

**SECURITIES REGULATION PANEL
ANNUAL FINANCIAL STATEMENTS
28 FEBRUARY 2006**

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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 2006 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 14 June 2006 and signed on its behalf by:

C A Jaffé
Chairperson

R J Connellan
Executive Director

**SECURITIES REGULATION PANEL
MEMBERS AND EXECUTIVE
28 FEBRUARY 2006**

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

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

Mr B M Kodisang

The Institute of Retirement Funds

Ms P Langeni

JSE Limited

Mr R M Loubser

JSE Limited

Prof S M Luiz

The Society of Law Teachers

Dr N S Makgetla

Congress of Southern African Trade Unions

Mr S K Mhlarhi

The Banking Council South Africa

Mr S Moloko

The Life Offices' Association of South Africa

Mr C Moni

National Union of Mine Workers

Mr S Mseleku

National African Federated Chamber of Commerce

Mr J Mthimunya

The South African Institute of Chartered Accountants

Mr S Siyaka

The Banking Council South Africa

Ms P Stratten

JSE Limited

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

Mr M Modiba

Registrar of Companies (Nominee: Mr R Voller)

Adv M Simelane (resigned)

Commissioner: Competition Commission South Africa

Mr S Ramburuth

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

Executive Director

Mr V I Pitchers

Deputy Executive Director

Mr M A L Phakeng

Compliance Officer

**SECURITIES REGULATION PANEL
SUB-COMMITTEES OF THE PANEL
28 FEBRUARY 2006**

Administration Committee

Mr R S Berkowitz Chairperson
Mr J M Damons
Mr C A Jaffé
Dr N S Makgetla
Mr S K Mhlarhi
Mr J Mthimunye

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 S Moloko

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 2006**

It is my privilege to present my twelfth report as Chairperson of the Panel since my initial nomination as such by the members of the Panel early in 1995 and further reappointment in 2004.

Operations of the Panel

The number of affected transactions during the year fell to the level last seen in 1998. This level of activity is approximately half of those seen during the very busy years of 2000 and 2001. It would seem that the greater percentage of corporate activity relates to Black Economic Empowerment transactions which are rarely at a shareholding percentage sufficient to subject the transaction to the Panel's jurisdiction.

At a time when the South African economy is booming it could be expected that the level of takeovers would increase. To date however, this does not seem to have materialized and the future level of activity remains as difficult as ever to predict.

Nevertheless the Panel's executive has been kept particularly busy with a number of unsolicited and hostile bids as well as in consultations with corporate advisers in the highly complex structures proposed for certain transactions. The time taken by the Executive to study proposals, research the impact of the Rules on such structures and in debating the various implications of these proposed structures with advisers, is considerable and from a financial recovery point of view not very rewarding for the Panel as currently, the Executive may only charge its time out at R700 per hour. We have applied to the Honorable Minister of Trade and Industry for approval of an increase in our charges and are awaiting his decision.

In my last report I advised that the Panel had resolved to apply for leave to appeal to a full bench of the High Court (or, if necessary the Supreme Court of Appeal) against the judgment handed down in the matter principally between Harmony Gold Mining Company Limited ("Harmony") and Goldfields Limited. The Judgment relied on a reasonable perception of bias by the Executive Director and the Panel in favour of Harmony. That aspect of the Judgment was based partly on the fact that the Executive Director had given certain *ex parte* rulings to Harmony, which it was argued flew in the face of the provisions of the Promotion of Administrative Justice Act (PAJA). For a variety of reasons beyond the control of the Panel the application for leave to appeal has been delayed and the Panel is now awaiting a date for the hearing. This is not likely to occur prior to October 2006 due to *inter alia* the unavailability of the presiding Judge.

The upshot of this judgment is that the Executive Director is now reticent to give *ex parte* rulings notwithstanding that the Code provides that ... "A ruling on the application or interpretation of the Code is generally given in the first place by the Executive Director on the basis of hearing the applicant alone". This necessity to apply PAJA and in particular the *audi alteram partem* principle both, slows down the entire process of potential takeovers, and may be an inhibiting factor in the launch of unsolicited hostile offers. When PAJA was first published the Executive and I considered the possibility of requesting the Honorable Minister of Justice to exempt us, as he is entitled to do, from certain of the provisions of PAJA. Senior Counsel advised us that such exemptions were not being granted and that we should therefore not pursue the matter. Two recent Judgments, one of the Constitutional Court and the other of the Supreme Court of Appeal may well have swung the pendulum back in favour of our former practice. The whole position will be reconsidered with the assistance of Senior Counsel.

**SECURITIES REGULATION PANEL
REPORT OF THE CHAIRPERSON (continued)
28 FEBRUARY 2006**

Operations of the Panel (continued)

The drawn out saga of EC-Hold Limited (“EC-Hold”) seems to have finally been resolved. In 2002 the Panel ruled that a mandatory offer of R2,40 per share had to be made to the remaining shareholders of EC-Hold who were beneficial holders as at 11 October 1999 following an affected transaction in that company. The parties ordered to make the mandatory offer, MGX Holdings Limited (“MGX”) and others, refused to abide the ruling of the Panel and the Panel felt, as the regulator, that it had no alternative but to institute proceeding to have this matter decided in the High Court. During 2005 the Court set this matter down for hearing during May 2006. Towards the end of 2005 Metrofile Holdings Limited (formally MGX Holdings Limited) (“Metrofile”) initiated negotiations with the Executive of the Panel for Metrofile to make a voluntary offer on the same terms as ruled by the Panel, but in so doing denying that there was any obligation on its part to make such offer. In the interests of getting the offer made to the EC-Hold shareholders at the earliest possible date, the Panel entered into an agreement with Metrofile which, *inter alia*, facilitated the making of the offer. The agreement provided that subject to Metrofile carrying out its obligations under the agreement the action would be withdrawn, each party bearing its own costs of the application; that however did not release Metrofile from the earlier order for costs to be settled by the issue to the Panel of a Metrofile interest bearing redeemable convertible loan note. In terms of GAAP this instrument has been brought to account in the year ended 28 February 2006. In terms of the agreement the further costs incurred in this matter by the Panel since the Panel ruling in 2002, amounting to approximately R1,1 million, are not recoverable. Metrofile has duly performed its obligations under the agreement to make the offer to the qualifying minority shareholders and to deliver to the Panel the redeemable convertible loan note.

Whilst it is regrettable that the long delay in getting this offer made has clearly had an adverse impact on those EC-Hold shareholders entitled thereto, I believe that a strong message has been sent to the market that the Panel will not walk away from its responsibilities to ensure that the Code is complied with, irrespective of the costs involved or the time taken. That is consistent with the Panel’s attitude in regard to the Harmony/Goldfields matter to which I have referred above.

The last information known to the Panel regarding the criminal charge relating to the Insider Trading case in the securities of Automakers Limited is that a date for the rehearing of this case is still awaited. The Panel has been advised that the State has withdrawn its case of, *inter alia*, Insider Trading against two of the former directors of Crusader Life Assurance Corporation Limited.

On 2 January 2006 Lerato Moabelo, a lawyer in private practice, joined the Panel for a six month period as part of the Panel’s secondment programme. It is hoped that during this time he gained experience in the field of takeovers and mergers by being exposed to the regulatory aspect of these transactions. Mr Moabelo has integrated well into our operations and proves once again the value of our policy of obtaining secondees from previously disadvantaged people in order to advance them in knowledge of the financial and takeover industry.

**SECURITIES REGULATION PANEL
REPORT OF THE CHAIRPERSON (continued)
28 FEBRUARY 2006**

Operations of the Panel (continued)

As part of the complete rewrite of the Companies Act, which is being undertaken by the Department of Trade & Industry (“DTI”), the Panel was requested to submit changes it wished to have made to Chapter XVA of the present act. The Panel had recognized for some time that this chapter of the Companies Act did not adequately provide for the regulation of takeovers and mergers. A drafting committee comprising myself, the three Executive members of staff and an outside consultant, Keith Rayner, was established to tackle this task. It soon became apparent that a patch up job would not suffice and it was decided that this chapter should be redrafted from scratch. After, what I estimate as at least 1 000 man hours of research, discussion, consultation, drafting and testing, a proposed new chapter for incorporation into the new Companies Act was submitted to DTI in October 2005.

Aspects of this draft deal with, *inter alia*, more comprehensive and definitive definitions, the creation of an independent tribunal as the final arbiter of appeal, and greater powers of enforcement to be entrusted to the Panel to ensure compliance with the Code. The new Code and Rules, in unison with the proposed new chapter, is almost complete. The proposed new Code and Rules will, in due course, be subject to extensive public comment and it is now anticipated that the new Code and Rules will be introduced simultaneously with the new Companies Act.

The Panel has made representation to the Minister through the DTI to amend the basis of collection of the present levy on annual listing fees charged to listed companies by JSE Limited. Whilst the Stock Exchange was a mutual non profit body the Panel considered it acceptable to base the Panel’s annual fee as a percentage of that charged by the Stock Exchange to listed companies. However, because of the demutualization of the Stock Exchange and its conversion into a public company for profit, the Panel is of the opinion that it will be inappropriate for the Panel’s charge to listed companies to continue on the aforesaid basis.

Representation has also been before the Minister for sometime for an adjustment to the fees paid to Panel members for their attendance of Panel meeting and for sitting as members of the Executive Committee or the Panel at hearings or appeals before those bodies. The Panel wishes to bring these fees into line with those paid by other statutory bodies. We await the Minister’s decision.

Financial affairs

Operations of the Panel have resulted in a surplus of R2 179 273 for the year. This is an improvement on the deficit of R1,1 million for the previous year but is inadequate for the Panel to build up a “war chest” of some R10million which we believe should be available should the Panel have to take legal action anytime in the future.

The settlement with Metrofile has enabled the Panel to write back R1 412 363 against a provision previously made for the non-recovery of MGX’s indebtedness to the Panel.

After the above write back the Panel’s reserves stand at R3 047 943.

In order to ensure the continued financial soundness of the Panel the members decided that it was necessary again to increase with effect from 1 March 2006 the percentage levy collected by the Panel from listed companies from 12% to 16% of that charged by JSE Limited with effect from 1 March 2006.

**SECURITIES REGULATION PANEL
REPORT OF THE CHAIRPERSON (continued)
28 FEBRUARY 2006**

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 affair of the Panel. Their effort is for the benefit of the financial community. My thanks to my fellow members for their contribution during the year, especially to those members who sat on the various hearings and appeals. The time and effort volunteered by these members is considerable and it is truly appreciated.

Executive and support staff

I do not wish again to gild the lily, but I must praise the efficiency and energy with which the Executive Director RJ Connellan, his deputy V Pitchers and our Compliance Officer L Phakeng carry out their duties. They together with our loyal support staff operate not only as an efficient machine but also as a happy family. It is significant that there has not been any staff turnover that I can recall since RJ Connellan took over the helm from the late Douglas Gair. I do not wish to single out anyone in particular but must point out that since joining us L Phakeng has completed both the LL.M and MBL degrees of UNISA, the latter earlier this year. To put it mildly, I believe that's quite an achievement by him.

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.

**C A Jaffé
Chairperson
14 June 2006**

**SECURITIES REGULATION PANEL
REPORT OF THE EXECUTIVE DIRECTOR
28 FEBRUARY 2006**

Finance

In order for the Panel to budget for a break even position for the year ending February 2006 the Panel deemed it necessary to increase the percentage of the levy on the annual listing fee charged by JSE Limited (formerly JSE Securities Exchange South Africa) to each company listed on its exchange from 6% to 12%. As required by the Rules of the Securities Regulation Code on Takeovers and Mergers this amendment was gazetted in the Government Gazette on 11 March 2005.

The increased levy has had the effect of increasing income from annual levies charged to listed companies from R1 536 799 in the previous year to R3 526 794 for the year ended 28 February 2006.

Affected Transactions supervised by the Panel fell by 11% whilst formal rulings issued by the Panel fell by 16% compared to that of the previous year. The amendment to the Panel's schedule of fees for documents reviewed, agreed to by the Minister of Trade & Industry ("dti") and published in the Government Gazette on 15 July 2005, whilst only effective for the latter part of the financial year, offset the effects of lower corporate activity and resulted in revenue from this source increasing marginally to R3 994 702 (2005: R3 904 909).

Other income (excluding the recovery of the impaired debtor and interest on the Metrofile Limited loan note referred to below) comprising interest received, royalties on the sale of the Code and write back of income unallocated for three years or more amounted to R513 451 (2005: R328 890).

The Panel's revenue from normal operations for the financial year ended 28 February 2006 amounted to R8 034 947 compared to R5 770 598 for the previous year.

Total operating costs for the year ended 28 February 2006 amounted to R7 942 403 (2005: R6 937 369). Of this R1 030 554 (2005: R571 956) was in respect of enforcement and legal costs.

Net surplus from normal operations for the year ended 28 February 2006 amounted to R92 544 compared to a deficit of R1 166 771 for the financial year ended 28 February 2005.

Since the financial year end an agreement has been entered into with Metrofile Limited (formally MGX Holdings Limited) in terms of which the offer to be made to the remaining shareholders of EC-Hold Limited, pursuant to the ruling handed down by the Panel in 2002, has been given effect to. Pursuant to the agreement the debt of R2 156 609 owing to the Panel, against which the Panel had previously made full provision as a doubtful debt, has now been settled. Settlement of this amount is in the form of an interest bearing Metrofile Limited loan note redeemable together with capitalized interest in March 2009. Based on an independent valuation of this instrument the impairment of debtor has been reduced by R2 086 729 being the instrument's estimated present fair value. Similarly capitalised interest on this instrument from its date of issue to end February 2006 of R674 366 has been brought to account in the financial period under review.

The above has had the effect of increasing the Panel's surplus for the year ended 28 February 2006 to R2 179 273.

**SECURITIES REGULATION PANEL
REPORT OF THE EXECUTIVE DIRECTOR (continued)
28 FEBRUARY 2006**

Panel operations

During the year the Panel regulated 64 transactions having an aggregate value in excess of R63 billion (2005: 72 transactions) pertaining to schemes of arrangement, general offers, partial offers, mandatory offers, shareholder waiver of offers and disposals of assets in terms of section 228 of the Companies Act. In addition 55 (2005: 66) formal rulings relating to the interpretation of the Rules or the granting of exemption or dispensation from compliance with the Rules were made.

During the year 2 contested matters were heard by the Executive Director prior to rulings being made. Of the formal rulings handed down by the Executive 4 were appealed against to the Executive Committee. None of these appeals were upheld by the Executive Committee and 1 of those rulings was the subject of a further appeal to the full Panel. This appeal was not upheld by the full Panel.

These matters related to:

Appeals before the Executive Committee:

- Gold Fields Limited/Harmony Gold Mining Company Limited
Executive Committee members: Messrs. N D Lowenthal, J Mthimunye and W S Yeowart
- Hosken Consolidated Investments Limited/Mercanto Investments (Propriety) Limited/Johnnic Holdings Limited
Executive Committee members: Mr. C A Jaffe, Prof S M Luiz and Mr. N A Matlala
- Kagiso Trust Investments (Pty) Limited/Videovision Investments (Pty) Limited/Kagiso Media Limited
Executive Committee members: Messrs. N A Matlala, S Ramburuth, B R van Rooyen and Ms. P Stratten
- Cape Empowerment Trust Limited/Sanlam Life Insurance Limited/Sancino Projects Limited
Executive Committee members: Mr. C A Jaffe, Mr. R S Berkowitz and Prof S M Luiz

Appeal before the Panel:

- Kagiso Trust Investments (Pty) Limited/Videovision Investments (Pty) Limited/Kagiso Media Limited
Panel members: Mr. C A Jaffe, Dr. N S Makgetla, Mr. S K Mhlarhi, Mr. S Mseleku, Mr. D A Sylvester and Adv. B Spilg SC

Rules

The dti is presently undertaking a comprehensive rewrite of the existing Companies Act. The Panel was requested to redraft the existing Chapter XVA of this Act which has been completed and submitted to the dti for consideration. The new Code and Rules are being drafted on the basis that the Panel's redrafting of Chapter XVA is adopted. The draft Code and Rules may require further amendment should the proposed changes to the Act not be adopted in the form submitted.

The Minister's approval of proposed amendments to the existing Rules relating to the basis of calculating the annual fee charged to listed companies as well as attendance fees paid to Panel members is still awaited.

**SECURITIES REGULATION PANEL
REPORT OF THE EXECUTIVE DIRECTOR (continued)
28 FEBRUARY 2006**

Conclusion

It has been reported previously that the Panel operates with an extremely tight budget. This situation persists making it difficult for the Panel's small staff complement to deal adequately with matters other than the day to day issues and the emergencies which arise as part and parcel of regulation of takeovers and mergers.

The Executive receives a tremendous amount of 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 by the executive staff. 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 effort and support.

**R J Connellan
Executive Director
14 June 2006**

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT
28 FEBRUARY 2006**

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 19 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 five Panel meetings were held. Details of attendance by members are set out below:

Member	Nominee	9 Mar 2005	8 June 2005	14 Sept 2005	16 Nov 2005	15 Feb 2006
Mr C A Jaffé		P	P	P	P	P
Mr R S Berkowitz		P	P	P	AA	P
Mr L Bam		P	P	AA	A	A
Mr J M Damons		AA	P	P	P	AA
Mr W Johnson	Mr F Dwinger	AA	NAM	NAM	NAM	NAM
Prof M M Katz		AA	A	AA	AA	AA
Adv M E King SC		AA	P	AA	P	AA
Mr B M Kodisang		AA	P	A	AA	AA
Dr D Konar		P	P	AA	AA	AA
Ms P Langeni		AA	P	AA	AA	P
Mr R M Loubser		P	AA	P	P	P
Mr N D Lowenthal		P	P	P	AA	P
Prof S M Luiz		P	AA	P	P	P

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT (continued)
28 FEBRUARY 2006**

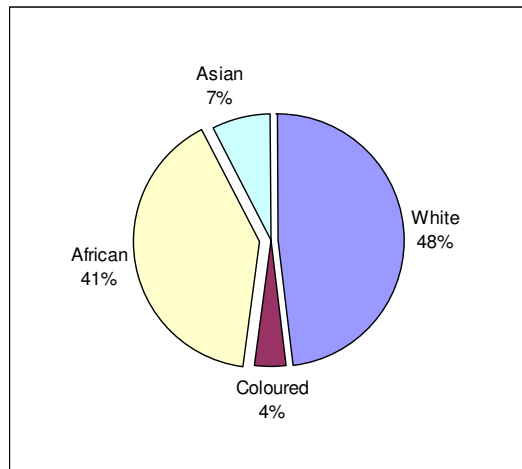
THE PANEL (continued)

Member	Nominee	9 Mar 2005	8 June 2005	14 Sept 2005	16 Nov 2005	15 Feb 2006
Dr N S Makgetla		P	AA	P	P	AA
Mr N A Matlala		P	P	P	P	AA
Mr S K Mhlarhi		P	AA	AA	P	AA
Mr M Modiba	Mr R Voller	NAM	A	NOM	NOM	NOM
Mr S Moloko		P	P	A	P	A
Mr C Moni		A	A	A	A	A
Mr S Mseleku		A	A	A	P	P
Mr J Mthimunye		P	P	P	AA	P
Mr S Ramburuth		NAM	NAM	A	AA	A
Adv M Simelane		AA	AA	NAM	NAM	NAM
Mr S Siyaka		P	P	P	AA	P
Adv B Spilg		P	P	P	P	P
Ms P Stratten		P	A	P	P	A
Mr D A Sylvester		P	P	AA	AA	P
Mr B R Van Rooyen		P	P	AA	AA	AA
Mr W S Yeowart		P	AA	AA	P	P

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.

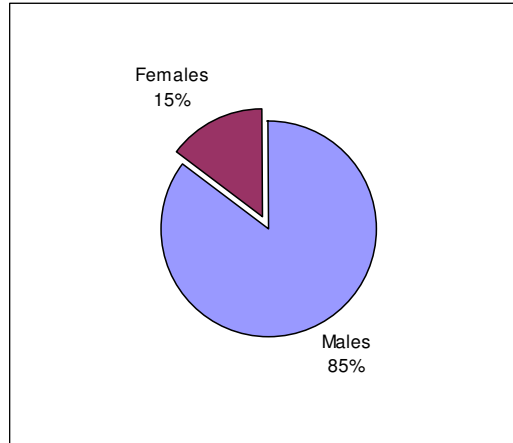
Graph 1: Breakdown by race



**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT (continued)
28 FEBRUARY 2006**

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 five 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 2006**

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	11 May 2005	17 August 2005	19 October 2005	8 February 2006
Mr R S Berkowitz	P	P	P	P
Mr J M Damons	AA	P	P	AA
Mr C A Jaffé	P	P	P	P
Dr N S Makgetla	P	AA	AA	AA
Mr S K Mhlarhi	P	A	AA	P
Mr J Mthimunye	P	P	AA	AA

P = Present

A = Absent

AA = Absent with Apology

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. The Rules Committee met once during the year under review.

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT (continued)
28 FEBRUARY 2006**

SUB COMMITTEES (continued)

Executive Committee

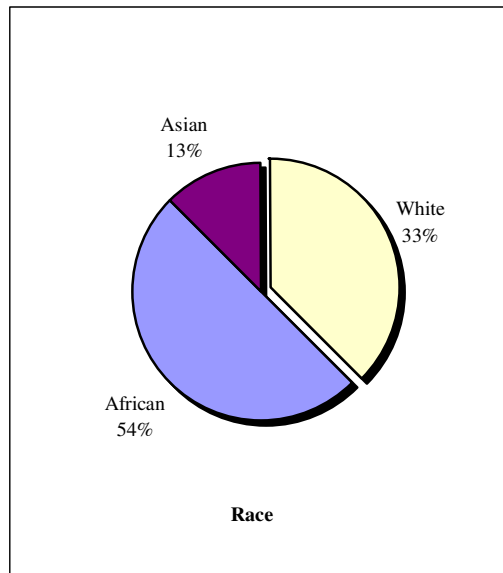
The Executive Committee of the Panel is appointed in terms of the Act and consists of the Executive Director and so many members of the Panel as the Panel may determine. The Chairperson of the Panel may also be appointed as an Executive Committee member. A decision of the Executive Director may be taken 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

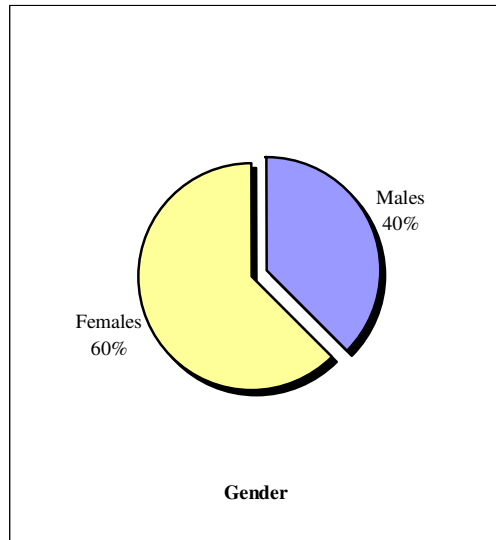


The percentage of female staff members is 60% of the workforce as depicted in Graph 2.

**SECURITIES REGULATION PANEL
CORPORATE GOVERNANCE REPORT (continued)
28 FEBRUARY 2006**

EMPLOYMENT EQUITY (continued)

Graph 2: Breakdown by gender



CODE OF CONDUCT

The Panel is committed to promoting the highest ethical standards amongst its members, executive and staff to ensure that the Panel's business practices are conducted in a manner that merits public trust and confidence.

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

We have audited the annual financial statements of the Securities Regulation Panel set out on pages 18 to 27 for the year ended 28 February 2006. These annual financial statements are the responsibility of the Panel. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Securities Regulation Panel at 28 February 2006, and the results of their operations and 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 annexures set out on pages 28 to 30 are presented as additional information, and do not form part of the annual financial statements. We have not audited these annexures and accordingly we do not express an opinion on them.

DELOITTE & TOUCHE

**Per Heidi Klopper
Partner
14 June 2006**

**SECURITIES REGULATION PANEL
BALANCE SHEET
AT 28 FEBRUARY 2006**

	Notes	<u>2006</u> R	<u>2005</u> R
ASSETS			
Non-current assets			
Furniture and equipment	2	201 132	196 250
Long Term Receivables	3	2 086 729	-
		<u>2 287 861</u>	<u>196 250</u>
Current assets			
Accounts receivable	4	1 113 525	707 552
Cash in bank and funds on deposit		3 355 880	1 907 732
Cash on hand		500	500
		<u>4 469 905</u>	<u>2 615 784</u>
Total current assets		<u>4 469 905</u>	<u>2 615 784</u>
Total assets		<u>6 757 766</u>	<u>2 812 034</u>
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		3 047 943	868 670
Non-current liabilities			
Employee benefit obligations	8	563 186	397 345
Current liabilities			
Accounts payable and provisions	5	3 146 637	1 546 019
Total equity and liabilities		<u>6 757 766</u>	<u>2 812 034</u>

**SECURITIES REGULATION PANEL
INCOME STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2006**

	Notes	2006	2005
		R	R
Revenue		9 243 330	5 561 632
Annual levies		3 526 794	1 536 799
Fees for services		3 994 702	3 904 909
Other income		1 721 834	119 924
Interest received	11	<u>878 346</u>	<u>208 966</u>
Operating income		10 121 676	5 770 598
Operating expenses	6	<u>7 942 403</u>	<u>6 937 369</u>
Net surplus before taxation		2 179 273	(1 166 771)
Taxation	7	<u>-</u>	<u>-</u>
Net surplus for the year		<u><u>2 179 273</u></u>	<u><u>(1 166 771)</u></u>

**SECURITIES REGULATION PANEL
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 28 FEBRUARY 2006**

	<u>Total</u> R
Accumulated surplus at 28 February 2004	2 035 441
Net deficit for the year	<u>(1 166 771)</u>
Accumulated surplus at 28 February 2005	868 670
Net surplus for the year	<u>2 179 273</u>
Accumulated surplus at 28 February 2006	<u><u>3 047 943</u></u>

**SECURITIES REGULATION PANEL
CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2006**

	Notes	<u>2006</u> R	<u>2005</u> R
Cash flows from operating activities			
Cash generated from / (utilised in) operations	A	620 245	(1 122 096)
Interest received		<u>878 346</u>	<u>208 966</u>
Net cash inflow / (outflow) from operating activities		<u>1 498 591</u>	<u>(913 130)</u>
Cash flows from investing activities			
Additions to furniture and equipment		<u>(50 443)</u>	<u>(19 301)</u>
Net cash outflow from investing activities		<u>(50 443)</u>	<u>(19 301)</u>
Net increase / (decrease) in cash and cash equivalents		1 448 148	(932 431)
Cash and cash equivalents at beginning of year		<u>1 908 232</u>	<u>2 840 663</u>
Cash and cash equivalents at end of year	B	<u><u>3 356 380</u></u>	<u><u>1 908 232</u></u>

**SECURITIES REGULATION PANEL
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2006**

	<u>2006</u>	<u>2005</u>
	R	R
A. Cash utilised in operations		
Net surplus before taxation	2 179 273	(1 166 771)
Adjust for:		
Transitional expense for post-retirement medical benefits	85 629	85 629
Current service cost for post-retirement medical benefits	37 373	34 442
Interest cost for post-retirement medical benefits	42 839	35 787
Interest received	(878 346)	(208 966)
Movement in long term receivables	(1 412 363)	-
Depreciation	45 561	46 698
	<u>99 966</u>	<u>(1 173 181)</u>
Cash from operations before working capital changes	99 966	(1 173 181)
(Increase) / decrease in long term receivables	(2 830 975)	152 020
(Increase) / decrease in accounts receivable	1 750 636	152 020
Increase/(decrease) in accounts payable	1 600 618	(100 935)
	<u>520 279</u>	<u>51 085</u>
Net working capital changes	520 279	51 085
Cash generated by / (utilised in) operations	<u>620 245</u>	<u>(1 122 096)</u>
B. Cash and cash equivalent at end of year		
Cash and cash equivalents comprises:		
Cash in bank and funds on deposit	3 355 880	1 907 732
Cash on hand	500	500
	<u>3 356 380</u>	<u>1 908 232</u>

**SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
28 FEBRUARY 2006**

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.

SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
28 FEBRUARY 2006

	<u>Furniture</u> R	<u>Equipment</u> R	<u>Total</u> R
2. Furniture and equipment			
<u>Year ended 28 February 2006:</u>			
Opening net book value	157 666	38 584	196 250
Additions for the year	-	50 443	50 443
Depreciation	(24 218)	(21 343)	(45 561)
Closing net book value	<u>133 448</u>	<u>67 684</u>	<u>201 132</u>
Depreciation rate	10%	20%	
Cost	283 921	203 792	487 713
Accumulated depreciation	(150 473)	(136 108)	(286 581)
Net book value 28 February 2006	<u>133 448</u>	<u>67 684</u>	<u>201 132</u>
Net book value 28 February 2005	<u>157 666</u>	<u>38 584</u>	<u>196 250</u>

3. Long Term Receivable

This constitutes a Metrofile Holdings Limited secured interest bearing convertible “A” loan note bearing interest at prime +3% and redeemable on 4 March 2009. Unpaid interest is capitalised on a quarterly basis. To date no interest has been paid. It has a face value of R2 156 609 excluding capitalised interest and against which R744 246 has been impaired based on an independent valuation.

	<u>2006</u> R	<u>2005</u> R
Long term receivable note	2 156 609	-
Interest receivable	674 366	-
Impairment of debtors	2 830 975 (744 246)	- -
	<u>2 086 729</u>	<u>-</u>

4. Accounts receivable

Fees receivable	994 649	2 744 879
Impairment of debtors	-	(2 156 609)
Net fees receivable	994 649	588 270
Prepaid expenses	62 431	55 254
Sundry receivables	56 445	64 028
	<u>1 113 525</u>	<u>707 552</u>

SECURITIES REGULATION PANEL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
28 FEBRUARY 2006

	<u>2006</u>	<u>2005</u>
	<u>R</u>	<u>R</u>
5. Accounts payable and provisions	2 918 035	1 357 860
Creditors and accrued expenses	228 602	188 159
Provision for leave pay		
	<u>3 146 637</u>	<u>1 546 019</u>

6. Operating expenses

Operating expenses include the following items:

Auditors' remuneration	60 000	56 100
Depreciation	45 561	46 698
Enforcement costs	57 830	328 561
Legal fees	972 724	243 595
Operating lease payments - building	327 462	295 011
Operating lease payments - other	34 261	57 063
Panel members' fees	724 779	654 783
- Executive services - Chairperson	610 941	481 728
- Executive services - Members	90 773	132 486
- Other services	23 065	40 569
Transitional expense for post-retirement medical benefits	85 629	85 629
Current service cost for post-retirement medical benefits	37 373	34 442
Interest cost for post-retirement medical benefits	42 839	35 787
Personnel costs	4 935 358	4 594 590

Included in personnel costs are the following:

Directors' emoluments:

	<u>R J Connellan</u>	<u>R J Connellan</u>
Basic salary	1 125 889	982 453
Bonuses	396 250	351 875
Other	63 486	77 172
Pension fund contributions	185 625	165 375
	<u>1 771 250</u>	<u>1 576 875</u>
	<u>V I Pitchers</u>	<u>V I Pitchers</u>
Basic salary	835 375	761 290
Bonuses	296 292	259 625
Other	53 970	60 264
Pension fund contributions	83 655	66 613
	<u>1 269 292</u>	<u>1 147 792</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 2006**

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 R379 961 (2005: R316 663).

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 2006. The result of the valuation was an actuarial loss of R11 910. The year of the next actuarial valuation is 2009. No other post-retirement benefits are provided. This plan is wholly unfunded and, therefore, no plan assets exist.

	<u>2006</u>	<u>2005</u>
	R	R
Amounts recognised in income in respect of the scheme are as follows:		
Transitional recognition expense	85 629	85 629
Current service cost	37 373	34 442
Interest cost	42 839	35 787
	<u>165 841</u>	<u>155 858</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	563 186	397 345
Unrecognised transitional liability	85 629	171 258
Unrecognised actuarial gains	<u>(30 507)</u>	<u>(42 417)</u>
Total transitional liability	<u>618 308</u>	<u>526 186</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 2006**

	<u>2006</u>	<u>2005</u>
	R	R
8. Employee benefit obligations (continued)		
Key assumptions used:		
Discount rate	7.00%	9.58%
Expected medical inflation	5.50%	8.08%

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 R461 250 (2005: R407 500), R330 000 (2005: R308 292) and R250 250 (2005: R205 000) respectively, payable six monthly up to 31 December 2007, 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.

There is an estimated contingent liability of R850 000 relating to legal costs in the Gold Fields Limited / Harmony Gold Mining Company Limited matter.

	<u>2006</u>	<u>2005</u>
	R	R
10. Commitments		
Rental payments in terms of premises lease agreement		
Future minimum lease payments payable within 1 year	142 319	327 462
Future minimum lease payments payable between 2 and 5 years	-	142 319
Parking payments in terms of lease agreement		
Future minimum lease payments payable within 1 year	14 877	34 231
Future minimum lease payments payable between 2 and 5 years	-	14 877

The premises lease commenced on 1 August 2001 and remains in force for a period of 5 years terminating on 31 July 2006. In terms of the lease agreement the rentals will escalate by 11% compounded, on each anniversary of 1 August. In terms of the lease agreement a deposit of R20 710 was paid and will remain in full force and effect until the expiry of the lease and renewal thereof.

The lessee shall have the option to lease the premises for a period of 4 years and eleven months after the expiry of the initial period at a rental to be negotiated between the parties.

11. Interest Received

Included in interest received is an amount of R674 366 being interest accrued but not paid and capitalised on the Long Term Receivable. This constitutes notional interest from 3 March 2004 to 28 February 2005 of R320 801 and from 1 March 2005 to 28 February 2006 of R353 565.

An independent valuation of the risk-neutral probability that payment of this interest will occur values the rolled up interest at R345 456.

**SECURITIES REGULATION PANEL
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2006**

ANNEXURE 1

	<u>2006</u> R	<u>2005</u> R
1. Offers by parties other than controlling shareholders	8	15
1.1 to acquire given percentage (partial offer)	1	2
1.2 to acquire 100% (scheme of arrangement)	3	3
1.3 general offer	1	8
1.4 general offer – Section 440K invoked	3	2
1.5 to acquire 100% (conversion/redemption)	-	-
2. Take-out of minorities	15	21
2.1 scheme of arrangement	9	14
2.2 general offer Section 440K invoked	6	4
2.3 conversion/redemption	-	2
2.4 reduction of capital	-	1
3. Mandatory offer under rule 8.1 (a)	29	21
3.1 comparable normal offer	13	8
3.2 standby offer	-	-
3.3 waivers by shareholders i.t.o. Rule 8.7	16	13
4. Section 228 transactions	12	15
	<hr/>	<hr/>
	64	72
5. Ruling issued in respect of:	55	66
5.1 possible affected transactions	16	7
5.2 relaxation of Code requirements	22	18
5.3 changes within control	1	-
5.4 dispensation from making offer	3	12
5.5 rescue actions	-	-
5.6 condonation of non-compliance	7	3
5.7 voting at general meetings	2	2
5.8 other	4	24