

**SECURITIES REGULATION PANEL
ANNUAL FINANCIAL STATEMENTS
28 FEBRUARY 2007**

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PANEL'S RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The members of the Securities Regulation Panel ("the Panel") are responsible for the preparation, integrity and objectivity of the annual financial statements and other information explained therein. The Panel is satisfied that the information contained in the annual financial statements fairly presents the state of affairs of the entity as at 28 February 2007 and the results of its operations and cash flows for year then ended. The annual financial statements set out in this report have been prepared in accordance with the provisions of the Companies Act No. 61 of 1973, and comply with South African Statements of Generally Accepted Accounting Practice. The Panel has no reason to believe that the entity will not continue as a going concern for the foreseeable future, and therefore continues to prepare the annual financial statements on the going concern basis.

The annual financial statements set out on pages 18 to 28 were approved by the Panel on 13 June 2007 and signed on its behalf by:

C A Jaffé
Chairperson

R J Connellan
Executive Director

**SECURITIES REGULATION PANEL
MEMBERS AND EXECUTIVE
28 FEBRUARY 2007**

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 Business

Members

Mr L Bam
Mr R S Berkowitz
Mr J M Damons
Mr T Dloti (appointed 18/01/2007)
Mr B M Kodisang
Ms P Langeni
Mr R M Loubser
Prof S M Luiz
Dr N S Makgetla (resigned)
Mr S K Mhlarhi (resigned)
Mr S Moloko (resigned)
Mr C Moni
Mr S Mseleku
Mr J Mthimunya
Mr S Siyaka
Ms P Stratten
Mr D A Sylvester
Mr B R van Rooyen

The Association for the Advancement of Black Accountants of South Africa
The Banking Council South Africa
Foundation for African Business and Consumer Services
The Life Offices' Association of South Africa
The Institute of Retirement Funds
JSE Limited
JSE Limited
The Society of Law Teachers
Congress of Southern African Trade Unions
The Banking Council South Africa
The Life Offices' Association of South Africa
National Union of Mine Workers
National African Federated Chamber of Commerce
The South African Institute of Chartered Accountants
The Banking Council South Africa
JSE Limited
The Shareholders' Association of South Africa
The Chamber of Mines of South Africa

Ex Officio members

Mr M Modiba
Mr S Ramburuth

Registrar of Companies (Nominee: Mr R Voller)
Acting Commissioner: Competition Commission South Africa

Co-opted members

Prof M M Katz
Dr D Konar
Mr N D Lowenthal
Adv B Spilg SC
Mr W S Yeowart

Executive

Mr R J Connellan
Mr V I Pitchers
Mr M A L Phakeng

Executive Director
Deputy Executive Director
Compliance Officer

**SECURITIES REGULATION PANEL
SUB-COMMITTEES OF THE PANEL
28 FEBRUARY 2007**

Administration Committee

Mr R S Berkowitz Chairperson
Mr J M Damons
Mr C A Jaffé
Mr N D Lowenthal
Dr N S Makgetla (resigned)
Mr S K Mhlarhi (resigned)
Mr J Mthimunye
Adv B Spilg SC

Audit Committee

Dr D Konar Chairperson
Mr B M Kodisang
Mr C A Jaffé
Mr J Mthimunye
Mr W S Yeowart

Rules Committee

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

Remuneration Committee

Mr R S Berkowitz Chairperson
Mr C A Jaffé
Adv M E King SC
Mr B M Kodisang
Mr N A Matlala
Mr S Moloko (resigned)
Ms P Stratten

Executive Committee

The Executive Committee comprises the Chairperson, the Deputy Chairpersons, the Executive Director and such members of the Panel as may from time to time be co-opted to the committee.

**SECURITIES REGULATION PANEL
REPORT OF THE CHAIRPERSON
28 FEBRUARY 2007**

I am privileged to have been the Chairperson of the Panel since early 1995 and have pleasure in presenting my thirteenth report since my appointment. I am not superstitious and trust that my confidence in the future is not displaced.

Operations of the Panel

Stock markets worldwide continue to surge ahead with an abundance of cash available for takeover and merger activity. Not surprisingly the level of activity involving South African companies has increased such that the Executive of the Panel has dealt with 72 affected transactions this year, compared with 64 in the previous 12 months. This level is still well below the number of takeovers regulated during the years 2000 and 2001, however the value of the deals is now significantly higher, exceeding R84 billion in aggregate value in the year under review.

The more significant transactions involving targeted companies have been from private equity firms, and have included considerable inflows of capital from offshore investors. Some of the structures put forward to give effect to these takeovers have been quite intricate, have received a mixed reception from investors and have also required that regulators worldwide be flexible in applying, but not bending, their rules to accommodate all parties in a truly global market.

The Panel's executive has spent considerable time with the corporate advisers to these transactions, ensuring that they are structured in such a way that the principles of equality of treatment, disclosure of maximum information and fairness are upheld. This, on some occasions, has compelled the Executive to seek external expert advice on aspects of the transactions to ensure that the provisions of the Code were not breached and the rights of minority shareholders fully protected. The Panel rarely has the opportunity to recover such external costs.

What is significant is that of the affected transactions supervised no less than 33 related to disposals by companies of all or the greater part of their assets requiring shareholders authority in terms of section 228 of the Companies Act No. 61 of 1973. Over recent years the Panel has noted the gradual preference toward this mechanism as a necessary step in the elimination of minority shareholding. I am pleased to note that the Corporate Laws Amendment Bill includes an amendment to section 228 which, *inter alia*, provides that shareholders in general meeting may only authorise the directors of the company to enter into such transactions by way of a special resolution rather than by an ordinary resolution. The bill has been passed by Parliament but has, as yet, not been promulgated by the State President.

With regard to the judgment against the Panel handed down in the matter principally between Harmony Gold Mining Company Limited and Goldfields Limited the Panel is currently in negotiation with Goldfields to settle this matter out of Court. Although the Panel has been advised that it has a good appeal, we have regard to the maxim that "a bad settlement is better than a good case". Even in the case of a successful appeal, the attorney and client costs not recoverable from the unsuccessful respondent are too considerable to contemplate. This does not mean however that if the negotiations for a settlement are not successful we will not proceed with the appeal. As presently advised we will press on if need be. I am also pleased to report that the Metrofile Holdings Limited loan note issued to the Panel last year in settlement of an earlier costs order has been redeemed in full, together with all accrued interest thereon.

**SECURITIES REGULATION PANEL
REPORT OF THE CHAIRPERSON (continued)
28 FEBRUARY 2007**

The Public Prosecutor re-opened the insider trading case against Mrs. C L Botha relating to share dealing in the securities of Automakers Limited during 1997. The original prosecution was heard before a Regional Magistrate who unfortunately died before the case was completed. That necessitated the recommencement of the whole trial. In the process of negotiating a plea bargain with the accused, which entailed a fine of R300 000,00 and a five year prison sentence suspended for five years, the prosecutor sought the views of the Panel. The illegal profit gained from this activity exceeded R900 000,00, but after taking cognisance of the failing health of Mrs. Botha, and the considerable expense she had incurred in defending this action for close to a decade the Panel raised no objection to the terms of the plea bargain which was then accepted in order to complete the matter. This constituted the first criminal conviction for insider trading in South African history.

The six month secondment of Mr. Lerato Moabelo to the Panel, which was partially financed by Investec Limited ended in June 2006. I sincerely hope that the period spent with the Panel has proved to be beneficial to him. As from the beginning of March 2007 the legal firm of Jowell Glynn and Marais seconded Jacob Rakgoathe, a newly appointed partner in that firm, to the Panel for a six month period, and as from April 2007 the Law Society of the Northern Provinces seconded Ronny Mkhwanazi to the Panel for a three month period. Both these gentlemen have been and will be given the opportunity to be exposed to every aspect of the Panel's function of regulation during their tenure, which is in accordance with the Panel's objective to fast track previously disadvantaged qualified persons who lacked practical exposure to the field of takeovers and mergers.

The new Companies Act

In October 2005 the special drafting committee of the Panel submitted a complete re-write of Chapter XVA of the current Companies Act to the Department of Trade and Industry ("dti") for incorporation into the draft Companies Bill 2007. The draft chapter submitted by the Panel was styled on, but very different from the 1973 Companies Act having regard to the wealth of experience of the Panel in the operation of Chapter XVA and its many shortcomings. When we received an advance draft of the Companies Bill 2007 it was apparent that its style was very different from the existing act and very little of our draft had been incorporated into the Bill. We are obviously disappointed by this fact as I believe that, in particular, the definitions drafted by ourselves properly encompass every aspect of this very complex area of Company Law upon which the specific rules or regulations are to be based. Nevertheless, I and the Panel executive continue to co-operate fully with dti, and in the future will give every assistance we can to the dti in the redrafting of the relevant sections of the proposed act pertaining to takeovers and mergers with the regulations to follow. To that end we attended a two day seminar on the Bill and made further written submissions to the dti. We are encouraged by the amendments of yet a further draft Bill which went some way to accepting our suggestions for its more efficient and effective operation. This led to yet another written submission followed by a further encouraging meeting with dti discussing our proposals.

**SECURITIES REGULATION PANEL
REPORT OF THE CHAIRPERSON (continued)
28 FEBRUARY 2007**

In terms of the bill the Securities Regulation Panel will cease to exist and will be replaced by The Takeovers Panel. The new panel will not enjoy the principle of self regulation that the SRP has as *inter alia*, it will be funded by State and be subject to the Public Services Administration Act. At this stage, it is also unclear what the status of the existing executive staff of the Panel will be, or where the offices of The Takeovers Panel will be situated. Changes of this nature may well necessitate the SRP offering retrenchment packages to the Executive and its staff. The latest estimate that I have for implementation of the new Act is during the last quarter of 2009 although it will be moved in Parliament twelve months earlier.

In the light of the above the Panel is no longer pursuing an amendment to the basis of collection of its annual levy from listed companies. Some time ago we applied to our Minister for an increase in the remuneration paid to Panel members for attendance at meetings and hearing, which in terms of the existing rules is abysmally low relative to the knowledge and experience that these members bring to the Panel and the valuable time they have expended. To date our efforts have not been successful.

Financial affairs

I have emphasised in the past the need for the Panel to be financially sound so that, should it need to do so, it will have the resources to contest the matter through the courts. As at February 2006, the Panel's accumulated surplus had fallen to a mere R869 000. I am pleased to advise that this year the Panel has operated at a surplus of R2 822 000. This compares with R2 179 000 in the previous year. The accumulated surplus at 28 February 2007 now stands at a healthier R5 870 000. This is in line with the Panel's intention to build up a "war chest" of approximately R10 million over a reasonably short period of time.

To this end, the Panel decided that it was again necessary to increase the percentage levy collected by the Panel from listed companies from 16% to 18% of that charged by JSE Limited with effect from 1 March 2007. The formation of The Takeovers Panel as presently envisaged by the proposed Bill will obviously introduce a new financing model.

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. My thanks 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.

**SECURITIES REGULATION PANEL
REPORT OF THE CHAIRPERSON (continued)
28 FEBRUARY 2007**

At this point, I must regrettably add that Dr. Neva Makgetla, nominee of the Congress of Southern African Trade Unions, Sydney Mhlarhi, nominee of The Banking Council South Africa, and Sello Moloko, nominee of The Life Offices' Association of South Africa have decided to stand down as members of the Panel. We are sad to see them go and thank them for their contribution to the success of the Panel. The Life Officers' Association of South Africa nominated Thabo Dloti as their new member and he was duly appointed by our Minister.

The period of appointment of the present body of members ends in August 2007. We have suggested to dti that the Minister re-appoint the present membership until at least the implementation of the new Companies Act.

Executive and support staff

I continue to be amazed by the insight, energy and level of competence exercised throughout the year by our Executive Director, Richard Connellan, his deputy Viv Pitchers and our Compliance Officer, Lucky Phakeng. They have been assisted ably by our loyal and efficient support staff whose composition has remained unchanged throughout the year. My thanks to them all for that loyalty and diligence. It will be a sad day for the financial industry if the expertise which they share between them should be lost as a consequence of changes in the law.

Finally my thanks to the Deputy Director-General of dti, Astrid Ludin, and her support staff from all of whom we always receive courtesy and assistance whenever sought. I understand that since our year end Astrid has left the dti. On behalf of the Panel, we wish her every success in her future endeavors.

**C A Jaffé
Chairperson
13 June 2007**

**SECURITIES REGULATION PANEL
REPORT OF THE EXECUTIVE DIRECTOR
28 FEBRUARY 2007**

Finance

The Panel's levy charged to listed companies, as a percentage of the annual listing fee charged by JSE Limited, was increased from 12% to 16% with effect from 1 March 2006. This increase was necessary to ensure that the Panel operated at a marginal profit during the year under review.

As required by the Rules of the Securities Regulation Code on Takeovers and Mergers this amendment was gazetted on the 23 February 2007 in the Government Gazette.

Income from annual levies charged increased by 28,5% from R3 526 796 in the previous year to R4 533 996 for the year ended 28 February 2007.

The number of affected transactions supervised by the Panel during the year increased by 12,5%, whilst formal rulings issued by the Panel fell by 49% compared to that of the previous year. The fall in the number of rulings given is as a result of a more cautious approach in the giving of *ex parte* rulings.

Income from fees charged for consultations, rulings and the supervision and approval of documents relating to affected transactions amounted to R5 765 700 compared with R3 994 702 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 R58 818.

Interest received, which includes interest received on the Metrofile Limited loan note which was acquired in the previous financial year as settlement of an outstanding debt, amounted to R680 695.

The Metrofile Limited loan note of R2 156 609 was redeemed during the year and the impairment of R744 246 provided for in the previous year has been reversed and is brought to income in this financial year.

Total operating costs for the year ended 28 February 2007 amounted to R8 961 661, compared with R7 942 403 in the previous year.

Net surplus for the year under review amounted to R2 821 794, compared with a surplus for the year ended 28 February 2006 of R2 179 273. The accumulated surplus as at 28 February 2007 was R5 869 737.

**SECURITIES REGULATION PANEL
REPORT OF THE EXECUTIVE DIRECTOR (continued)
28 FEBRUARY 2007**

Panel operations

The Panel is a statutory regulatory body, the function of which is to regulate all transactions defined in the Companies Act No.61 of 1973 (“the Act”) as affected transactions. During the year, the Panel regulated 72 affected transactions having an aggregate value in excess of R84 billion, compared with 64 affected transactions having an aggregate value in excess of R63 billion in the prior year. During the period, 28 (2006: 55) formal rulings relating to the interpretation of the Rules or the granting of exemption or dispensation from compliance with the Rules were made. Due to the convoluted requirements in terms of the Promotion of Administrative Justice Act No.3 of 2000 formal rulings by the Executive are, to a certain extent being replaced with non – binding opinions.

The Executive Director referred 2 matters to the Executive Committee for hearings. Neither of the rulings handed down by the Executive Committee pursuant to the hearings was appealed to the full Panel.

The Executive Committee hearings related to:

- Real Africa Holdings Limited/Sun International Limited
Executive Committee members: Messrs. N D Lowenthal and N A Matlala and Ms. P Stratten.
- Gold Fields Limited/Western Areas Limited
Executive Committee members: Messrs. R S Berkowitz, R J Connellan, J M Damons and Prof S M Luiz.

Rules

During 2005 the Panel was requested by the Department of Trade and Industry (“dti”) to submit amendments to Chapter XVA. Comprehensive amendments, which entailed a redrafting of this chapter was submitted to dti for consideration. Drafting then commenced on a revised Code and Rules on the basis that the Panel’s redrafting of Chapter XVA would be adopted. When it became evident that very few of the Panel’s recommended changes were to be incorporated into the Companies Bill this work was halted. The Panel has offered to redraft the Rules in the form of regulations once the new Companies Act is promulgated.

The long awaited amendment to section 228 of the Act, which was initiated by the Panel and incorporated in the Companies Amendment Bill, has been passed by Parliament but as yet not been promulgated into law.

**SECURITIES REGULATION PANEL
REPORT OF THE EXECUTIVE DIRECTOR (continued)
28 FEBRUARY 2007**

Conclusion

The Executive continues to receive tremendous support from the Panel's Chairperson, Cyril Jaffe. His interest in the Panel's affairs, enthusiasm, and selflessness in ensuring that the Panel is an efficient and effective regulator in every respect is greatly appreciated.

My thanks to the members of the Panel for their support and assistance during hearings as well as to my colleagues Viv Pitchers and Lucky Phakeng and our administrative staff for their continued efforts and support.

**R J Connellan
Executive Director
13 June 2007**

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT
28 FEBRUARY 2007**

The Panel endorses the Code of Corporate Practice and Conduct as contained in the King 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 Compliance Officer 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 judgements and estimates.

THE PANEL

The Panel comprises 17 appointed members inclusive of the Chairperson, two ex-officio members and six co-opted members. The term of office of the members appointed by the Minister commenced on 29 September 2004, whilst the co-opted members were appointed by the Panel on 17 November 2004. 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 four Panel meetings were held. Details of attendance by members are set out below:

Member	Nominee	14 June 2006	13 Sept 2006	15 Nov 2006	7 Feb 2007
Mr CA Jaffé		P	P	P	P
Mr RS Berkowitz		P	P	P	P
Mr L Bam		P	AA	P	AA
Mr JM Damons		A	AA	AA	P
Mr T Dloti		NAM	NAM	NAM	AA
Prof MM Katz		AA	A	A	AA
Adv ME King SC		P	AA	P	AA
Mr BM Kodisang		AA	AA	AA	P
Dr D Konar		AA	AA	P	AA
Ms P Langeni		P	AA	AA	A
Mr RM Loubser		P	P	AA	AA
Mr ND Lowenthal		AA	P	P	P
Prof SM Luiz		P	P	P	P

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT (continued)
28 FEBRUARY 2007**

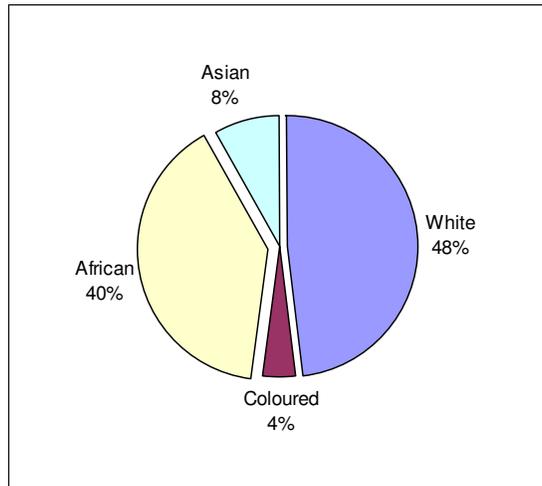
THE PANEL (continued)

Member	Nominee	14 June 2006	13 Sept 2006	15 Nov 2006	7 Feb 2007
Dr NS Makgetla		A	P	NAM	NAM
Mr NA Matlala		P	P	AA	P
Mr SK Mhlarhi		AA	AA	NAM	NAM
Mr M Modiba	Mr R Voller	A	NOM	NOM	NOM
Mr S Moloko		AA	AA	NAM	NAM
Mr C Moni		A	AA	A	A
Mr S Mseleku		AA	AA	A	AA
Mr J Mthimunye		AA	P	P	P
Mr S Ramburuth		AA	AA	A	AA
Mr S Siyaka		A	P	P	A
Adv B Spilg SC		P	AA	P	P
Ms P Stratten		P	P	P	AA
Mr DA Sylvester		AA	AA	AA	AA
Mr BR Van Rooyen		P	AA	AA	P
Mr WS Yeowart		P	AA	P	AA

P = Present
A = Absent
AA = Absent with Apology
NOM = Nominee Present
NAM = Not a Member

The Panel’s composition in terms of race and gender can be seen from the graphs below. 63% of the Panel members are from historically disadvantaged groups.

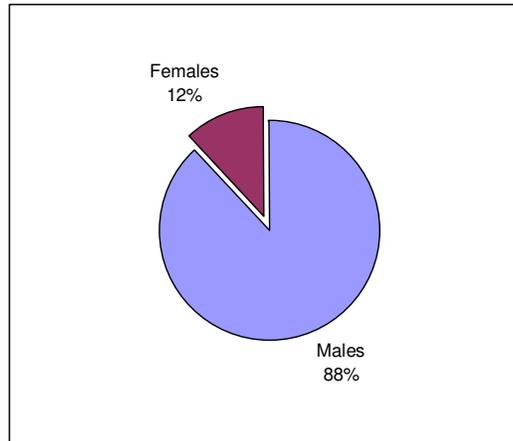
Graph 1: Breakdown by Race



**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT (continued)
28 FEBRUARY 2007**

THE PANEL (continued)

Graph 2: Breakdown by Gender



SUB COMMITTEES

Audit Committee

The Audit Committee consists of five members of the Panel. The Audit Committee meets once during the year. The Executive Director and Deputy Executive Director 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.

Remuneration Committee

The Remuneration Committee comprises six members of the Panel. The Remuneration Committee met once 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 2007**

SUB COMMITTEES (continued)

Administration Committee

The Administration Committee comprises six members of the Panel. The Executive Director, Deputy Executive Director and Compliance Officer 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	24 May 2006	16 August 2006	18 October 2006	24 January 2007
Mr RS Berkowitz	P	P	P	AA
Mr JM Damons	P	AA	P	AA
Mr CA Jaffé	P	P	P	P
Mr ND Lowenthal	NAM	NAM	NAM	P
Dr NS Makgetla	AA	A	NAM	NAM
Mr SK Mhlarhi	AA	P	AA	NAM
Mr J Mthimunye	P	AA	P	P
Adv B Spilg SC	NAM	NAM	NAM	P

P = Present

A = Absent

AA = Absent with Apology

NAM = Not a Member

Rules Committee

The Rules committee consists of six members of the Panel. The Executive Director, Deputy Executive Director and Compliance Officer 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.

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT (continued)
28 FEBRUARY 2007**

SUB COMMITTEES (continued)

Executive Committee

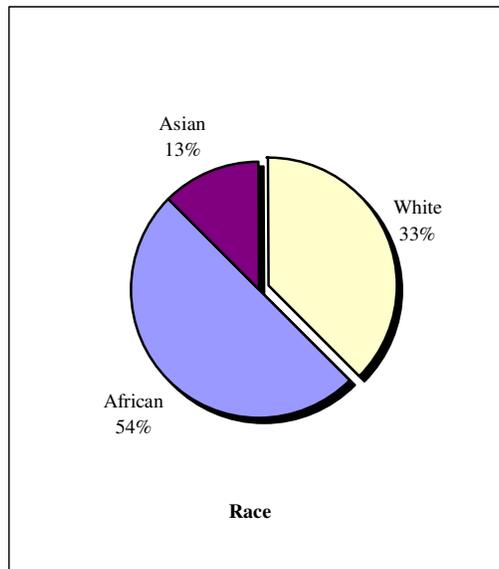
The Executive Committee of the Panel is appointed in terms of the Act and consists of the Executive Director and so many members of the Panel as the Panel may determine. The Chairperson of the Panel may also be appointed as an Executive Committee member. A decision of the Executive Director may be taken on appeal to the Executive Committee. In practice members of this Committee are appointed ad-hoc from non-conflicted members to hear appeals, a quorum of which is three members.

EMPLOYMENT EQUITY

The Panel continuously reviews its employment policies to ensure that it is 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. 67% of the Panel's staff members are from historically disadvantaged groups.

Graph 1: Breakdown by race

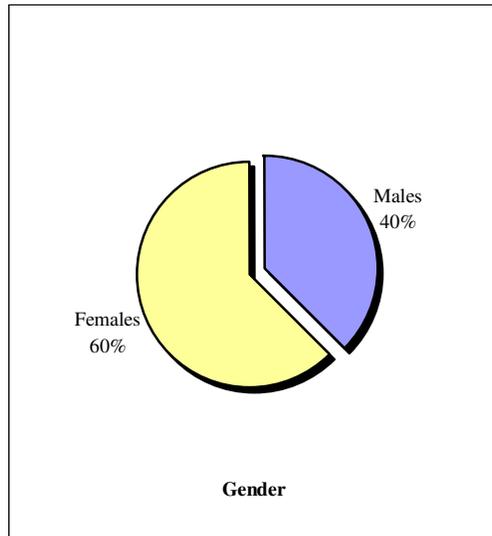


The percentage of female staff members is 60% of the workforce as depicted in Graph 2.

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT (continued)
28 FEBRUARY 2007**

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 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 27.

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 2007, 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 28 is presented as additional information, and do 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 H Klopper
Partner
13 June 2007

**SECURITIES REGULATION PANEL
BALANCE SHEET
AT 28 FEBRUARY 2007**

	Notes	<u>2007</u> R	<u>2006</u> R
ASSETS			
Non-current assets			
Furniture and equipment	2	162 107	201 132
Long term receivable	3	-	2 086 729
		<u>162 107</u>	<u>2 287 861</u>
Current assets			
Accounts receivable	4	1 086 257	1 113 525
Cash in bank and funds on deposit		6 139 779	3 355 880
Cash on hand		500	500
		<u>7 226 536</u>	<u>4 469 905</u>
Total current assets		<u>7 226 536</u>	<u>4 469 905</u>
Total assets		<u><u>7 388 643</u></u>	<u><u>6 757 766</u></u>
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		5 869 737	3 047 943
Non-current liabilities			
Employee benefit obligations	8	945 343	563 186
Current liabilities			
Accounts payable and provisions	5	<u>573 563</u>	<u>3 146 637</u>
Total equity and liabilities		<u><u>7 388 643</u></u>	<u><u>6 757 766</u></u>

**SECURITIES REGULATION PANEL
INCOME STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2007**

	Notes	2007	2006
		R	R
Revenue		11 102 760	9 243 330
Annual levies		4 533 996	3 526 794
Fees for services		5 765 700	3 994 702
Other income		803 064	1 721 834
Interest received		<u>680 695</u>	<u>878 346</u>
Operating income		11 783 455	10 121 676
Operating expenses	6	<u>8 961 661</u>	<u>7 942 403</u>
Net surplus before taxation		2 821 794	2 179 273
Taxation	7	<u>-</u>	<u>-</u>
Net surplus for the year		<u><u>2 821 794</u></u>	<u><u>2 179 273</u></u>

**SECURITIES REGULATION PANEL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2007**

	<u>Total</u> R
Accumulated surplus at 28 February 2005	868 670
Net surplus for the year	<u>2 179 273</u>
Accumulated surplus at 28 February 2006	3 047 943
Net surplus for the year	<u>2 821 794</u>
Accumulated surplus at 28 February 2007	<u><u>5 869 737</u></u>

**SECURITIES REGULATION PANEL
CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2007**

	Notes	2007	2006
		R	R
Cash flows from operating activities			
Cash generated by operations	A	2 108 566	620 245
Interest received		<u>680 695</u>	<u>878 346</u>
Net cash inflow from operating activities		<u>2 789 261</u>	<u>1 498 591</u>
Cash flows from investing activities			
Additions to furniture and equipment		<u>(5 362)</u>	<u>(50 443)</u>
Net cash outflow from investing activities		<u>(5 362)</u>	<u>(50 443)</u>
Net increase in cash and cash equivalents		2 783 899	1 448 148
Cash and cash equivalents at beginning of year		<u>3 356 380</u>	<u>1 908 232</u>
Cash and cash equivalents at end of year	B	<u><u>6 140 279</u></u>	<u><u>3 356 380</u></u>

**SECURITIES REGULATION PANEL
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2007**

	<u>2007</u>	<u>2006</u>
	R	R
A. Cash generated by operations		
Net surplus before taxation	2 821 794	2 179 273
Adjust for:		-
Transitional expense for post-retirement medical benefits	85 629	85 629
Actuarial loss	152 201	
Current service cost for post-retirement medical benefits	65 113	37 373
Interest cost for post-retirement medical benefits	79 214	42 839
Interest received	(680 695)	(878 346)
Impairment of debtors	(744 246)	-
Movement in long term receivable	-	(1 412 363)
Depreciation	44 387	45 561
	<u>1 823 397</u>	<u>99 966</u>
Cash from operations before working capital changes	1 823 397	99 966
Decrease / (increase) in long term receivable	2 830 975	(2 830 975)
Decrease in accounts receivable	27 268	1 750 636
(Decrease) / increase in accounts payable and provisions	(2 573 074)	1 600 618
	<u>285 169</u>	<u>520 279</u>
Net working capital changes	285 169	520 279
Cash generated by operations	<u><u>2 108 566</u></u>	<u><u>620 245</u></u>
B. Cash and cash equivalent at end of year		
Cash and cash equivalents comprises:		
Cash in bank and funds on deposit	6 139 779	3 355 880
Cash on hand	500	500
	<u><u>6 140 279</u></u>	<u><u>3 356 380</u></u>

**SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
28 FEBRUARY 2007**

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 are cash and cash equivalents and accounts receivable. Cash and cash equivalents comprise cash on hand and deposits held with domestic banks. Other accounts receivable comprises fees receivable, prepaid expenses and sundry debtors. These assets have been designated as originated loans and receivables and are measured at amortised cost.

Financial liabilities

The Panel's financial liabilities include accounts payable consisting of accruals, provision for leave pay and sundry creditors. All financial liabilities are measured at amortised cost.

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 an expense on a straight-line basis.

SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
28 FEBRUARY 2007

	<u>Furniture</u> R	<u>Equipment</u> R	<u>Total</u> R
2. Furniture and equipment			
<u>Year ended 28 February 2007:</u>			
Opening net book value	133 448	67 684	201 132
Additions for the year	-	5 362	5 362
Depreciation	<u>(24 116)</u>	<u>(20 271)</u>	<u>(44 387)</u>
Closing net book value	<u>109 332</u>	<u>52 775</u>	<u>162 107</u>
Depreciation rate	10%	20%	
Cost	283 921	209 154	493 075
Accumulated depreciation	<u>(174 589)</u>	<u>(156 379)</u>	<u>(330 968)</u>
Net book value 28 February 2007	<u>109 332</u>	<u>52 775</u>	<u>162 107</u>
Net book value 28 February 2006	<u>133 448</u>	<u>67 684</u>	<u>201 132</u>

3. Long term receivable

The receivable in the prior year constituted a Metrofile Holdings Limited secured interest bearing convertible "A" loan note which was redeemed in December 2006.

	<u>2007</u> R	<u>2006</u> R
Long term receivable note	-	2 156 609
Interest receivable	<u>-</u>	<u>674 366</u>
Impairment of debtors	-	2 830 975
	<u>-</u>	<u>(744 246)</u>
	<u>-</u>	<u>2 086 729</u>

4. Accounts receivable

Fees receivable	938 027	994 649
Prepaid expenses	112 389	62 431
Sundry receivables	<u>35 841</u>	<u>56 445</u>
	<u>1 086 257</u>	<u>1 113 525</u>

SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
28 FEBRUARY 2007

	<u>2007</u>	<u>2006</u>
	R	R
5. Accounts payable and provisions		
Creditors and accrued expenses	322 153	2 918 035
Provision for leave pay	251 410	228 602
	<u>573 563</u>	<u>3 146 637</u>

6. Operating expenses

Operating expenses include the following items:

Auditor's remuneration	92 500	60 000
Depreciation	44 387	45 561
Enforcement costs	-	57 830
Legal fees	991 017	972 724
Operating lease payments - building	345 072	327 462
Operating lease payments - other	32 252	34 261
Panel members' fees	638 851	724 779
- Executive services - Chairperson	543 319	610 941
- Executive services - Members	94 406	90 773
- Other services	1 126	23 065
Transitional expense for post-retirement medical benefits	85 629	85 629
Current service cost for post-retirement medical benefits	65 113	37 373
Interest cost for post-retirement medical benefits	79 214	42 839
Personnel costs	5 671 676	4 935 358

Included in personnel costs are the following:

Directors' emoluments:

	<u>R J Connellan</u>	<u>R J Connellan</u>
Basic salary	1 261 654	1 125 889
Bonuses	446 250	396 250
Other	36 846	63 486
Pension fund contributions	226 500	185 625
	<u>1 971 250</u>	<u>1 771 250</u>

	<u>V I Pitchers</u>	<u>V I Pitchers</u>
Basic salary	914 489	835 375
Bonuses	320 400	296 292
Other	19 452	53 970
Pension fund contributions	145 759	83 655
	<u>1 400 100</u>	<u>1 269 292</u>

7. Taxation

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

SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
28 FEBRUARY 2007

8. 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 R580 917 (2006: R379 961).

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 re-marries.

The effective date of the most recent actuarial valuation is 28 February 2007. The year of the next actuarial valuation is 2008. No other post-retirement benefits are provided. This plan is wholly unfunded and, therefore, no plan assets exist.

	<u>2007</u>	<u>2006</u>
	R	R
Amounts recognised in income in respect of the scheme are as follows:		
Transitional recognition expense	85 629	85 629
Actuarial loss	152 201	
Current service cost	65 113	37 373
Interest cost	79 214	42 839
	<u>382 157</u>	<u>165 841</u>

The amount 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	793 142	563 186
Unrecognised transitional liability	-	85 629
Unrecognised actuarial loss / (gains)	<u>152 201</u>	<u>(30 507)</u>
Total liability	<u>945 343</u>	<u>618 308</u>

The transitional liability is being amortised on a straight-line basis over 5 years. The current year transitional expense relates to the current year amortisation charge of this liability to income.

**SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
28 FEBRUARY 2007**

	<u>2007</u>	<u>2006</u>
	R	R
8. Employee benefit obligations (continued)		
Key assumptions used:		
Discount rate	8.24%	7.00%
Expected medical inflation	6.24%	5.50%

9. Contingent liability

A deferred compensation scheme exists whereby the Executive Director, Deputy Executive Director and the Compliance Officer are to receive a total of R515 000 (2006: R461 250), R365 600 (2006: R330 000) and R285 983 (2006: R250 250) respectively, payable six monthly up to 31 December 2008, when the outstanding balance will be paid out in full. These payments accrue to the executive director, deputy executive director and the compliance officer at the date of payment, on the condition that they are still in the employment of the Panel at that date.

The Panel is involved in a dispute where the outcome is uncertain. The members are confident that the potential of significant outflow is minimal.

	<u>2007</u>	<u>2006</u>
	R	R
10. Commitments		
Rental payments in terms of premises lease agreement		
Future minimum lease payments payable within 1 year	368 912	142 319
Future minimum lease payments payable between 2 and 5 years	159 765	-
Parking payments in terms of lease agreement		
Future minimum lease payments payable within 1 year	30 480	14 877
Future minimum lease payments payable between 2 and 5 years	13 200	-

The premises lease commenced on 1 August 2006 and remains in force for a period of 2 years terminating on 31 July 2008. 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.

**SECURITIES REGULATION PANEL
ANALYSIS OF MATTERS CONSIDERED BY THE PANEL DURING THE YEAR
28 FEBRUARY 2007**

ANNEXURE 1

	<u>2007</u>	<u>2006</u>
1. Offers by parties other than controlling shareholders	14	8
1.1 to acquire given percentage (partial offer)	-	1
1.2 to acquire 100% (scheme of arrangement)	9	3
1.3 general offer	5	1
1.4 general offer – Section 440K invoked	-	3
1.5 to acquire 100% (conversion/redemption)	-	-
2. Take-out of minorities	8	15
2.1 scheme of arrangement	5	9
2.2 general offer Section 440K invoked	3	6
2.3 conversion/redemption	-	-
2.4 reduction of capital	-	-
3. Mandatory offer under rule 8.1 (a)	17	29
3.1 comparable normal offer	11	13
3.2 standby offer	-	-
3.3 waivers by shareholders i.t.o. Rule 8.7	6	16
4. Section 228 transactions	33	12
	<hr/>	<hr/>
	72	64
5. Ruling issued in respect of:	28	55
5.1 possible affected transactions	7	16
5.2 relaxation of Code requirements	13	22
5.3 changes within control	-	1
5.4 dispensation from making offer	3	3
5.5 rescue actions	-	-
5.6 condonation of non-compliance	-	7
5.7 voting at general meetings	1	2
5.8 other	4	4