.35	4	0.07
	332	100.00	5,700	100.00
Share type:				
Public	326	98.20	940	16.49
Non-public				
– Directors	5	1.50	1,084	19.02
– Holding company	1	0.30	3,676	64.49
	332	100.00	5,700	100.00

The following shareholders directly hold more than five percent of the issued share capital:

	Number of shares held '000	% of total shares issued
Group categories:		
Spanjaard Group Limited	3,676	64.49
R.J.W. Spanjaard	690	12.10
D.H. Petersen	368	6.46
	4,734	83.05

NOTES

PROXY FORM

SPANJAARD LIMITED
(Registration number 1960/004393/06)

I/We ______________________________

of ______________________________

being a member/members of the Company, and entitled to ______________ votes, I hereby appoint

______________ of ______________ or failing him

______________ of ______________

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held at 12h00 pm on Friday, 13 July 2007 and any adjournment thereof.

Signed by me at ______________________________

on this ______________ day of ______________ 2007

Signature of member ______________________________

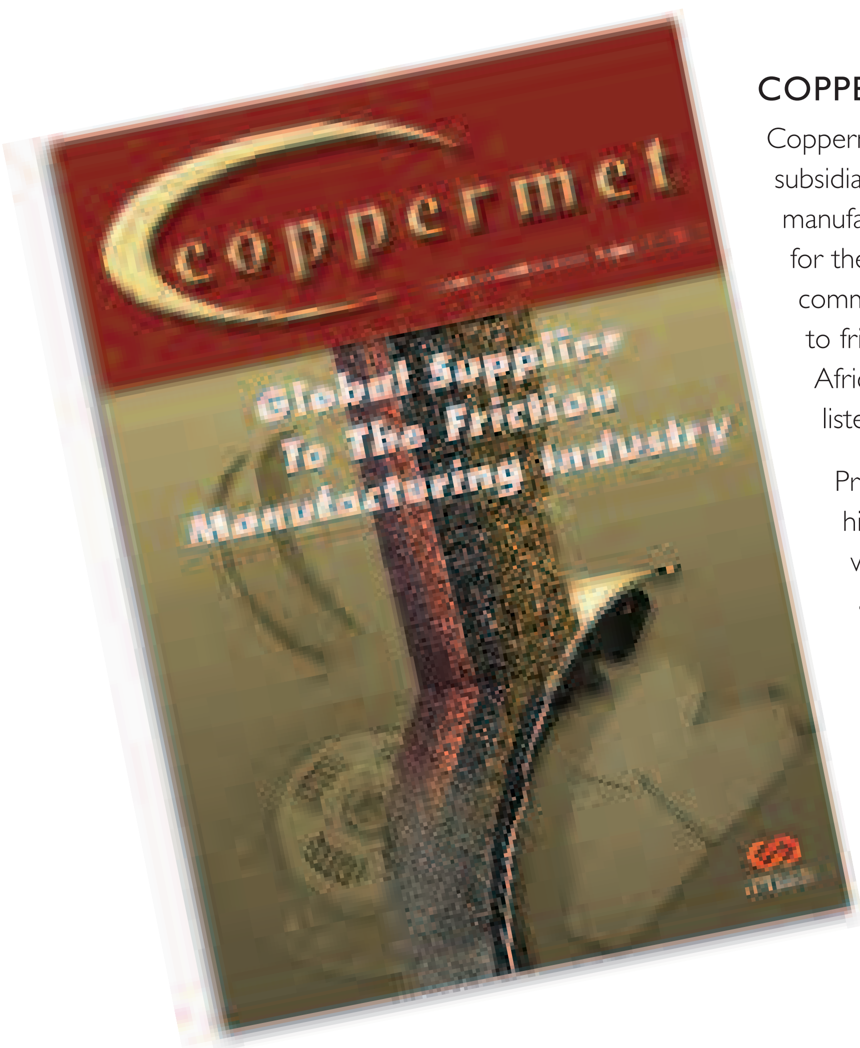
This proxy form must be deposited with the Company Secretary, A.M.B. Wilson, at 748 - 750 Fifth Street, Wynberg, Sandton, 2090 or posted to PO Box 7294, Johannesburg, 2000, to arrive at least 48 hours before the time appointed for the meeting.

NOTES TO PROXY FORM

1. Each member is entitled to appoint one or more proxies (who need not be a member(s) of the Company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.
2. A member may insert the name of a proxy or the name of an alternative proxy of the member's choice in the space provided. The person whose name stands first on the proxy form and who is present at the annual general meeting shall be entitled to act as proxy to the exclusion of the person whose name follows.
3. The chairman of the annual general meeting may reject or accept any proxy form that is completed and/or received other than in accordance with these instructions and notes.
4. Any alterations or corrections to this form of proxy must be initialled by the signatories.
5. The completion and lodging of this form of proxy shall not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such a member wish to do so.
6. This proxy form is to be completed only by those members who are:

   (a) Holding shares in certificate form; or

   (b) Recorded in the sub-register in electronic form in their own name.
7. Dematerialised shareholders who wish to attend the annual general meeting have to contact their Central Securities Depositary Participant ("CSDP") or broker who will furnish them with the necessary authority to attend the annual general meeting, or they have to instruct their CSDP or broker as to how they wish to vote in this regard. This has to be done in terms of the agreement entered into between such shareholder and his CSDP or broker.



COPPERMET (PTY) LIMITED

Coppermet (Pty) Limited is a wholly owned subsidiary of Spanjaard Limited and is a global manufacturer and distributor of raw materials for the friction industry. Coppermet is committed to supplying quality material to friction manufacturers both in South Africa and abroad and is also an ISO 9001 listed supplier.

Products supplied by Coppermet include high quality synthetic graphite powder; water atomised copper powder; air atomised bronze powder, and copper and brass chips.

For general enquiries, contact Coppermet (Pty) Limited:
ant@attglobal.net or
graham.cort@attglobal.net

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