



Takeover
Regulation
Panel

ANNUAL REPORT 2012

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Chairperson and Executive from left to right:

Nano Matlala - Chairperson; Basll Mashabane - Legal Counsel; Margaret Motsoahae - Chief Financial Officer; Lucky Phakeng - Executive Director; Pull Kealeboga Moloto-Stofile - Deputy Executive Director

PANEL'S RESPONSIBILITY AND APPROVAL OF THE ANNUAL REPORT

The members of the Takeover Regulation Panel ("the Panel") is responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position at 29 February 2012, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

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

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

Continuation of the Panel's activities is dependent on the support and cooperation of the Department of Trade and Industry. Notwithstanding the current financial position, the Panel is satisfied that the entity is a going concern, and has continued to adopt the going concern basis in preparing the annual financial statements.

The New Companies Act No. 71 of 2008 came into effect 1 May 2011 and the Securities Regulation Panel has been replaced by the Takeover Regulation Panel which took over the assets and liabilities.

The financial statements have been prepared on a continued operation basis.

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

The annual financial statements on pages 16 to 24 were prepared in accordance with South African Statement of Generally Accepted Accounting Practice and were approved by the Panel on 20 June 2012 and are signed on its behalf by

Nano Matlala
Chairperson

Lucky Phakeng
Executive Director

MEMBERS AND EXECUTIVE

Chairperson

Mr N Matlala

Nominated by

Law Society of South Africa

Members

Mr M Brits

Banking Association South Africa

Mr J Burke

JSE Ltd – (*appointed 03 January 2012*)

Mr JM Damons

Foundation for African Business and Consumer Services

Ms AM de Bruyn

JSE Ltd

Mr PJ Dempsey

Association for Savings and Investments South Africa

Mr A Khumalo

Association for the Advancement of Black Accountants of Southern Africa

Mr RM Loubser

JSE Ltd - (*resigned on the 31 December 2011*)

Prof SM Luiz

Society of Law Teachers of South Africa

Ex Officio members

Dr R Davies

Minister of Trade and Industry (represented by: Mr R Voller)

Ms A Ludin

Commissioner: Companies and Intellectual Property commission

Mr S Ramburuth

Commissioner: Competition Commission South Africa

MEMBERS - *appointed on 24 November 2011 in terms of the Companies Act No. 71 of 2008 by the Minister of Trade and Industry*

Mr C Ewing

Mr Z Malinga

Mr E Moolla

Mr A Nikane

Mr S Siyaka

Mr N Tshivhase

EXECUTIVE

Mr MAL Phakeng

Executive Director

Ms KE Moloto-Stofile (*appointed 01 April 2012*)

Deputy Executive Director

Mr BK Mashabane

Legal Counsel

Ms M Motsoahae

Chief Financial Officer

SUB-COMMITTEES OF THE PANEL

Administration Committee

Mr N Matlala
Ms AM de Bruyn
Prof SM Luiz
Mr Z Malinga - *(appointed 20 March 2012)*

Chairperson

Audit Committee

Mr A Khumalo
Ms AM de Bruyn
Mr C Ewing - *(appointed 20 March 2012)*
Mr N Matlala

Chairperson

Remuneration Committee

Mr RM Loubser - *(resigned 31 December 2011)*
Mr P Dempsey - *(appointed 20 March 2012)*
Mr A Khumalo
Mr N Matlala
Mr S Siyaka - *(appointed 20 March 2012)*

Chairperson



REPORT OF THE CHAIRPERSON

I am pleased to present the Takeover Regulation Panel's Annual Report for the financial year ended 29 February 2012. This is the first Annual Report of the Panel since the Companies Act 71 of 2008 ("the Act") and the Companies Regulations ("the Regulations") became effective on 1 May 2011.

The implementation of the Act and the Regulations has been without any major problems. This confirms my statement in the 2011 report that employees of the Panel are ready for the implementation of the Act and the Regulations.

As I reported in my 2011 Annual Report, the Act has introduced new takeover provisions and new regulations. The Act and the Regulations affect the Panel in number of ways. This among others; include increased enquiries, increased consultations and increased applications for exemptions in respect of private companies as compared to the prior year. This can be seen from Annexure 2 to the report. These increases are mostly attributed to the fact that the Act applies to all private companies, except where the private company is not regarded as a Regulated Company as defined in the Act for the purposes of takeover provisions. The Panel continues to issue and publish Guidelines on its website in order to assist practitioners in the interpretation of the Act and regulations.

I am also pleased to report that the Panel has also secured the services of a senior Attorney, Mrs Kealeboga Moloto-Stofile, who joined the Panel with effect from 1 April 2012 as its Deputy Executive Director. Mrs Kealeboga Moloto-Stofile joins the Panel from private practice. I wish to take this opportunity to welcome Mrs Moloto-Stofile as a valuable member of executive of the Panel.

On behalf of members of the Panel, I also wish to express my gratitude to all employees of the Panel for their dedicated services in ensuring that the Panel operates successfully.

The Minister of Trade and Industry, the Honourable Dr. Rob Davies has appointed additional members of the Panel on 24 November 2012. The Panel now consists of 17 members in total. A complete list of members of the Panel appears on page 3 of this report.



Finally, on behalf of the Panel I wish to express my appreciation to the Minister of Trade and Industry, the Honourable Dr. Rob Davies, and his Director-General, Mr Lionel October. I also wish to extend my gratitude to Ms Zodwa Ntuli, the Deputy-Director General of Trade and Industry, (Consumer and Corporate Regulatory Division) and her staff for their continued support. The Panel relies on their continued support and co-operation in ensuring that it can continue to perform its functions and achieve its objectives as set in the Act.

Nano Matlala
Chairperson



REPORT OF THE EXECUTIVE DIRECTOR

Introduction

The Panel is a statutory regulatory body, established in terms of section 196 of the Companies Act No. 71 of 2008 (“the Act”). The function of the Panel is to regulate affected transactions or offers as defined in the Act. These transactions are commonly referred to as takeovers and mergers.

The objectives of the Panel in regulating takeovers and mergers are to:

- ensure the integrity of the marketplace and fairness to the holders of the securities of regulated companies;
- ensure the provision of:
 - necessary information to holders of securities of regulated companies, to the extent required to facilitate the making of fair and informed decisions; and
 - adequate time for regulated companies and holders of their securities to obtain and provide advice with respect to offers; and
- prevent actions by a regulated company designed to impede, frustrate, or defeat an offer, or the making of fair and informed decisions by the holders of that company's securities.

Companies subject to the takeover provisions are regulated companies which are;

- public companies,
- state-owned companies unless exempted; and
- private companies, which had 10 percent or more of their issued securities transferred within a period of 24 months immediately prior to the date of a particular affected transaction.

The types of affected transactions or offers regulated are:

- disposals of all or the greater part of the assets or undertaking of a regulated company;
- an amalgamation or merger;
- a scheme of arrangement between a regulated company and its shareholders;
- the acquisition of, or announced intention to acquire, a beneficial interest in any voting securities of a regulated company;
- the announced intention to acquire a beneficial interest in the remaining voting securities of a regulated company not already held by a person or persons acting in concert;
- a mandatory offer; and
- compulsory acquisition of shares;

Panel operations and activities

For year ended 29 February 2012, the Executive of the Panel (“the Executive”) regulated and approved 52 takeovers and mergers, as compared to 64 transactions in the same period last year.

There was a decrease in the number of affected transactions regulated and approved by the Executive compared to last year. Consequently the value of the affected transactions has also decreased as compared to last year.

The Executive have also issued 103 rulings in respect affected transactions compared to 33 rulings for the same

period in the previous year. As pointed out in the chairperson report, the majority of the rulings relate to private regulated companies. Only 1 ruling has been appealed to the Takeover Special Committee and the matter was subsequently settled by agreement.

The Executive also gave 9 advisory opinions. In addition, the Executive attended to 102 consultation meetings with parties and their advisers.

Some of the significant affected transactions regulated and approved with a value of more than R1 billion were:

Disposal of assets in terms of section 112 of the Act

Offeror	Offeree Company	Approx. Value
Witchford Plc	Redefine Properties International Limited	R2,5 billion

Scheme of arrangement in terms of section 114 of the Act

Offeror	Offeree Company	Approx. Value
Kaap Agri Limited Board	Kaap Agri Limited	R8,9 billion
Jinchuan Group Limited	Metorex Limited	R9,2 billion
VALE SA Limited	Metorex Limited	R7 billion

Partial Offers in terms of section 125 of the Act

Offeror	Offeree Company	Approx. Value
Steinhoff International Holdings Limited	JD Group Limited	R1,9 billion

The total value of these transactions is approximately R29,5 billion as compared to R125.3 billion worth of transactions regulated and approved in the same period last year.

For the year under review the Appeal Committee of the Panel (“the Committee”) considered the following hearing:

- Pinnacle Point Group Ltd

A new complaint was made by David Macgregor; Wayne Krambeck; and Charl Holtman, (collectively the “complainants”) against Nedbank Limited on 16 May 2011.

The complaint was that Nedbank Limited and/or Syfrets Securities Limited caused an affected transaction to occur by acquiring 35% or more of the ordinary shares in the capital of Acc-Ross Holdings Limited (now known as Pinnacle Point Group Limited.) The complainants alleged that they have new evidence which was not considered by the Panel when hearing the Pinnacle Point complaint during May 2010.



Basil Mashabane - Legal Counsel

The Appeal Committee issued a ruling declining to hear the matter on the basis that the complainants have not produced any new evidence to establish whether the alleged breach of the SRP Code was new. The Committee further stated that should the complainants wish to proceed they may produce their evidence to the Executive Director. The complainants did not proceed with the matter.

- Pinnacle Point Consortium - review application

A complaint raised by Property Promotions Management (Proprietary) Limited, New Port Finance Company (Proprietary) Limited, Pinnacle Point Holdings (Proprietary) Limited, Gardener Ross International Finance (Proprietary) Limited and Norman Bosman (collectively the “complainants”) filed a complaint against Nedbank Limited with the SRP on 4 February 2010. The hearing was held over a period of two days on 19 and 20 May 2010.

The complaint was that Nedbank Limited and/or Syfrets Securities Limited caused an affected transaction to occur in or about March 2007 by acquiring 35% or more of the ordinary shares in the capital of Acc-Ross Holdings Limited (now known as Pinnacle Point Group Limited).

The Appeal Committee issued a ruling to the effect that, an affected transaction did not occur at the time when Syfrets' holding of Acc-Ross shares reached 35%, or each time that its holding increased by another 5%. In addition, it was ruled that if the Committee is wrong in the decision above, the Committee exercise its discretion to “rule otherwise” in terms of Rule 8.1 of the Code, for the reasons of equity provided. Finally, the Committee ruled that should for any reason it be found to have incorrectly exercised our discretion in terms of Rule 8.1 of the Code, it also exercise its general discretion in terms of Rule 34 of the Code to excuse Syfrets and Nedbank from having to make an offer to the other shareholders of Acc-Ross Holding Limited or Pinnacle Point Group Limited, for the reasons of equity provided.

This matter is currently on review by the complainants before South Gauteng High Court. The Panel has decided not to oppose the review application and it will instead abide by the decision of the High Court. The matter is ongoing.

Financing of the Panel

The Panel is authorised to charge fees and levies in terms of the Act and the Regulations. For the financial year ended 29 February 2012, the Panel derived funding from the following sources:

- fees paid by parties when submitting circulars for review and approval;
- fees paid by parties in respect of consultations and rulings;
- a yearly surcharge fee paid by companies listed on the JSE Limited; and
- interest earned on funds invested.

An amount of R9 505 917 was earned by the Panel for the current year in respect of levies charges. The fees from these source increased by 9.7% from R8 663 555 the previous year to R9 505 917 for the current year.

An amount of R5 057 800 in fees earned by the Panel for the current year is in respect of review and approval of circulars. The fees from these source decreased by 24% from R6 666 300 the previous year R5 057 800 for the current year.

An amount of R981 877 in fees was earned by the Panel in the current year in respect of consultations, rulings and hearings. The fees from these source increased by 257% from R275 100 the previous year to R981 877 for the current year.

An interest amount of R691 332 was earned by the Panel in the current year.



Margaret Motsoahae - Chief Financial Officer

Financial performance of the Panel

The total operating income for the year ended 29 February 2012 amounted to R16 236 926 compared to the previous year figure of R16 185 735 an increase of 0,32%.

The cost of operating the Panel for the year ended 29 February 2012 amounted to R9 715 845 compared to R18 192 987. A decrease of 46%.

There is a notable decrease in respect of personnel costs. The decrease is due to the resignation of the Mr VI Pitchers Deputy Executive Director and the retirement of the Mr RJ Connellan Executive Director. The amount spent for legal costs is R108 620 as compared to an amount of R995 311 spent in the previous year.

The decrease is due to the fact that the Panel was not involved in any legal matter involving the High Court. In addition, the Executive have adopted a policy of only consulting outside legal counsel only where it is absolutely necessary.

The Panel made a surplus of R6 521 081 as compared to a loss of R2 007 252 in the previous year.

Resignation and appointment of staff members

During the current financial year Ms A Peerbhai, the Administration and Secretarial Services Manager resigned from the Panel with effect from 01 January 2012.

Ms Prudence Swarts has been appointed with effect from 1 May 2012 as Senior Professional Assistant to assume the role and function of Mrs Peerbhai.

On behalf of the Panel, I wish to thank Mrs Peerbhai for her services and wish her success in her chosen new career. I also wish to welcome Ms Prudence Swarts to the Panel and wish her a prosperous career with the Panel.

Development of employees

The Panel encourages its employees to continue to improve their skills by attending courses. For the year ended 29 February 2012, employees of the Panel have registered for a formal qualification, including the Executive Director who is currently registered for an LLD at the University of Stellenbosch, Mr Mashabane who is registered for Law of Banking and Financial Markets with the Wits University.

The Executive Director has completed the Accelerated Directorship Programme with IODSA during December 2011. The Legal Counsel has completed a Certificate in Advanced Corporate and Securities Law. Ms Motsoahae has continued with the Continuous Professional Development ("CPD") and has attended the following seminars / courses, VAT compliance, Corporate Governance, the TAX implication of the budget speech 2012, preparation of Annual Financial Statement and the Companies Act. Ms Molaba has completed a course in Business Administration Management with Damelin during 2011. Ms W Maake is also currently registered for a course with the Institute of Business Administrators.

The Panel is still continuing with a secondment programme which is intended to offer previously disadvantaged individuals an opportunity to be involved in takeovers and mergers on a practical level. The programme is being

run in co-operation with the Law Society of the Northern Provinces and the Black Lawyers Association, through which applications are co-ordinated. For the year ended 2012, two individuals has participated in the programme. Currently, another practitioner is participating in the programme.

The report back received from the secondees has been very encouraging and positive. The Chairperson and the Executive Director have also had discussions with the DTI with a view to extending the programme to other categories of professionals where feasible.

The Executive of the Panel continue to publicise the activities of the Panel in various ways to ensure that the Panel's stakeholders are kept informed about developments at the Panel. Among others, the Executive have written and published articles in respect of new takeovers and mergers provisions of the new Companies Act No. 71 of 2008, as to how it will impact on the regulation of takeovers and mergers. The Executive of the Panel continue with public awareness of the activities of the Panel. In this respect the Executive Director presented discussion document on takeover provisions at a number of public seminars. In addition, the Executive Director presented lectures at the University of South Africa and the University of Johannesburg to LLM students. The Executive and other employees of the Panel participate in the activities of the Department of Trade and Industry ("the DTI") Stakeholder Unit, which is aimed at publicising the activities of the various institutions falling under the supervision of the DTI.

The Chairperson and the Executive Director attended a Conference of International Takeover Regulators held in Vienna, Austria, in September 2011. The Executive Director presented a paper at the conference with a title "Recent developments in developing markets- South African Takeover Regulation."

Going forward

The Panel continues to receive increased enquiries, and requests for consultations in respect of various sections of the Companies Act No. 71 of 2008, and the Companies Regulations dealing with takeovers and mergers of regulated companies. The Panel will continue in its effort to increase its visibility and public awareness of its activities. To this end, the Panel will hold a number of seminars and continue its public awareness campaign using various media.

Lucky Phakeng
Executive Director

CORPORATE GOVERNANCE REPORT

The Panel endorses the Code of Corporate Practice and Conduct as contained in the King III 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 8 of the Companies Act. The members of the Panel have been nominated by various bodies, associations, institutions and have been duly appointed by the Minister of Trade and Industry. The Executive Director, Deputy Executive Director and Legal Counsel form the Executive and are responsible for the day to day activities of the Panel.

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

The Panel

The Panel currently consists of fourteen appointed members, and three ex-officio members. Eight members were appointed in terms of section 440B of the Companies Act No.61 of 1973, their term of office commenced on 6 December 2010. Six members were appointed in terms of section 197 of the Companies Act No. 71 of 2008, their term of office commence on 24 November 2011.

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	30 March 2011	22 June 2011	14 September 2011	09 November 2011
Mr M Brits	xx	✓	✓	✓
Mr J Burke	-	-	-	-
Mr JM Damons	xx	✓	xx	✓
Ms AM de Bruyn	✓	✓	xx	✓
Mr PJ Dempsey	xx	✓	xx	xx
Mr C Ewing	-	-	-	-
Mr A Khumalo	✓	xx	✓	xx
Mr RM Loubser	✓	✓	✓	✓
Ms A Ludin	-	✓	✓	✓
Prof SM Luiz	✓	✓	✓	✓
Mr Z Malinga	-	-	-	-
Mr N Matlala	✓	✓	✓	✓
Mr E Moola	-	-	-	-
Mr A Nikane	-	-	-	-
Mr S Ramburuth	x	x	x	x
Mr S Siyaka	-	-	-	-
Mr N Tshivhase	-	-	-	-
Mr R Voller	xx	✓	xx	xx

√ = Present
x = Absent
xx = Absent with Apology
- = Not a Member

72% of the Panel members are from historically disadvantaged groups.

SUB-COMMITTEES

Audit Committee

The Audit Committee consists of four appointed members. Mr A Khumalo (Chairperson), Ms AM de Bruyn, Mr N Matlala and Mr C Ewing.

The Audit Committee met once during the year. The Executive Director, Deputy Executive Director, Legal Counsel and the Chief Financial Officer attend the Audit Committee meeting 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. Mr RM Loubser (Chairperson), Mr N Matlala, Mr A Khumalo, Mr P Dempsey and Mr S Siyaka. The Remuneration Committee met three times during the year under review. The Remuneration Committee is responsible for monitoring the Human Resource function of the Panel, determining guidelines for remuneration in terms of employment and approving the remuneration of the executives and employees of the Panel. The Remuneration Committee also ensures compliance with legislation in terms of employment equity and skills development.

Administration Committee

The Administration Committee comprises four members of the Panel. Mr N Matlala (Chairperson), Prof SM Luiz, Ms A De Bruyn and Mr Z Malinga. Mr M Brits was co-opted for the 02 March 2011 meeting. The Executive Director, Deputy Executive Director, Legal Counsel and Chief Financial 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 year. The Administration Committee also reviews the 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	02 March 2011	19 May 2011	17 August 2011	12 October 2011	12 February 2012
Mr N Matlala	√	√	√	√	√
Prof SM Luiz	√	√	√	√	√
Ms Ade Bruyn	-	√	√	√	√
Mr Z Malinga	-	-	-	-	-

√ = Present
- = Not a Member

Employment Equity

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

The TRP staff complement is as follows:

- 2 African Male Executive
- 1 African Female in Management
- 3 Support Staff is broken down as:
 - 1 White Female
 - 2 African Females

Control Environment

Internal control comprises methods and procedures adopted by executive to assist in achieving the objectives of safeguarding assets, preventing and detecting error and fraud, ensuring the accuracy and completeness of accounting records and preparing reliable financial statements.

The audit function, conducted by the auditors and supported by the Administration Committee as well as the Audit Committee, evaluates the adequacy and effectiveness of the Panel's controls, financial reporting mechanisms and records, information systems and operations as well as reporting on the adequacy of these controls. It also provides additional assurance regarding the safeguarding of the Panel's assets and financial information.

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 TAKEOVER REGULATION PANEL

We have audited the annual financial statements of the Takeover Regulation Panel which comprise the statement of financial position as at 29 February 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the report of the Members, as set out on pages 16 to 24.

Panel Members' responsibility for the financial statements

The Panel's members are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice. 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.

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 the directors, 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 Panel as at 29 February 2012, 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.

The annexure set out on page 25 is presented as additional information, and do not form part of the annual financial statements. We have not audited these annexure and accordingly we do not express an opinion on it.

Deloitte & Touche
Registered Auditor
Per Danie Crowther
Partner

STATEMENT OF FINANCIAL POSITION

	Notes	<u>2012</u> R	<u>2011</u> R
ASSETS			
Non-current assets			
Furniture and equipment	2	<u>109 622</u>	<u>123 358</u>
		<u>109 622</u>	<u>123 358</u>
Current assets			
Accounts receivable	3	608 644	168 441
Cash in bank and funds on deposit		11 976 486	10 427 782
Cash on hand		<u>500</u>	<u>500</u>
Total current assets		<u>12 585 630</u>	<u>10 596 723</u>
Total assets		<u>12 695 252</u>	<u>10 720 081</u>
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		10 872 773	4 351 692
Non-current liabilities			
Employee benefit obligations	4	923 067	941 772
Current liabilities			
Accounts payable and provisions	5	<u>899 412</u>	<u>5 426 617</u>
Total equity and liabilities		<u>12 695 252</u>	<u>10 720 081</u>

STATEMENT OF COMPREHENSIVE INCOME

Revenue		15 545 594	15 604 955
Annual levies		9 505 917	8 663 555
Fees for services		5 057 800	6 666 300
Other income		981 877	275 100
Interest received		<u>691 332</u>	<u>580 780</u>
Operating income		16 236 926	16 185 735
Operating expenses	6	(9 715 845)	(18 192 987)
Net surplus (loss) before taxation		6 521 08	(2 007 252)
Taxation	7	<u>-</u>	<u>-</u>
Net surplus / (loss) for the year		<u>6 521 081</u>	<u>(2 007 252)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive surplus / (loss)		<u>6 521 081</u>	<u>(2 007 252)</u>

STATEMENT OF CHANGES IN EQUITY

	<u>Total</u> R
Accumulated surplus at 28 February 2010	6 358 944
Total comprehensive loss for the year	<u>(2 007 252)</u>
Accumulated surplus at 28 February 2011	4 351 692
Total comprehensive surplus for the year	<u>6 521 081</u>
Accumulated surplus at 29 February 2012	<u>10 872 773</u>

STATEMENT OF CASH FLOWS

	Notes	<u>2012</u> R	<u>2011</u> R
Cash flows from operating activities			
Cash generated by operations	A	895 263	2 136 721
Interest received		<u>691 332</u>	<u>580 780</u>
Net cash inflow from operating activities		<u>1 586 595</u>	<u>2 717 501</u>
Cash flows from investing activities			
Additions to furniture and equipment		<u>(37 891)</u>	<u>(38 931)</u>
Net cash outflow from investing activities		<u>(37 891)</u>	<u>(38 931)</u>
Net increase cash and cash equivalents		1 548 704	2 678 570
Cash and cash equivalents at beginning of year		<u>10 428 282</u>	<u>7 749 712</u>
Cash and cash equivalents at end of year	B	<u>11 976 986</u>	<u>10 428 282</u>

NOTES TO THE STATEMENT OF CASH FLOWS

	<u>2012</u>	<u>2011</u>
	R	R
A. Cash generated / (utilised) by operations		
Total comprehensive surplus	6 521 081	(2 007 252)
Adjusted for:		
Actuarial loss	-	302 622
Current service cost for post-retirement medical benefits	-	106 283
Interest cost for post-retirement medical benefits	41 323	41 323
Post-retirement medical aid	(60 028)	(1 305 695)
Interest received	(691 332)	(580 780)
Disposal of assets	649	1 891
Depreciation	50 978	<u>60 351</u>
Cash from operations before working capital changes	5 862 671	(3 946 471)
(Increase) / decrease in accounts receivable	(440 203)	1 493 699
(Decrease) / increase in accounts payable and provisions	(4 527 205)	<u>4 107 504</u>
Net working capital changes	(4 967 408)	<u>5 601 203</u>
Cash generated by operations	<u>895 263</u>	<u>2 136 721</u>
B. Cash and cash equivalents at end of year		
Cash and cash equivalents comprises:		
Cash in bank and funds on deposit	11 976 486	10 427 782
Cash on hand	500	500
	<u>11 976 986</u>	<u>10 428 282</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 revenue is recognised on cash basis. 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. 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 statement of financial position when the Panel has become a party to the contractual provisions of that instrument.

Financial assets

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

Financial liabilities

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

1.4 Contingent liabilities

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

1.5 Operating lease

Lease payments under operating lease are recognised as an expense on a straight line basis over the lease term.

2. Furniture and equipment	<u>Furniture</u> R	<u>Equipment</u> R	<u>Total</u> R
Net book value at 28 February 2010	38 984	107 686	146 670
Additions for the year	11	38 920	38 920
Disposals	(804)	(1 088)	(1 892)
Depreciation	<u>(22 035)</u>	<u>(38 316)</u>	<u>(60 351)</u>
Net book value at 28 February 2011	16 156	107 202	123 358
Additions for the year	12 599	25 292	37 891
Disposals	-	(649)	(649)
Depreciation	<u>(13 420)</u>	<u>(37 558)</u>	<u>(50 978)</u>
Net book value at 29 February 2012	<u>15 335</u>	<u>94 287</u>	<u>109 662</u>
Depreciation rate	10%	20%	
Cost	275 373	243 209	518 582
Accumulated depreciation	<u>(259 217)</u>	<u>(136 007)</u>	<u>(395 224)</u>
Net book value 28 February 2011	<u>16 156</u>	<u>107 202</u>	<u>123 358</u>
Cost	287 972	267 158	555 130
Accumulated depreciation	<u>(272 637)</u>	<u>(172 871)</u>	<u>(455 508)</u>
Net book value 29 February 2012	<u>15 335</u>	<u>94 287</u>	<u>109 662</u>
3. Accounts receivable		<u>2012</u> R	<u>2011</u> R
Fees receivable		684 568	143 167
Provision for doubtful debts		<u>(114 282)</u>	<u>-</u>
Fees receivable after provision for doubtful debts		578 285	143 167
Prepaid expenses		<u>38 359</u>	<u>25 274</u>
		<u>608 644</u>	<u>168 441</u>

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

Ageing of fees receivable

	<u>2012</u>	<u>2011</u>
	R	R
Current	234 840	139 650
Past due but not impaired	449 728	143 167
30 - 60 days	-	-
60 - 90 days	-	-
90 +	449 728	143 167
	<u>684 568</u>	<u>143 167</u>

4. Employee benefit obligations

Defined contribution plan:

All staff members of the Panel are members of the JSE Ltd Pension Scheme, which is the defined contribution pension fund of the JSE Ltd. 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 R205 329 (2011: R370 358).

Post-retirement medical benefit plan:

The Panel operates a post-retirement medical benefit plan for one retired employee of the Panel. Under the scheme, the Panel will contribute for both employee and his spouse until their death. The contributions will be to the medical aid fund to which the employee was a member at the date of his retirement.

The Panel obtains a valuation every three years in order to measure the post retirement medical aid liability. The assumptions made in the valuation include medical inflation, life expectancy, HIV/AIDS, Investment returns and number of dependants. The members believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value.

	<u>2012</u>	<u>2011</u>
	R	R
Amounts recognised in income in respect of the scheme areas follows:		
Actuarial loss	-	325 679
Interest cost	41 323	41 323
	<u>41 323</u>	<u>367 002</u>

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

Present value of unfunded obligations	<u>923 067</u>	<u>941 772</u>
Total liability	<u>923 067</u>	<u>941 772</u>

Key assumptions used:

Discount rate	3.04%	3.04%
Expected medical inflation	4.42%	4.42%

5. Accounts payable and provisions

	<u>2012</u>	<u>2011</u>
	R	R
Creditors and accrued expenses	636 959	1 831 741
Provision for retention bonus	-	3 311 610
Provision for leave pay	<u>262 453</u>	<u>283 266</u>
	<u>899 412</u>	<u>5 426 617</u>

Contractual maturity analysis of financial liabilities

Demand	737 356	5 044 644
1 – 5 years	<u>162 056</u>	<u>381 973</u>
	<u>899 412</u>	<u>5 426 617</u>

6. Operating expenses

Operating expenses include the following items:

Auditor's remuneration	210 000	247 580
Depreciation	50 978	60 351
Legal fees	108 620	995 311
Operating lease payments - building	544 898	550 120
Operating lease payments - other	354 663	245 980
Panel members' fees	1 038 818	1 075 903
- Executive services - Chairperson	780 876	535 087
- Executive services - Members	229 114	515 277
- Other services	28 828	25 539
Other expenses	899 212	977 999
Interest cost for post-retirement medical benefits	41 323	41 323
Personnel costs	6 467 333	13 998 420

Included in personnel costs are the following:

Executive emoluments:

	<u>MAL Phakeng</u>	<u>MAL Phakeng</u>
Basic salary	1 879 842	1 487 222
Bonuses	1 000 020	603 607
Other	30 850	335 565
Pension fund contributions	<u>102 682</u>	<u>92 352</u>
	<u>3 013 394</u>	<u>2 518 746</u>
	<u>BK Mashabane</u>	<u>BK Mashabane</u>
Basic salary	852 727	-
Bonuses	293 333	-
Other	-	-
Pension fund contributions	<u>34 606</u>	<u>-</u>
	<u>1 180 667</u>	<u>-</u>

	<u>RJ Connellan</u>	<u>RJ Connellan</u>
Basic salary	-	916 589
Bonuses	-	2 705 600
Other	-	148 838
Pension fund contributions	-	158 803
	<u>-</u>	<u>3 929 830</u>
	<u>VI Pitchers</u>	<u>VI Pitchers</u>
Basic salary	-	560 409
Bonuses	-	-
Other	-	1 381 653
Pension fund contributions	-	44 755
	<u>-</u>	<u>1 986 817</u>

7. Taxation

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

8. Commitments

Rental payments in terms of premises lease agreement

Future minimum lease payments payable within 1 year	544 899	544 899
Future minimum lease payments payable between 2 and 5 years	1 316 839	1 861 739

Parking payments in terms of lease agreement

Future minimum lease payments payable within 1 year	71 098	71 098
Future minimum lease payments payable between 2 and 5 years	171 821	242 919

Operating Costs payments in terms of lease agreement

Future minimum lease payments payable within 1 year	225 058	225 058
Future minimum lease payments payable between 2 and 5 years	543 892	768 950

The premises lease commenced on 1 August 2010 and remains in force for a period of 5 years, terminating on 31 July 2015. In terms of the lease agreement, the office rental will escalate by 8.5%, parking by 9% and operating costs by 10%, on each anniversary of 1 August. In terms of the lease agreement, no deposit was paid; an irrevocable bank guarantee was issued and will remain in full force and effect until the expiry of the lease. In the event that this lease is terminated for any reason whatsoever prior to the expiry date, the Panel shall immediately refund the landlord the full amount R355 900 of the tenant installation project.

9. Financial Risk Management

9.1 Credit risk

The Panel's income is derived from:

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

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

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

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

The Panel is confident that it will be able to recover all accounts receivable in full. A provision has been made for the impairment of accounts receivable; this is assessed on ongoing basis.

The Panel has no significant concentrations of credit risk.

9.2 Liquidity risk

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

9.3 Market risk

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

10. Accounting estimates and judgments

The Projected Unit Credit Method as prescribed by IAS 19 (AC 116) was used for the purpose of this evaluation. This method is based on the approximation that the post-retirement benefit is notionally built up over the employees' working life. The post-retirement medical aid liability is valued every two years by Deloitte & Touche Actuarial and Insurance Solutions.

11. Subsequent events

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

ANNEXURE 1: ANALYSIS OF MATTERS CONSIDERED BY THE PANEL

	<u>2012</u>	<u>2011</u>
	R	R
Fundamental transactions	25	
Sec 112	4	-
Sec 113	-	-
Sec 114	21	-
Offers by parties other than controlling shareholders	2	10
To acquire given percentage (partial offer)	-	1
To acquire 100% (scheme of arrangement)	-	3
General offer	2	4
General offer – Section 440K invoked	-	2
Take-out of minorities	1	12
Scheme of arrangement	1	11
Reduction of capital	-	1
Mandatory offers	22	25
Comparable normal offer	2	11
Waiver by shareholders i.t.o. Rule 8.7	3	14
Comparable offer Sec 123	12	-
Waiver by shareholders Regulation 86.4	5	-
Section 228 transactions	1	17
Partial offers – Sec 125	1	17
	<u>52</u>	<u>64</u>
Rulings	103	33
Sec 119.6	82	-
Relaxation of Regulations	6	-
Possible affected transactions	-	3
Relaxation of Code requirements	5	20
Dispensation from making offer	1	3
Condonation of non-compliance	1	4
Other	8	3
Advisory Opinions	9	-



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