

*Securities
Regulation Panel*



Annual Financial Statements
28 February 2009

SECURITIES REGULATION PANEL
ANNUAL FINANCIAL STATEMENTS
28 February 2009

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**SECURITIES REGULATION PANEL
ANNUAL FINANCIAL STATEMENTS**

28 February 2009

INTRODUCTION

The Securities Regulation Panel ("the Panel") is a regulatory body, established in accordance with Chapter XVA of the Companies Act No. 61 of 1973 ("the Act").

Its function is to regulate as it may deem necessary or appropriate, all affected transactions (as defined in Section 440A of the Act) and schemes, including all proposals which on successful completion will result in affected transactions relating to any public company, or a private company with a value in excess of R5 million.

The Panel was established in 1989 and became operative in February 1991. It came into being as a response to mounting concern about unfair practices. Its purpose is to ensure good business standards and fairness to shareholders thus contributing to the maintenance of fair and orderly markets.

In terms of the Act, the Panel formulated the Securities Regulation Code on Takeovers and Mergers ("the Code") which embodies the general principles and rules governing the matters falling within its jurisdiction. The Code has the force of law.

It is not a function of the Panel to judge the commercial advantages or disadvantages of affected transactions.

In terms of the Act the Minister in consultation with the Panel, will determine which bodies, associations and institutions in addition to those specified in the Act, may nominate members to the Panel who are then appointed by the Minister. That ensures a spread of expertise in the practical application of the Code,

The Executive Director has full power to make rulings and decisions under the Code subject to the right of appeal provided in the Code. When necessary he draws on the knowledge and expertise of various members of the Panel.

The day to day work of the Panel is carried out by the Executive and Deputy Executive directors and staff who monitor takeovers and mergers, checking that all actions taken, as well as documents and announcements issued, comply with the Code and keep a close watch on dealings in relevant securities. When necessary the directors are available for consultation and to give rulings and interpretations before, during and, when appropriate, after takeovers or mergers. The Panel encourages early consultation to provide guidance so that problems can be avoided.

PANEL'S RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Panel is responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 28 February 2009, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

The Panel's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

The Panel's responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Panel has made an assessment of the company's ability to continue as a going concern and has no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The annual financial statements on pages 16 to 25 were approved by the Panel on 30 June 2009 and are signed on its behalf by

C A Jaffé
Chairperson

R J Connellan
Executive Director

SECURITIES REGULATION PANEL
MEMBERS AND EXECUTIVE
28 February 2009

Chairperson

Mr C A Jaffé

Nominated by

The Law Society of South Africa

Deputy Chairpersons

Mr N A Matlala
Adv M E King SC

Co-opted member
The South African Chamber of Commerce and Industry

Members

Mr L Bam	The Association for the Advancement of Black Accountants of South Africa
Mr R S Berkowitz	The Banking Council South Africa
Mr J M Damons	Foundation for African Business and Consumer Services
Ms A M De Bruyn (<i>appointed 11 April 2009</i>)	JSE Limited
Mr T Dloti	The Life Offices' Association of South Africa
Ms P J Egan (<i>appointed 11 April 2009</i>)	JSE Limited
Mr R M Loubser	JSE Limited
Prof S M Luiz	The Society of Law Teachers
Mr C Moni	National Union of Mine Workers
Mr S Mseleku	National African Federated Chamber of Commerce
Mr J Mthimunye	The South African Institute of Chartered Accountants
Mr S Siyaka	The Banking Council South Africa
Mr D A Sylvester	The Shareholders' Association of South Africa
Mr B R van Rooyen	The Chamber of Mines of South Africa

Ex Officio members

Dr R Davies	Minister of Trade and Industry (represented by: Mr R Voller)
Mr S Ramburuth	Commissioner: Competition Commission South Africa

Co-opted members

Prof M M Katz
Dr D Konar
Mr N D Lowenthal
Adv B Spilg SC
Ms P Stratten (*co-opted 17 April 2009*)
Mr W S Yeowart

Executive

Mr R J Connellan	Executive Director
Mr V I Pitchers	Deputy Executive Director
Mr M A L Phakeng	Legal Counsel

**SECURITIES REGULATION PANEL
SUB-COMMITTEES OF THE PANEL**
28 February 2009

Administration Committee

Mr R S Berkowitz Chairperson
Mr J M Damons
Mr C A Jaffé
Mr N D Lowenthal
Mr J Mthimunye
Adv B Spilg SC

Audit Committee

Dr D Konar Chairperson
Mr RS Berkowitz
Mr C A Jaffé
Mr J Mthimunye
Mr W S Yeowart

Rules Committee

Adv M E King SC Chairperson
Mr C A Jaffé
Mr C Moni
Mr S Siyaka
Mr B R Van Rooyen

Remuneration Committee

Mr R S Berkowitz Chairperson
Mr T Dloti
Mr C A Jaffé
Adv M E King SC
Mr N A Matlala
Ms P Stratten

SECURITIES REGULATION PANEL

REPORT OF THE CHAIRPERSON

28 February 2009

My initial appointment as chairperson of the Panel was in 1995, the position I am privileged to have held since that time. It is with pleasure that I now present my fifteenth consecutive report of this statutory body.

As I have done in previous chairperson's reports, I must again emphasise that the essential characteristics of the Panel's system of flexibility are certainty and speed, enabling parties to know in a timeous manner, where they stand under the Code. My many years of close association with the executive of the Panel has led me to believe that it is important to avoid over-rigid rules, because a Code based on principle avoiding the temptation to attempt legislation for every possibility, is a crucial basis for such flexibility. What is important when an offer is made is to ensure that the shareholders of an offeree company are given sufficient information to enable them to make an informed decision about the future of the company in which they have invested.

2008 will be long remembered as the year in which the financial and banking structures around most of the world were brought to their knees. The tipping point was the collapse of the housing market in the USA and the sub-prime crisis that followed. However, it does seem that a great number of people throughout the world have been living well beyond their means for a decade or longer, by continually borrowing against their assets, the values of which were continually being artificially overstated. On top of this, institutions, in chasing higher profits, were investing more and more in high risk leveraged derivative instruments. This all lead to a world order where apparently moral bankruptcy has become prevalent. The party had to come to an end, and it has, with devastating effect on the economies of the most developed countries. The US\$ trillions, mostly of taxpayers' money, being used worldwide to shore up these economies and their banking systems will take many years to work their way through the systems, leaving the man in the street much poorer as a result. I can only hope that the confidence in the capitalist system will once more be restored. Prudence by South African banks acting within our banking regulation has staved off the worst of the fallout suffered elsewhere; however, the secondary effects of contracting world economies will, to a large extent because of our reliance on commodity exports, probably result in South Africa suffering a period of recession.

Operations of the Panel

The upshot of the financial crisis is that we saw a significant falloff in the number of takeovers and mergers, particularly in the latter part of the financial period with a concomitant reduction of fee income from this source.

Funding for takeover activity has all but dried up, and those funders which are still willing and able to do so, only seem prepared to offer funding on a highly conditional basis. Rule 21.7 of the Code states that when an offer is for cash or includes an element of cash an irrevocable guarantee or other proof by an appropriate third party has to be furnished to satisfy the Panel, for the protection of the minority shareholders, that resources will be available sufficient to satisfy full acceptance of the offer. The strict enforcement of this requirement by the executive has caused disquiet amongst certain parties as it is said to be hampering takeover activity. The Panel is presently investigating whether or not this rule should be relaxed in view of the present financial crisis. As an essential step in that investigation we are *inter alia* ascertaining how the problem is being dealt with in other substantial jurisdictions which on this point have rules similar to ours.

In last year's annual report it was advised that the Panel had conducted a hearing following a complaint by Tsogo Sun Holdings Limited against Gold Reef Resorts Limited (Gold Reef) regarding an offer for the shares in Gold Reef. The Panel hearing the matter ruled on 1 February 2008, *inter alia*:

- *Gold Reef City Resorts Limited is in breach of Rules 13, 16, 19 and 20.*
- *The effect of such breach is that the Securities Regulation Panel would not have approved the transaction as presented to it at that time."*

SECURITIES REGULATION PANEL
REPORT OF THE CHAIRPERSON (continued)
28 February 2009

Towards the end of the financial year Gold Reef made application to the South Gauteng High Court to review the Panel's ruling and to have the ruling set aside. The case was heard subsequent to our year-end. On 13 May 2009 the South Gauteng High Court handed down its judgement in favour of Gold Reef and ordered that:

- *The decision of the Securities Regulation Panel of 1 February 2008 is reviewable and set aside;*
- *The order made by the Panel is set aside and is substituted with the following order:*
“The complaint is dismissed”;
- *There is no order as to costs.*

The draft Companies Bill 2008 passed through Parliament with very few amendments, and was signed into law by the State President in April 2009. It is now anticipated that the new Companies Act will come into force mid-way through 2010. There are aspects of this legislation with which the Panel's drafting committee was not entirely happy in company with other persons or bodies involved in corporate law. A number of submissions were made to the Parliamentary sub-committee dealing with the matter but were in many cases not accepted. Neither we nor the other objectors referred to were alone in their concerns. However, the Bill has now been signed into law and as such must be respected by us, fully implemented, applied and supported when it becomes fully operative in approximately 12 months time. The drafting committee will complete its task of drafting regulations relating to the chapter on Fundamental Transactions, Takeovers and Offers and submit these to the Minister of Trade and Industry for his approval and subsequent gazetting into law.

In terms of the provisions of the present Companies Act the period of office of all the members of the Panel will expire during August of 2009. Numerous submissions have been made to our Minister's predecessor to re-appoint all the incumbent members in a manner which will see their tenure of office extended to mid-August 2010. This outstanding issue has been brought to the attention of our new Minister and his decision on this matter is urgently awaited. Such re-appointment will dovetail well with the new Act which contains provisions regarding the appointment of members differing substantially from those of the existing Act.

Concern still exists that unregulated affected transactions occur in unlisted public companies and private companies subject to the provisions of the Code. Brief information on the requirement of the Code in respect to affected transactions has been sent to several hundred legal firms country wide. By drawing the legal fraternity's attention to these requirements it is hoped that compliance with the Code will be enhanced.

During May 2008, our Deputy Executive Director and our Legal Counsel attended the third International Takeovers' Conference hosted by the US Securities Exchange Commission in Washington. By all indications our regulation of takeovers and mergers remains amongst the best in the world.

Financial affairs

Income rose marginally to R12,9 million from R12,1 million notwithstanding that fees received for services fell by 4%. Income from annual levies and that from document and other charges remain close to equilibrium, a situation for which we have been aiming for many years.

Expenditure rose by 30% to R11,8 million, attributable mainly to increases in legal fees, Panel and Committees' costs and personnel costs. A surplus of R1,15 million was recorded this year, compared to a surplus of R3,0 million in the previous year. It is ironic that almost at the end of the life of the Panel, as presently constituted, the size of the accumulated reserve of R10 million that I have always felt is necessary as a war chest to meet possible litigation costs has finally been achieved. Accordingly, the fee structure for services and the levy charged to companies listed on JSE Limited remain unaltered during the ensuing year.

**SECURITIES REGULATION PANEL
REPORT OF THE CHAIRPERSON (continued)**

28 February 2009

Meetings of the Panel

Details of the meetings of the Panel and its committees during the year are set out in the corporate governance report.

Panel members continue to contribute diligently to the affairs of the Panel. Their efforts are for the benefit of the financial community. Notwithstanding the increase in 2007 of the chairperson's and members' meeting attendance fees, the remuneration of members for services rendered other than at formal meetings remained at an abnormally low level. This has been addressed by increasing the chairperson's and members' preparation fees per hearing or appeal from R10 500 and R3 500 to R45 000 and R30 000 respectively. Having regard to the amount of work and degree of expertise required in these instances it is considered that this level of fee is commensurate with fees paid commercially.

My thanks go to my fellow members for their contribution during the year, especially to those members who served on the various hearings and appeal tribunals. The time and effort volunteered by these members is considerable and is truly appreciated.

Since the year-end our Minister has appointed Annalie de Bruyn and Patricia Egan as members of the Panel to fill the vacancies created by the resignations of Phumzile Langeni and Philippa Stratten as nominees of JSE Limited. Philippa Stratten, who has been a stalwart on the Panel for many years immediately offered to remain on the Panel and has been co-opted in accordance with the Act currently still in force.

Executive and support staff

Following South Africa's general election, the country's new President, President J Zuma has formed a new cabinet, the new Minister of Trade and Industry being Dr. R Davies, MP. I wish to thank our outgoing Minister, Mr M Mphahlele for his consideration towards the affairs of the Panel during his tenure of office, and to wish our new Minister every success in his new position. The members of the Panel and the Panel's executive staff offer their assistance in matters pertaining to the Panel's experience and expertise regarding takeover and merger activity and in particular during the transition period from the Securities Regulation Panel to the new Takeover Regulation Panel.

Finally my thanks to the Director- General of the Department of Trade and Industry, his deputy and support staff from all of whom we always receive courtesy and assistance whenever sought.

In my last report I referred to the uncertainty in regard to the future of the Panel which uncertainty has now been resolved by the provisions of the new Companies Act which will come into force in due course. Nevertheless, all of our staff members have continued to carry out their duties in the expert and conscientious manner which the Panel and the public have come to expect and have received. The burden has of course fallen most heavily upon the triumvirate of Executive Director R J Connellan, his Deputy V I Pitchers and L Phakeng our Legal Counsel, but the entire personnel force has continued to play its role in making the operation of the Panel an efficient one with complete harmony existing between all members of the Panel personnel. My personal thanks go to each and every one of them for a job well done.

**C A Jaffé
Chairperson
30 June 2009**

SECURITIES REGULATION PANEL
REPORT OF THE EXECUTIVE DIRECTOR
28 February 2009

Finance

As the Panel's retained income had, after a period of some seventeen years, reached a level considered prudent, there was no reason to increase the levy on listed companies, which is based on the annual listing fee charged to companies by JSE Limited, with effect from 1 March 2008. Income from such levies increased 6% from R5 528 422 in the 2008 year to R5 867 171 in the current year.

The number of affected transactions supervised by the Panel during the year decreased by 6 to 58, whilst formal rulings issued by the Panel increased from 31 to 42.

Income from fees charged for consultations, rulings and the supervision and approval of documents relating to affected transactions amounted to R5 261 600 compared with R5 477 800 in the previous year.

Income from costs recovered in respect of hearings and appeals, the write back of income unallocated for three years or more, and royalties received on sales of the Code amounted to R426 749 compared with R124 919 in the previous year.

Interest received amounted to R1 390 815 (2008:R982 072).

Total income for the year ended 29 February 2008 amounted to R12 946 335 compared with R12 113 213 in the previous year.

The cost of operating the Panel for the year ended 28 February 2009 amounted to R11 796 260 compared with R9 098 240 in the previous year.

The net surplus for the year under review amounted to R1 150 075 compared with a surplus for the year ended 29 February 2008 of R3 014 973, resulting in an accumulated surplus as at 28 February 2009 of R10 034 785.

Panel operations

The Panel is a statutory regulatory body, the function of which is to regulate all transactions defined in Chapter XVA of the Act as affected transactions.

The 58 affected transactions regulated by the Panel during the year had an aggregate value of approximately R55 billion compared with 64 affected transactions having an aggregate value in excess of R80 billion in the prior year.

On 15 May 2009 Mr. R Berkowitz was appointed as a member of the Panel's audit committee.

During the year 3 matters were appealed to or heard in the first instance by the Panel.

- In the matter between Greenlight Investment Holdings (Pty) Limited (applicant) and certain minority shareholders in Tiffindell Ski Limited (respondents).
Members: C A Jaffe (chairperson), N Lowenthal, P Stratten, B R van Rooyen and W S Yeowart
- In the matter between 08338824 Limited (an indirect wholly owned subsidiary of Pala Investment Holdings Limited (applicant) and Rockwell Diamonds (respondent).
Members: C A Jaffe (chairperson), N Matlala, S Siyaka, D A Sylvester and W S Yeowart.

SECURITIES REGULATION PANEL
REPORT OF THE EXECUTIVE DIRECTOR (continued)
28 February 2009

- Appeal by SV Landbou Beherend Limited against a ruling of the Executive Director. (Appeal withdrawn during hearing).

Members: N Matlala (chairperson), R S Berkowitz, B Spilg, S Siyaka, J Mthimunye and D A Sylvester.

An ad-hoc sub-committee of the Panel comprising of Messrs Lowenthal, Yeowart, Connellan and Pitchers became heavily involved in the scrutiny of the documentation and proposed mechanics of the proposed merger between JCI Limited and Randgold & Exploration Company Limited. Once satisfied that the fullest possible information was included, the JCI scheme of arrangement circular to its shareholders was approved. When finally put to shareholders the scheme of arrangement was rejected. Negotiations between JCI Limited and the sub-committee continue in an effort to reach a satisfactory conclusion to this matter.

Legislative changes

On 9 April 2009 the President of the Republic signed into law the Companies Act No.71 of 2008. However, in terms of the transition provisions in the Act it is only expected to become operative in mid 2010. The Panel's drafting sub committee will continue drafting the regulations to the chapter relating to Fundamental Transactions, Takeovers and Offers of the Act and once settled forward them to the Minister for his consideration and gazetting.

R J Connellan
Executive Director
30 June 2009

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT**

28 February 2009

The Panel endorses the Code of Corporate Practice and Conduct as contained in the King II Report on Corporate Governance. This commitment provides stakeholders with the assurance that the Panel's affairs are being managed in terms of the core principles of fairness, accountability, responsibility and transparency.

The Panel is a regulatory body, established in accordance with Chapter XVA of the Companies Act. The members of the Panel have been nominated by various bodies, associations and institutions and have been duly appointed by the Minister of Trade and Industry. The Executive Director, Deputy Executive Director and Legal Counsel form the Executive and are responsible for the day to day activities of the Panel.

The members of the Panel are responsible for the preparation and final approval of the annual financial statements. In preparing the annual financial statements, the Panel has used appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

THE PANEL

The Panel currently consists of sixteen appointed members inclusive of the Chairperson, two ex-officio members and seven co-opted members. Ms A M de Bruyn and Mrs P J Egan were appointed by the Minister as representatives of the JSE Limited on 11 April 2009. Ms P Stratten resigned as a representative of the JSE Limited and was co-opted by the Panel on 17 April 2009.

The Panel members are individuals of high calibre with diverse backgrounds and expertise, each of whom add value and independence to the Panel. The Panel is supported by various sub Committees that have been appointed to ensure good corporate governance and address matters requiring specialised attention.

During the year under review five Panel meetings were held, of which four were scheduled meetings and the meeting held on 13 August 2008 was a special Panel meeting. Details of attendance by members are set out below:

Member	12 Jun 2008	13 Aug 2008	12 Sept 2008	11 Nov 2008	18 Feb 2009
Mr CA Jaffé	P	P	P	P	P
Mr RS Berkowitz	P	P	P	P	AA
Mr L Bam	AA	AA	AA	P	AA
Mr JM Damons	A	P	A	AA	AA
Mr T Dloti	C	AA	A	AA	AA
Prof MM Katz	A	AA	A	AA	A
Adv ME King SC	AA	P	AA	AA	AA
Dr D Konar	P	AA	P	P	P
Mr RM Loubser	P	AA	P	P	P
Mr ND Lowenthal	P	P	P	P	P
Prof SM Luiz	P	AA	P	P	AA

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT (continued)**
28 February 2009

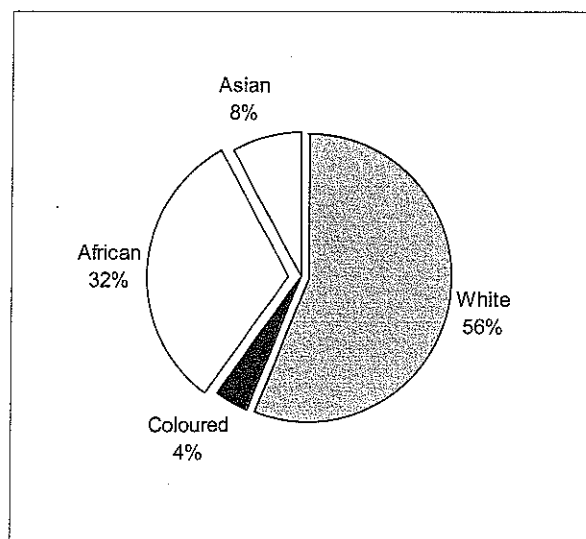
THE PANEL (continued)

Member	12 Jun 2008	13 Aug 2008	12 Sept 2008	11 Nov 2008	21 Feb 2009
Mr NA Matlala	P	P	AA	P	AA
Mr C Moni	A	A	A	A	A
Mr S Mseleku	AA	A	A	A	A
Mr J Mthimunye	P	AA	P	P	AA
Mr S Ramburuth	AA	A	A	A	AA
Mr S Siyaka	P	AA	AA	P	P
Adv B Spilg SC	AA	P	P	P	P
Ms P Stratten	AA	P	AA	AA	P
Mr DA Sylvester	AA	AA	AA	P	P
Mr BR Van Rooyen	P	AA	P	P	AA
Mr R Voller (representing DTT)	A	AA	AA	P	P
Mr WS Yeowart	P	P	P	P	P

P = Present
A = Absent
AA = Absent with Apology
NOM = Nominee Present
NAM = Not a Member
C – Conference Call

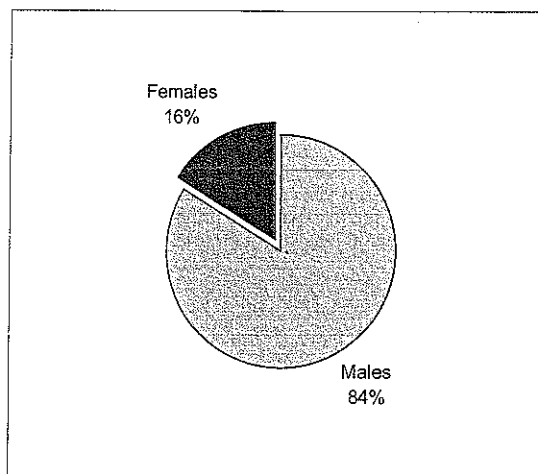
The Panel's composition in terms of race and gender can be seen from the graphs below. 60% of the Panel members are from historically disadvantaged groups.

Graph 1: Breakdown by Race



THE PANEL (continued)

Graph 2: Breakdown by Gender



SUB-COMMITTEES

Audit Committee

The Audit Committee consists of five members of the Panel. Mr RS Berkowitz was appointed as a member of the Audit Committee on 15 May 2009. The Audit Committee met once during the year. The Executive Director, Deputy Executive Director and Legal Counsel attend the Audit Committee meetings by invitation. The external auditors attend these meetings and have unrestricted access to the committee and its chairperson. The Audit Committee oversees the financial reporting process and ensures compliance with accounting policies, legal requirements, identification and management of risk and internal controls within the Panel. It also makes appropriate recommendations regarding the approval of the annual financial statements to the Panel. The Audit Committee has adopted a formal terms of reference and has satisfied its responsibilities for the year in compliance with its terms of reference.

Remuneration Committee

The Remuneration Committee comprises six members of the Panel. The Remuneration Committee met three times during the year under review. The Remuneration Committee is responsible for monitoring the Human Resource function of the Panel, determining guidelines for remuneration in terms of employment and approving the remuneration of the executives and employees of the Panel. The members of the Panel are remunerated in accordance with the Code and Rules of the Panel. The Remuneration Committee also ensures compliance with legislation in terms of employment equity and skills development.

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT (continued)**

28 February 2009

SUB-COMMITTEES (continued)

Administration Committee

The Administration Committee comprises six members of the Panel. The Executive Director, Deputy Executive Director and Legal Counsel also attend the meetings, which are held once every quarter. The Administration Committee is responsible for reviewing the financial performance of the Panel and key statistics are reported against approved budgets and compared with those of prior years. The Administration Committee also reviews an Activity Report, which details affected transactions as well as Rulings made by the Panel. The Administration Committee ensures that any risks associated with the Panel's operations are effectively identified, evaluated, managed and monitored.

Details of attendance by members of the Administration Committee during the current financial year are set out below.

Member	07 May 2008	13 August 2008	15 October 2008	28 January 2009
Mr RS Berkowitz	P	P	AA	P
Mr JM Damons	AA	P	AA	AA
Mr CA Jaffé	P	P	P	P
Mr ND Lowenthal	AA	P	P	P
Mr J Mthimunye	P	AA	AA	P
Adv B Spilg SC	P	P	P	P

P = Present

AA = Absent with Apology

Rules Committee

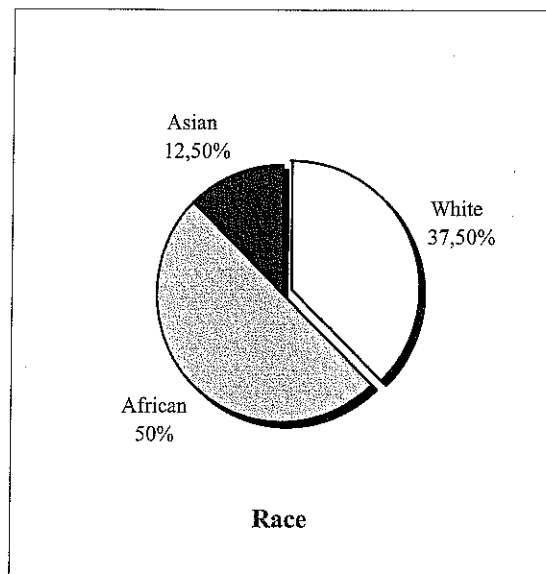
The Rules Committee consists of five members of the Panel. The Executive Director, Deputy Executive Director and Legal Counsel attend the meetings by invitation. The Rules Committee meets on an ad-hoc basis and is responsible for reviewing the Code and the Rules of the Panel with regard to their application in respect of affected transactions and making recommendations to the Panel where considered necessary for amendments to the Code and relevant sections of the Companies Act.

EMPLOYMENT EQUITY

The Panel continuously reviews its employment policies to ensure that they are appropriate. The Panel values its employees and employment policies are designed to promote a working environment in which they are able to reach their personal potential. Promotion and recruitment of employees is based on merit and no discrimination is applied in terms of background, race or sexual orientation. Employees are recognised for their contribution to the success of the Panel and are remunerated accordingly.

The Panel's staff complement can be seen from the graphs below. 75% of the Panel's staff members are from historically disadvantaged groups.

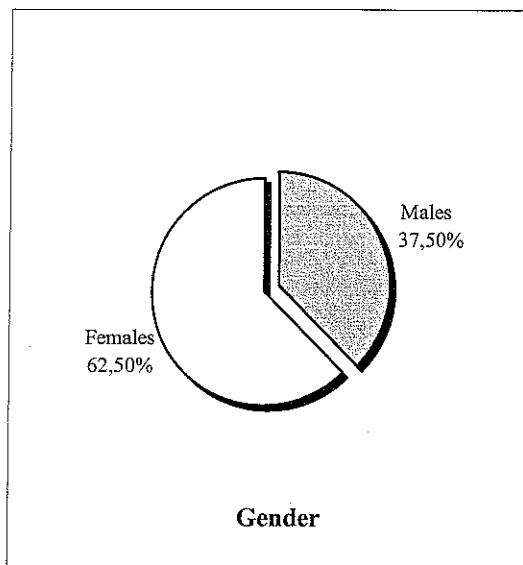
Graph 1: Breakdown by race



The percentage of female staff members is 62,50% of the workforce as depicted in Graph 2.

EMPLOYMENT EQUITY (continued)

Graph 2: Breakdown by gender



CODE OF CONDUCT

The Panel has a written Code of Conduct with which the executive and staff are required to comply. The Code of Conduct is committed to promoting the highest ethical standards amongst its executive and staff ensuring that the Panel's business practices are conducted in a manner that merits public trust and confidence. The Code of Conduct requires all employees to act with honesty and integrity and to maintain the highest ethical standards.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SECURITIES REGULATION PANEL

We have audited the annual financial statements of the Securities Regulation Panel, which comprise the balance sheet as at 28 February 2009, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 25.

Panel Members' Responsibility for the Financial Statements

The panel members are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 28 February 2009, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

The annexure set out on page 26 is presented as additional information, and does not form part of the annual financial statements. We have not audited this annexure and accordingly we do not express an opinion on it.

Deloitte & Touche

Per: R Eksteen
Partner
30 June 2009

SECURITIES REGULATION PANEL
BALANCE SHEET *at 28 February 2009*

	Notes	2009 R	2008 R
ASSETS			
Non-current assets			
Furniture and equipment	2	190 597	155 633
		<u>190 597</u>	<u>155 633</u>
Current assets			
Accounts receivable	3	1 315 659	926 832
Cash in bank and funds on deposit		11 160 101	10 854 838
Cash on hand		500	500
		<u>12 476 260</u>	<u>11 782 170</u>
Total current assets		<u>12 476 260</u>	<u>11 782 170</u>
Total assets		<u>12 666 857</u>	<u>11 937 803</u>
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		10 034 785	8 884 710
Non-current liabilities			
Employee benefit obligations	4	1 347 999	1 122 657
Current liabilities			
Accounts payable and provisions	5	1 284 073	1 930 436
Total equity and liabilities		<u>12 666 857</u>	<u>11 937 803</u>
INCOME STATEMENT <i>for the year ended 28 February 2009</i>			
Revenue		11 555 520	11 131 141
Annual levies		5 867 171	5 528 422
Fees for services		5 261 600	5 477 800
Other income		426 749	124 919
Interest received		1 390 815	982 072
Operating income		12 946 335	12 113 213
Operating expenses	6	11 796 260	9 098 240
Net surplus before taxation		1 150 075	3 014 973
Taxation	7	-	-
Net surplus for the year		<u>1 150 075</u>	<u>3 014 973</u>

SECURITIES REGULATION PANEL
STATEMENT OF CHANGES IN EQUITY
for the year ended 28 February 2009

	<u>Total</u> R
Accumulated surplus at 28 February 2007	5 869 737
Net surplus for the year	<u>3 014 973</u>
Accumulated surplus at 29 February 2008	8 884 710
Net surplus for the year	<u>1 150 075</u>
Accumulated surplus at 28 February 2009	<u><u>10 034 785</u></u>

CASH FLOW STATEMENT
for the year ended 28 February 2009

	Notes	<u>2009</u> R	<u>2008</u> R
Cash flows from operating activities			
Cash (utilised) / generated by operations	A	(993 226)	3 776 607
Interest received		<u>1 390 815</u>	<u>982 072</u>
Net cash inflow from operating activities		<u>397 589</u>	<u>4 758 679</u>
Cash flows from investing activities			
Additions to furniture and equipment		<u>(92 326)</u>	<u>(43 620)</u>
Net cash outflow from investing activities		<u>(92 326)</u>	<u>(43 620)</u>
Net increase in cash and cash equivalents		305 263	4 715 059
Cash and cash equivalents at beginning of year		<u>10 855 338</u>	<u>6 140 279</u>
Cash and cash equivalents at end of year	B	<u><u>11 160 601</u></u>	<u><u>10 855 338</u></u>

SECURITIES REGULATION PANEL
NOTES TO THE CASH FLOW STATEMENT
for the year ended 28 February 2009

	<u>2009</u>	<u>2008</u>
	R	R
A. Cash (utilised) / generated by operations		
Net surplus before taxation	1 150 075	3 014 973
Adjust for:		
Actuarial loss	-	12 143
Current service cost for post-retirement medical benefits	97 359	86 341
Interest cost for post-retirement medical benefits	127 983	78 830
Interest received	(1 390 815)	(982 072)
Disposal of assets	10 785	8 366
Depreciation	46 577	41 728
	<hr/>	<hr/>
Cash from operations before working capital changes	41 964	2 260 309
(Increase) / decrease in accounts receivable	(388 827)	159 425
(Decrease) / increase in accounts payable and provisions	(646 363)	1 356 873
	<hr/>	<hr/>
Net working capital changes	(1 035 190)	1 516 298
	<hr/>	<hr/>
Cash (utilised) / generated by operations	<u>(993 226)</u>	<u>3 776 607</u>
B. Cash and cash equivalents at end of year		
Cash and cash equivalents comprises:		
Cash in bank and funds on deposit	11 160 101	10 854 838
Cash on hand	500	500
	<hr/>	<hr/>
	<u>11 160 601</u>	<u>10 855 338</u>

SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
28 February 2009

1. Accounting policies

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared on the historical cost basis and going concern basis and incorporate the following principal accounting policies, which have been consistently applied in all material respects.

1.1 Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write-down the cost of such assets to their residual value over their estimated useful lives which are as follows:

Furniture	10 years
Equipment	5 years

1.2 Revenue recognition

The invoiced value of services rendered comprising surcharge fee income, fees for documentation, hearings and rulings, excluding value added tax, is recognised at the date services are rendered. Annual levies are raised, in advance, on 1 March in terms of Government Gazette No. 21955. Interest income is recognised in the income statement on an accrual basis using the effective interest rate method based on the capital amounts outstanding.

1.3 Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Panel has become a party to the contractual provisions of that instrument.

Financial assets

The Panel's financial assets all fall into the category of loans and receivables for AC144 disclosure purposes. Accounts receivable comprise fees receivable, prepaid expenses and sundry receivables. These assets are measured at amortised cost using the effective interest rate method.

Financial liabilities

The Panel's financial liabilities all fall into the category of financial liabilities measured at amortised cost for AC144 disclosure purposes. Financial liabilities include accounts payable consisting of creditors and accrued expenses and provision for leave pay. All financial liabilities are measured at amortised cost using the effective interest rate method.

1.4 Contingent liabilities

The Panel discloses a contingent liability where it has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Panel; or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

1.5 Operating lease

Lease payments under operating lease are recognised as incurred on a cash basis.

SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
28 February 2009

2. Furniture and equipment	Furniture	Equipment	Total
	R	R	R
Net book value at 28 February 2007	109 332	52 775	162 107
Additions for the year	526	43 094	43 620
Disposals	(561)	(7 805)	(8 366)
Depreciation	(24 021)	(17 707)	(41 728)
Net book value at 29 February 2008	85 276	70 357	155 633
Additions for the year	-	92 326	92 326
Disposals	-	(10 785)	(10 785)
Depreciation	(23 462)	(23 115)	(46 577)
Net book value at 28 February 2009	61 814	128 783	190 597
Depreciation rate	10%	20%	
Cost	280 810	186 165	466 975
Accumulated depreciation	(195 534)	(115 808)	(311 342)
Net book value 29 February 2008	85 276	70 357	155 633
Cost	280 810	239 131	519 941
Accumulated depreciation	(218 996)	(110 348)	(329 344)
Net book value 28 February 2009	61 814	128 783	190 597

3. Accounts receivable	2009	2008
	R	R
Fees receivable	1 203 952	748 120
Prepaid expenses	42 610	79 348
Sundry receivables	69 097	99 364
	1 315 659	926 832

No interest is charged on past due fees receivables. The carrying value of accounts receivables approximates fair value. No provision for doubtful debt has been raised against accounts receivable on the basis that all are considered to be recoverable.

Ageing of fees receivable	2009	2008
	R	R
Current	204 271	202 692
Past due but not impaired	999 681	545 428
30-60 days	182 400	10 592
60-90 days	118 009	-
90-120 days	699 272	534 836
	1 203 952	748 120

4. Employee benefit obligations

Defined contribution plan:

All staff members of the Panel are members of the JSE Limited Pension Scheme, which is the defined contribution pension fund of the JSE Limited. The Panel and staff members contribute in accordance with the rules of that pension scheme. Total contributions made to the pension scheme during the year were R656 442 (2008: R595 431).

Post-retirement medical benefit plan:

The Panel operates a post-retirement medical benefit plan for qualifying employees of the Panel. Under the scheme, the Panel will until the death of qualifying employees and their spouses, contribute both the employer and employee contributions to the medical aid fund of which the employee was a member at the date of retirement. Should a qualifying employee die prior to retirement, the Panel will contribute on behalf of that former employee's spouse and the spouse's minor dependants both the employer and employee contributions to such fund until the spouse finds gainful employment or remarries.

The effective date of the most recent actuarial valuation is 29 February 2008. Current year employee benefit obligation amounts are based on the projected values as per 2008 valuation. No other post-retirement benefits are provided. This plan is wholly unfunded and, therefore, no plan assets exist.

	<u>2009</u>	<u>2008</u>
	R	R
Amounts recognised in income in respect of the scheme are as follows:		
Actuarial loss	-	12 143
Current service cost	97 359	86 341
Interest cost	<u>127 983</u>	<u>78 830</u>
	<u>225 342</u>	<u>177 314</u>

The amounts included in the balance sheet arising from the Panel's obligation in respect of post-retirement medical benefit plans is as follows:

Present value of unfunded obligations	<u>1 347 999</u>	<u>1 122 657</u>
Total liability	<u>1 347 999</u>	<u>1 122 657</u>

Employee benefit obligations

Key assumptions used:

Discount rate	9.8%	9.8%
Expected medical inflation	6.95%	6.95%

SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
28 February 2009

	<u>2009</u>	<u>2008</u>
	R	R
5. Accounts payable and provisions		
Creditors and accrued expenses	1 120 938	1 710 839
Provision for leave pay	<u>163 135</u>	<u>219 597</u>
	<u>1 284 073</u>	<u>1 930 436</u>

Contractual maturity analysis of financial liabilities

Demand	1 058 953	1 647 489
1 – 5 years	<u>225 120</u>	<u>282 947</u>
	<u>1 284 073</u>	<u>1 930 436</u>

6. Operating expenses

Operating expenses include the following items:

Auditor's remuneration	171 939	115 137
Depreciation	46 577	41 728
Legal fees	834 113	418 790
Operating lease payments - building	469 450	368 912
Operating lease payments - other	33 528	30 486
Panel members' fees	1 457 455	925 101
- Executive services - Chairperson	745 979	620 255
- Executive services - Members	651 021	263 864
- Other services	60 455	40 982
Current service cost for post-retirement medical benefits	97 359	86 341
Interest cost for post-retirement medical benefits	127 983	78 830
Personnel costs	7 700 757	6 295 632

Included in personnel costs are the following:

Directors' emoluments:

	<u>R J Connellan</u>	<u>R J Connellan</u>
Basic salary	1 556 176	1 410 081
Bonuses	944 688	574 063
Other	45 198	40 956
Pension fund contributions	<u>249 925</u>	<u>226 462</u>
	<u>2 795 987</u>	<u>2 251 562</u>

	<u>V I Pitchers</u>	<u>V I Pitchers</u>
Basic salary	1 059 882	976 380
Bonuses	547 612	401 987
Other	23 236	21 052
Pension fund contributions	<u>169 042</u>	<u>155 668</u>
	<u>1 799 772</u>	<u>1 555 087</u>

SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
28 February 2009

7. Taxation

The Panel is exempt from the payment of taxation in terms of Section 10 (cA) of the Income Tax Act.

8. Contingent liabilities

A performance bonus scheme exists whereby the Executive Director, Deputy Executive Director and the Legal Counsel are to receive a total of R453 750 (2008:R490 937), R204 600 (2008: R343 012) and R166 800 (2008: R273 708) respectively, to be paid out in full in June 2009.

During the 2008 financial year, the policy relating to deferred bonus compensation paid to Executive Director, Deputy Executive Director and the Legal Counsel was changed such that 50% of the bonus is paid immediately in December each year and 50% is due and payable in June of the following year.

An incentive scheme exists to encourage current employees to remain in the employ of the Panel during transition to the Takeover Regulation Panel, which is anticipated to be at the beginning of 2010. The aggregate amount, on full payment at current packages, is approximately R6 160 140.

Contemporaneously with the transition to the Takeover Regulation Panel, the Panel may resolve to buy the employees out of the post-retirement medical benefit plan which will result in a payment of approximately R2 190 000 based on the 2008 Post Retirement Medical Aid valuation. This would result in an additional approximately R 842 000 liability.

The Panel is involved in a dispute where the outcome is uncertain. The members are confident that the potential of significant outflow is minimal and the worst should not exceed R600 000.

	<u>2009</u>	<u>2008</u>
	R	R
9. Commitments		
Rental payments in terms of premises lease agreement		
Future minimum lease payments payable within 1 year	561 858	159 765
Future minimum lease payments payable between 2 and 5 years	243 324	-
Parking payments in terms of lease agreement		
Future minimum lease payments payable within 1 year	36 881	13 200
Future minimum lease payments payable between 2 and 5 years	15 972	-

The premises leased commenced on 1 August 2008 and remains in force for a period of 2 years, terminating on 31 July 2010. In terms of the lease agreement, the rentals will escalate by 10% compounded, on each anniversary of 1 August. In terms of the lease agreement, a deposit of R35 841 was paid and will remain in full force and effect until the expiry of the lease and renewal thereof.

10. Financial Risk Management

10.1 Credit risk

The Panel's income is derived from:

- levies on the annual revision fees charged by JSE Limited to listed companies;
- documentation inspection fees and fees charged for consultations and rulings; and
- interest received from funds on deposit.

The levies and fees that are charged by the Panel are set by the Minister of Trade and Industry and published in the Government Gazette. As such, the basis of income collection is, to a large degree, out of the control of the Panel.

Should there be a major fall in the market capitalisation of listed companies, this would have a detrimental effect on income. Similarly, should there be a considerable fall off in takeover and merger activity, income would be adversely impacted.

The Panel always runs the risk of any of its rulings being taken on review to the High Court, or the Panel itself instituting High Court action against parties which do not comply with the Rules of the Code. Such an action could draw heavily on the Panel's resources.

The Panel is confident that it will be able to recover all accounts receivable in full. Accordingly, no provision has been made for the impairment of accounts receivable to date, this is assessed on ongoing basis.

The Panel has no significant concentrations of credit risk.

10.2 Liquidity risk

Based on the strength of the balance sheet, the Panel is of the view that all liabilities, including contingent liabilities, can be met from existing cash deposits.

10.3 Market risk

The Panel does not have any significant exposure to market risk.

11. Accounting estimates and judgments

The post-retirement medical aid liability is valued bi-annually by Deloitte Actuarial and Insurance Solutions.

12. Subsequent events

The Companies Bill was signed by the President on 8 April 2009. The anticipated effective date is 1 July 2010.

No other matter which is material to the financial affairs of the Panel has occurred between the balance sheet date and the date of approval of the annual financial statements.

13. Standards and interpretations issued but not yet effective

i. Standard

The following standards effective for the Panel's 2010 financial year, have not been early adopted by the Panel:

- AC145 - Operating segments.

ii. Revised standards

The following revision to accounting standards effective for the Panel's 2010 financial year, has not been early adopted by the Panel:

- AC101 – Presentation of financial statement
- AC114 – Borrowing costs
- AC139 – Share based payments

iii. Interpretations

The following interpretations of existing standards effective for the Panel's 2010 financial year have not been early adopted by the Panel:

- AC446 – Customer loyalty programmes
- AC448 – Agreements for the construction of real estate
- AC449 – Hedges of a net investment in a foreign operation

None of these Standards is expected to have any material costs on the Panel.

SECURITIES REGULATION PANEL
ANALYSIS OF MATTERS CONSIDERED BY THE PANEL DURING THE YEAR
28 February 2009

ANNEXURE 1

	<u>2009</u>	<u>2008</u>
1. Offers by parties other than controlling shareholders	11	11
1.1 to acquire given percentage (partial offer)	2	-
1.2 to acquire 100% (scheme of arrangement)	7	8
1.3 general offer	2	3
1.4 general offer – Section 440K invoked	-	-
1.5 to acquire 100% (conversion/redemption)	-	-
2. Take-out of minorities	18	18
2.1 scheme of arrangement	12	12
2.2 general offer Section 440K invoked	6	6
2.3 conversion/redemption	-	-
2.4 reduction of capital	-	-
3. Mandatory offer under rule 8.1 (a)	16	17
3.1 comparable normal offer	6	12
3.2 standby offer	-	-
3.3 waivers by shareholders i.t.o. Rule 8.7	10	5
4. Section 228 transactions	13	18
	58	64
5. Rulings issued in respect of:	42	31
5.1 possible affected transactions	8	5
5.2 relaxation of Code requirements	12	14
5.3 changes within control	-	-
5.4 dispensation from making offer	8	3
5.5 rescue actions	-	-
5.6 condonation of non-compliance	5	4
5.7 voting at general meetings	-	-
5.8 other	9	5