

*Securities*

*Regulation Panel*



Annual Financial Statements  
29 February 2008

**SECURITIES REGULATION PANEL**  
**ANNUAL FINANCIAL STATEMENTS**  
*29 February 2008*

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**SECURITIES REGULATION PANEL**  
**ANNUAL FINANCIAL STATEMENTS**  
*29 February 2008*

## INTRODUCTION

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

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

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

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

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

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

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

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

## **PANEL'S RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The Panel is responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 29 February 2008, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

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

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

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

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

The annual financial statements on pages 16 to 25 were approved by the Panel on 12 June 2008 and are signed on its behalf by

C A Jaffé  
Chairperson

R J Connellan  
Executive Director

**SECURITIES REGULATION PANEL  
MEMBERS AND EXECUTIVE**  
*29 February 2008*

**Chairperson**

Mr C A Jaffé

**Nominated by**

The Law Society of South Africa

**Deputy Chairpersons**

Mr N A Matlala  
Adv M E King SC

Co-opted member  
The South African Chamber of Business

**Members**

Mr L Bam  
Mr R S Berkowitz  
Mr J M Damons  
Mr T Dloti  
Mr B M Kodisang (resigned)  
Ms P Langeni (resigned)  
Mr R M Loubser  
Prof S M Luiz  
Mr C Moni  
Mr S Mseleku  
Mr J Mthimunya  
Mr S Siyaka  
Ms P Stratten  
Mr D A Sylvester  
Mr B R van Rooyen

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

**Ex Officio members**

Mr M Modiba  
Mr S Ramburuth

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

**Co-opted members**

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

**Executive**

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

Executive Director  
Deputy Executive Director  
Compliance Officer

**SECURITIES REGULATION PANEL  
SUB-COMMITTEES OF THE PANEL**  
*29 February 2008*

**Administration Committee**

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

**Audit Committee**

Dr D Konar                              Chairperson  
Mr B M Kodisang (resigned)  
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 (resigned)  
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 (resigned)  
Mr N A Matlala  
Ms P Stratten

**SECURITIES REGULATION PANEL**  
**REPORT OF THE CHAIRPERSON**  
*29 February 2008*

In 1995 I was appointed Chairman of the Panel in succession to the late Mr Justice C S Margo. I am privileged to have been retained in that position since that time. It is with pleasure that I now present my fourteenth report of this statutory body.

**Operations of the Panel**

This past financial year has seen significant changes in the major financial markets of the world. The world wide exuberance for private equity transactions and what seemed like unlimited funds for acquisitions and mergers came to an abrupt end with the unfolding of the sub-prime crisis in the USA and its knock on effect in the major financial countries around the world. This resulted in many countries instituting a dramatic lowering of interest rates to help prop up their flagging economies and so avoid recession.

Fortunately, South Africa has not borne the full brunt of the turmoil in many northern hemisphere economies. The surge in the prices of resources has kept the level of our stock exchange's overall index fairly steady and it appears that financial facilities remain fairly flush for future merger and acquisition activity in South Africa.

The Panel's executive continues to encourage corporate advisers to discuss with it the structuring of proposed affected transactions, often on a no name basis, so as to ensure that the principles of equality of treatment, disclosure of full information and fairness are upheld. Where necessary, the executive will, in the interests of all parties concerned, seek independent expert advice on the interpretation of certain of the Code's rules.

Although the Corporate Laws Amendment Bill was only promulgated in December 2007, it had been passed by Parliament several months earlier. Whether it is coincidence or not, I cannot tell, but the anticipation of the changes to section 228 of the Act coming into force was probably the reason for the number of Affected Transactions effected in this manner falling from 33 in the prior year to 18 this year.

There is a concern in certain quarters that many affected transactions occur in unlisted public companies and in that class of private companies which are subject to the provisions of the Code, without these transactions being brought to the attention of the Panel for its supervision and approval as is required by law. In order to improve the awareness of relevant parties of these requirements the Panel has embarked on a more aggressive marketing campaign by placing advertisements in financial publications and encouraging press editorial on the protection that the Code offers to shareholders, particularly minority shareholders.

The Panel's arrangement with the Law Society of the Northern Provinces for that Society to introduce qualified lawyers from previously disadvantaged backgrounds to the Panel as candidates for a three month period of secondment, has not proved successful this year. I must emphasise that the purpose of the secondments is not to assist the Panel, but to introduce secondees to a field in which they might not otherwise acquire experience, so that they may be enabled to operate in that field in the future. It seems that as these persons have existing client bases to service, they do not have the time to dedicate the full period continuously to the Panel. This is unfortunate, as I am certain that the experience gained by the practical application of this aspect of the law and practice would be of immense benefit in the corporate finance field. The Panel is determined to resuscitate this program and possibly seek future secondees from a wider field.

**The new Companies Act**

One consequence of the Corporate Laws Amendment Bill is the demise of the Executive Committee of the Panel. In effect, this removes one tier from the decision making process of the Panel. Prior to this amendment, the Executive Director could, at his discretion, give a ruling himself or, if he considered a matter highly sensitive or complex, refer consideration for a ruling directly to either the Executive Committee or the Panel. Any ruling made by the Executive Director could be appealed to the Executive Committee and any

**SECURITIES REGULATION PANEL**  
**REPORT OF THE CHAIRPERSON (continued)**  
*29 February 2008*

ruling by the Executive Committee could be appealed to the Panel. Since the amendment to the Act the Executive Director may give a ruling himself or refer the matter to the Panel. A ruling by the Executive Director can be appealed to the Panel. As in the past, there is no appeal against a ruling given by the Panel; however, a decision of the Panel may be taken to Court on review by an aggrieved party.

The benefit of this amendment is that it speeds up the process of parties obtaining binding rulings on corporate matters and thus certainty in the market. It will also have the effect of shortening the period in which parties may launch tactical administrative action to frustrate an offer.

Drafting of the Companies Bill, 2008 is now complete and has recently been approved by Cabinet. It is due to be introduced in Parliament early in June this year and it is still anticipated that the new act will come into force at the beginning of 2010. During the course of its drafting The Panel Executive and I made numerous suggestions both in writing and by means of appearances before the appropriate body at the Department of Trade and Industry, on the sections of the Bill which have a direct impact on the matters to be regulated by the new Takeover Regulation Panel. I am pleased to advise that many of our suggestions have eventually found their way into the final draft.

The challenge now for the Panel's drafting sub committee is to draft the regulations which will give practical application to the new empowering legislation. A lot of this work had already been done, at the time when the sub-committee redrafted the existing Chapter XVA to the Act. Although the relevant sections of the proposed Bill are, in some respects, radically different from the existing Chapter XVA, the general principles of fairness and maximum disclosure permeate through. We are aiming to complete the regulations before the end of this calendar year on the assumption that the Bill will not be amended in any major way during its passage through the legislature.

The Bill provides that the existing Panel staff will become employees of the Takeover Regulation Panel. There is still uncertainty as to where the Takeover Regulation Panel will be situated, which may be in Tshwane. There is a high level of anxiety amongst the Panel staff concerning the possible relocation as well as changing from what I consider to be a commercial environment, to what is being perceived as a bureaucracy. There was a major concern that key members of the executive were about to resign. At this delicate stage of transition it could be calamitous if the Panel lost some of its experienced members. The Panel addressed this by introducing an incentive scheme for employees who remain in the employ of the Panel and the Takeover Regulation Panel until at least six months after the inception of the new act. I am pleased that to date we have not had any resignations, but I did perceive a drop off in the enthusiasm that was previously so apparent amongst the executive. Fortunately that drop has fallen away and normality has been restored.

#### **Financial affairs**

Income rose marginally to R12,1million from R11,8million. Income from annual levies and that from document and other charges are now close to equilibrium, a situation for which we have been aiming for many years.

Operating expenses were well contained and rose by a mere 1,5% to R9,1million. This can, to a large extent, be attributable to the halving of the amount spent on legal fees.

A surplus of R3,0million was recorded this year, compared to a surplus of R2,8million in the previous year. Over the last few years, the accumulated surplus has risen significantly to R8,9million and now represents close to one year's operating expenditure. I believe that, given the highly variable and unpredictable nature of the vast majority of the Panel's income and costs, particularly legal costs, it is necessary to retain a reserve of close to R10million. For the Panel to properly conduct its regulatory function, a situation such as that which occurred in 1995 when reserves fell to a mere R860 000, should be avoided.

**SECURITIES REGULATION PANEL**  
**REPORT OF THE CHAIRPERSON (continued)**  
*29 February 2008*

**Meetings of the Panel**

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

Panel members continue to contribute diligently to the affairs of the Panel. Their efforts are for the benefit of the financial community. With effect from April 2007 the fees for members' attendance of meetings, hearings and appeals was increased by National Treasury from R732 to R1 274 and that of chairperson from R979 to R2 083. In my opinion, this is still a mere pittance compared to the expertise and value which these persons bring to the Panel, particularly if we bear in mind that the increase was only the second since the formation of the Panel in 1991.

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

I must regrettably advise that Ben Kodisang, nominee of The Institute of Retirement Funds, and Phumzile Langeni, nominee of JSE Limited have decided to stand down as members of the Panel. We are sad to see them go and thank them for their contribution to the success of the Panel

The appointment by our Minister of the body of members would have expired during August 2007. However, during July 2007 the Minister extended the term of office of our current members.

**Executive and support staff**

Despite the uncertainty regarding the future of the Panel and our staff to which I have referred above, the executive consisting of R J Connellan Executive Director, V I Pitchers his deputy and M A L Phakeng our Compliance Officer continue to render expert and yeoman service to the financial industry. Their enthusiasm continues unabated to ensure the proper exercise by the Panel of its future as a regulator of takeovers and mergers. Our support staff is equally enthusiastic despite some uncertainty as to the future.

Once again my thanks to them all for their loyalty and diligence. It is a pleasure to be associated with this harmonious group.

Finally my thanks to the Minister and the personnel of the Department of Trade and Industry, I must make particular reference to Tshepo Mongalo who in shepherding the progress of the Companies Bill has always lent a receptive ear to our sometimes lengthy representations.

C A Jaffe  
Chairperson  
12 June 2008

**SECURITIES REGULATION PANEL**  
**REPORT OF THE EXECUTIVE DIRECTOR**  
*29 February 2008*

**Finance**

The Panel's levy charged to listed companies, as a percentage of the annual listing fee charged by JSE Limited, was increased from 16% to 18% with effect from 1 March 2007. The increase was necessary to enable the Panel to build up its retained income to a level considered prudent. As is required in terms of section 440C.(4)(a) and section 440C.(5) of The Companies Act No. 61 of 1973 ("the Act") and rule 2.2 of the rules under section 440C.(4)(a) of the Act this amendment was gazetted on 23 February 2007 in the Government Gazette.

Income from annual levies charged increased by 21,9% to R5 528 422 for the year ended 29 February 2008.

The number of affected transactions supervised by the Panel during the year decreased by 11% to 64, whilst formal rulings issued by the Panel increased marginally to 31 (2007:28).

Income from fees charged for consultations, rulings and the supervision and approval of documents relating to affected transactions amounted to R5 477 800 compared with R5 765 700 in the previous year.

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

Interest received amounted to R982 072 (2007:R680 695).

Total income for the year ended 29 February 2008 amounted to R12 113 213 compared with R11 783 455 in the prior year.

The cost of operating the Panel for the year ended 29 February 2008 amounted to R9 098 240, compared with R8 961 661 in the previous year.

The net surplus for the year under review amounted to R3 014 973 compared with a surplus for the year ended 28 February 2007 of R2 821 794, resulting in an accumulated surplus as at 29 February 2008 of R8 884 710.

**Panel operations**

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

The 64 affected transactions regulated by the Panel during the year had an aggregate value in excess of R80 billion, compared with 72 affected transactions having an aggregate value in excess of R84 billion in the prior year.

During the year, 5 matters were appealed to or heard in the first instance by the Executive Committee or by the Panel.

**SECURITIES REGULATION PANEL**  
**REPORT OF THE EXECUTIVE DIRECTOR (continued)**  
*29 February 2008*

Before the Executive Committee:

- In the matter between Coronation Fund Managers Ltd and Peregrine Capital (Pty) Ltd and Polaris Capital and Stanlib Asset Management Ltd (collectively the objectors or applicants) and Shoprite Holdings Ltd and ABSA Bank Ltd trading as ABSA Capital (respectively the offeree company and the adviser).

Members: N Matlala (chairperson), N Lowenthal, J Mthimunye, B R van Rooyen and W S Yeowart.

- In the matter between Grand Parade Investments Ltd (applicant) and Dynamic Cables RSA Ltd (respondent).

Members: Adv. B S Spilg SC (chairperson), R J Connellan, Ms. P M Stratten and W S Yeowart.

- In the matter between Prudential Portfolios Manager (SA) (Pty) Ltd (applicant) and a consortium of investors to acquire the entire issued ordinary and N ordinary share capital of Primedia Ltd.

Members: Dr. D Konar (chairperson), J M Damons, Prof. S Luiz, and J Mthimunye.

Before the Panel:

- In the matter between Prudential Portfolios Manager (SA) (Pty) Ltd (applicant) and The offeror for shares in Primedia Ltd (Red Pen Two General Trading (Pty) Ltd) (respondent). An appeal against the decision of the Executive Committee.

Members: C A Jaffe (chairperson), R S Berkowitz, N D Lowenthal, Adv. B S Spilg SC and W S Yeowart.

- In the matter between Tsogo Sun Holdings Ltd (applicant) and Gold Reef Resorts Ltd (respondent).

Members: N Matlala (chairperson), N D Lowenthal, Ms. P M Stratten, Adv. B S Spilg SC and W S Yeowart.

**Legislative changes**

A drafting sub-committee comprising the chairperson, executive director, deputy executive director and compliance officer continued to provide input on the draft Companies Bill 2008 which is due to go before Parliament in the near future.

The drafting sub-committee has started drafting the regulations to the chapter relating to Fundamental Transactions, Takeovers and Offers of the proposed new Companies Act.

The Corporate Law Amendments Bill 2006 was promulgated on 14 December 2007. The consequential amendments to the Act which have a direct impact on the Panel and its activities are:

- The deletion of section 440B.(12) and consequential amendments to other sections.

The effect of this is that there is no longer an executive committee of the Panel. As such a tier in the appeal procedure has been removed and appeals against rulings of the executor director are now made to the Panel.

- Amendment to section 228.

The effect of this amendment is that disposals by companies of the whole or substantially the whole of the undertaking will be determined on a consolidated basis and will require approval by a special resolution of shareholders.

R J Connellan  
Executive Director  
12 June 2008

**SECURITIES REGULATION PANEL  
CORPORATE GOVERNANCE REPORT**

29 February 2008

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 sixteen appointed members inclusive of the Chairperson, two ex-officio members and five co-opted members. The term of office of the members appointed by the Minister commenced on 29 September 2004, whilst the co-opted members were appointed by the Panel on 17 November 2004. The Panel members are individuals of high calibre with diverse backgrounds and expertise, each of whom add value and independence to the Panel. The Panel is supported by various sub Committees that have been appointed to ensure good corporate governance and address matters requiring specialised attention.

During the year under review four Panel meetings were held. Details of attendance by members are set out below:

Member	Nominee	13 Jun 2007	07 Aug 2007	14 Nov 2007	21 Feb 2008
Mr CA Jaffé		P	P	P	AA
Mr RS Berkowitz		AA	P	AA	P
Mr L Bam		AA	AA	P	P
Mr JM Damons		AA	AA	AA	AA
Mr T Dloti		P	AA	AA	P
Prof MM Katz		AA	AA	A	AA
Adv ME King SC		AA	AA	AA	P
Mr BM Kodisang		AA	A	AA	NAM
Dr D Konar		P	P	P	P
Ms P Langeni		AA	NAM	NAM	NAM
Mr RM Loubser		NOM	NOM	P	NOM
Mr ND Lowenthal		P	P	P	P
Prof SM Luiz		P	AA	P	P

**SECURITIES REGULATION PANEL  
CORPORATE GOVERNANCE REPORT (continued)**  
29 February 2008

**THE PANEL (continued)**

Member	Nominee	13 Jun 2007	07 Aug 2007	14 Nov 2007	21 Feb 2008
Mr NA Matlala		AA	AA	P	P
Mr M Modiba	Mr R Voller	A	A	P	A
Mr C Moni		A	A	A	A
Mr S Mseleku		AA	A	A	A
Mr J Mthimunye		P	AA	AA	AA
Mr S Ramburuth		A	A	A	A
Mr S Siyaka		A	P	AA	A
Adv B Spilg SC		AA	P	P	A
Ms P Stratten		P	P	P	P
Mr DA Sylvester		P	AA	P	AA
Mr BR Van Rooyen		AA	P	AA	P
Mr WS Yeowart		P	P	P	AA

P = Present

A = Absent

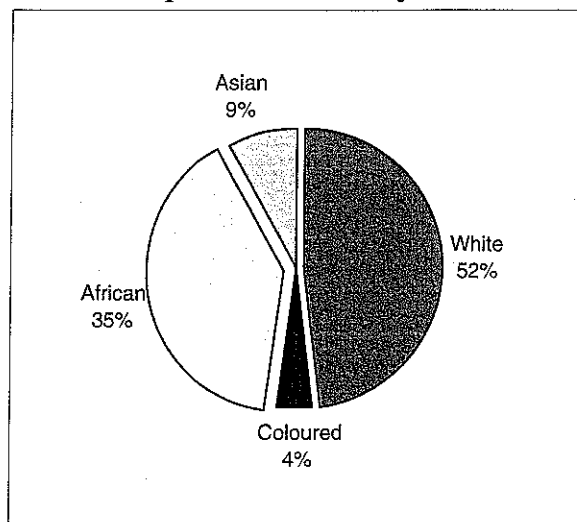
AA = Absent with Apology

NOM = Nominee Present

NAM = Not a Member

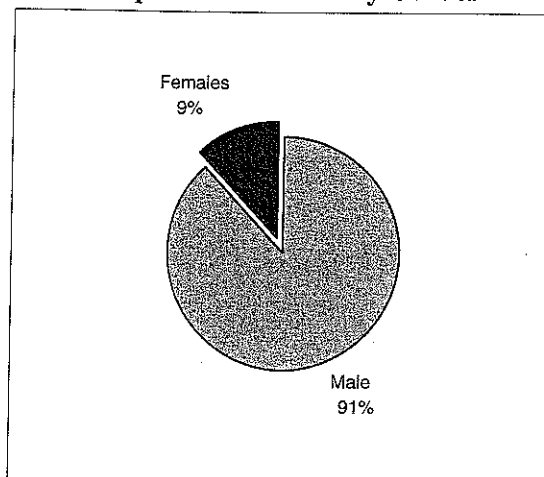
The Panel's composition in terms of race and gender can be seen from the graphs below. 57% of the Panel members are from historically disadvantaged groups.

**Graph 1: Breakdown by Race**



**THE PANEL (continued)**

**Graph 2: Breakdown by Gender**



**SUB-COMMITTEES**

**Audit Committee**

The Audit Committee consists of four 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)**  
*29 February 2008*

**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.

<b>Member</b>	<b>02 May 2007</b>	<b>23 August 2007</b>	<b>17 October 2007</b>	<b>23 January 2008</b>
Mr RS Berkowitz	P	AA	P	P
Mr JM Damons	AA	AA	AA	P
Mr CA Jaffé	P	P	P	P
Mr ND Lowenthal	P	P	AA	P
Mr J Mthimunye	P	AA	P	P
Adv B Spilg SC	AA	P	AA	P

P = Present

AA = Absent with Apology

**Rules Committee**

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

**SECURITIES REGULATION PANEL**  
**CORPORATE GOVERNANCE REPORT (continued)**  
*29 February 2008*

**SUB-COMMITEES (continued)**

**Executive Committee**

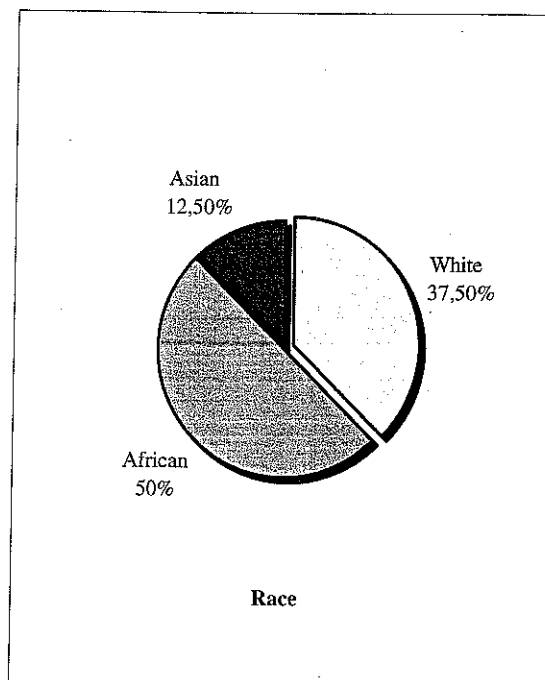
The Executive Committee of the Panel was appointed in terms of the Act until 14 December 2007 thereafter ceased.

**EMPLOYMENT EQUITY**

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

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

**Graph 1: Breakdown by race**

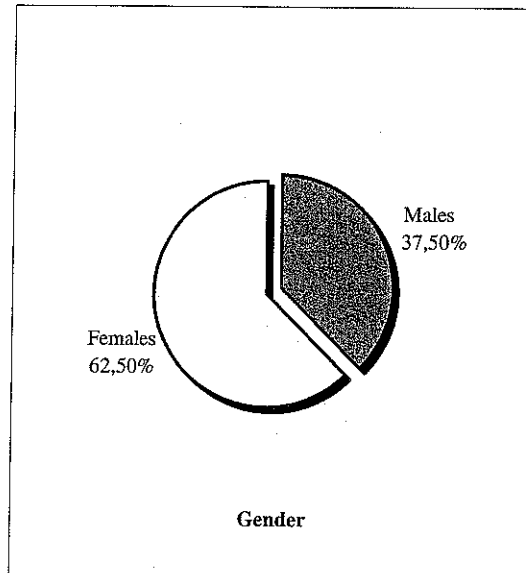


The percentage of female staff members is 62,50% of the workforce as depicted in Graph 2.

**SECURITIES REGULATION PANEL**  
**CORPORATE GOVERNANCE REPORT (continued)**  
*29 February 2008*

**EMPLOYMENT EQUITY (continued)**

**Graph 2: Breakdown by gender**



**CODE OF CONDUCT**

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

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

We have audited the annual financial statements of the Securities Regulation Panel, which comprise the balance sheet as at 29 February 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 25.

### *Panel Members' Responsibility for the Financial Statements*

The panel members are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 29 February 2008, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

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

### **Deloitte & Touche**

Per H Scorgie  
Partner  
12 June 2008

**SECURITIES REGULATION PANEL**  
**BALANCE SHEET** *at 29 February 2008*

	Notes	2008 R	2007 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Furniture and equipment	2	155 633	162 107
		<u>155 633</u>	<u>162 107</u>
<b>Current assets</b>			
Accounts receivables	3	926 832	1 086 257
Cash in bank and funds on deposit		10 854 838	6 139 779
Cash on hand		500	500
		<u>11 782 170</u>	<u>7 226 536</u>
<b>Total current assets</b>		<u>11 782 170</u>	<u>7 226 536</u>
<b>Total assets</b>		<u>11 937 803</u>	<u>7 388 643</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated surplus		8 884 710	5 869 737
<b>Non-current liabilities</b>			
Employee benefit obligations	7	1 122 657	945 343
<b>Current liabilities</b>			
Accounts payable and provisions	4	1 930 436	573 563
<b>Total equity and liabilities</b>		<u>11 937 803</u>	<u>7 388 643</u>
<b>INCOME STATEMENT</b>			
<i>for the year ended 29 February 2008</i>			
Revenue		11 131 141	11 102 760
Annual levies		5 528 422	4 533 996
Fees for services		5 477 800	5 765 700
Other income		124 919	803 064
Interest received		982 072	680 695
Operating income		12 113 213	11 783 455
Operating expenses	5	9 098 240	8 961 661
Net surplus before taxation		3 014 973	2 821 794
Taxation	6	-	-
<b>Net surplus for the year</b>		<u>3 014 973</u>	<u>2 821 794</u>

**SECURITIES REGULATION PANEL**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the year ended 29 February 2008*

	<u>Total</u> R
Accumulated surplus at 28 February 2006	3 047 943
Net surplus for the year	<u>2 821 794</u>
Accumulated surplus at 28 February 2007	5 869 737
Net surplus for the year	<u>3 014 973</u>
Accumulated surplus at 29 February 2008	<u>8 884 710</u>

**CASH FLOW STATEMENT**  
*for the year ended 29 February 2008*

	Notes	<u>2008</u> R	<u>2007</u> R
<b>Cash flows from operating activities</b>			
Cash generated by operations	A	3 776 607	2 108 566
Interest received		<u>982 072</u>	<u>680 695</u>
Net cash inflow from operating activities		<u>4 758 679</u>	<u>2 789 261</u>
<b>Cash flows from investing activities</b>			
Additions to furniture and equipment		<u>(43 620)</u>	<u>(5 362)</u>
Net cash outflow from investing activities		<u>(43 620)</u>	<u>(5 362)</u>
Net increase in cash and cash equivalents		4 715 059	2 783 899
Cash and cash equivalents at beginning of year		<u>6 140 279</u>	<u>3 356 380</u>
<b>Cash and cash equivalents at end of year</b>	<b>B</b>	<u>10 855 338</u>	<u>6 140 279</u>

**SECURITIES REGULATION PANEL**  
**NOTES TO THE CASH FLOW STATEMENT**  
*for the year ended 29 February 2008*

	<u>2008</u>	<u>2007</u>
	R	R
<b>A. Cash generated by operations</b>		
Net surplus before taxation	3 014 973	2 821 794
Adjust for:		
Transitional expense for post-retirement medical benefits	-	85 629
Actuarial loss	12 143	152 201
Current service cost for post-retirement medical benefits	86 341	65 113
Interest cost for post-retirement medical benefits	78 830	79 214
Interest received	(982 072)	(680 695)
Impairment of debtors	-	(744 246)
Disposal of asset	8 366	
Depreciation	41 728	44 387
	<hr/>	<hr/>
Cash from operations before working capital changes	2 260 309	1 823 397
Decrease / (increase) in long term receivable	-	2 830 975
Decrease in accounts receivable	159 425	27 268
Increase / (decrease) in accounts payable and provisions	1 356 873	(2 573 074)
	<hr/>	<hr/>
Net working capital changes	1 516 298	285 169
	<hr/>	<hr/>
Cash generated by operations	3 776 607	2 108 566
	<hr/>	<hr/>
<b>B. Cash and cash equivalents at end of year</b>		
Cash and cash equivalents comprises:		
Cash in bank and funds on deposit	10 854 838	6 139 779
Cash on hand	500	500
	<hr/>	<hr/>
	10 855 338	6 140 279
	<hr/>	<hr/>

**SECURITIES REGULATION PANEL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
*29 February 2008*

**1. Accounting policies**

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

**1.1 Furniture and equipment**

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

Furniture	10 years
Equipment	5 years

**1.2 Revenue recognition**

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

**1.3 Financial instruments**

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

**Financial assets**

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

**Financial liabilities**

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

**1.4 Contingent liabilities**

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

**1.5 Operating lease**

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

**SECURITIES REGULATION PANEL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
*29 February 2008*

	<u>Furniture</u>	<u>Equipment</u>	<u>Total</u>
	R	R	R
<b>2. Furniture and equipment</b>			
<u>Year ended 29 February 2008:</u>			
Opening net book value	109 332	52 775	162 107
Additions for the year	526	43 094	43 620
Disposals	(561)	(7 805)	(8 366)
Depreciation	(24 021)	(17 707)	(41 728)
Closing net book value	<u>85 276</u>	<u>70 357</u>	<u>155 633</u>
Depreciation rate	10%	20%	
Cost	280 810	186 165	466 975
Accumulated depreciation	(195 534)	(115 808)	(311 342)
Net book value 29 February 2008	<u>85 276</u>	<u>70 357</u>	<u>155 633</u>
Net book value 28 February 2007	<u>109 332</u>	<u>52 775</u>	<u>162 107</u>
<b>3. Accounts receivable</b>		<u>2008</u>	<u>2007</u>
		R	R
Fees receivable		748 120	938 027
Prepaid expenses		79 348	112 389
Sundry receivables		99 364	35 841
		<u>926 832</u>	<u>1 086 257</u>

The average outstanding period for fees receivable is 30 days. No interest is charged on past due fee receivables. The carrying value of accounts receivables approximates fair value.

<b>Ageing of fees receivable</b>	<b>2008</b>	<b>2007</b>
	R	R
Current	202 692	60 192
<b>Past due but not impaired</b>	<b>545 428</b>	<b>877 835</b>
30-60 days	10 592	279 300
60-90 days	-	39 330
90-120 days	534 836	559 205
	<u>748 120</u>	<u>938 027</u>

**SECURITIES REGULATION PANEL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
*29 February 2008*

	<u>2008</u>	<u>2007</u>
	R	R
<b>4. Accounts payable and provisions</b>		
Creditors and accrued expenses	1 710 839	322 153
Provision for leave pay	219 597	251 410
	<u>1 930 436</u>	<u>573 563</u>
<b>Contractual maturity analysis of financial liabilities</b>		
	2008	2007
Demand	1 647 489	270 154
1 – 5 years	282 947	303 409
<b>5. Operating expenses</b>		
Operating expenses include the following items:		
Auditor's remuneration	115 137	92 500
Depreciation	41 728	44 387
Enforcement costs	-	-
Legal fees	418 790	991 017
Operating lease payments - building	368 912	345 072
Operating lease payments - other	30 486	32 252
Panel members' fees	925 101	638 851
- Executive services - Chairperson	620 255	543 319
- Executive services - Members	263 864	94 406
- Other services	40 982	1 126
Transitional expense for post-retirement medical benefits	-	85 629
Current service cost for post-retirement medical benefits	86 341	37 373
Interest cost for post-retirement medical benefits	78 830	42 839
Personnel costs	6 295 632	5 671 676
Included in personnel costs are the following:		
Directors' emoluments:		
	<u>R J Connellan</u>	<u>R J Connellan</u>
Basic salary	1 410 081	1 261 654
Bonuses	574 063	446 250
Other	40 956	36 846
Pension fund contributions	226 462	226 500
	<u>2 251 562</u>	<u>1 971 250</u>
	<u>V I Pitchers</u>	<u>V I Pitchers</u>
Basic salary	976 380	914 489
Bonuses	401 987	320 400
Other	21 052	19 452
Pension fund contributions	155 668	145 759
	<u>1 555 087</u>	<u>1 400 100</u>

**SECURITIES REGULATION PANEL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
*29 February 2008*

**6. Taxation**

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

**7. 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 R595 431 (2007: R580 917).

*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 29 February 2008. No other post-retirement benefits are provided. This plan is wholly unfunded and, therefore, no plan assets exist.

	<u>2008</u>	<u>2007</u>
	R	R
Amounts recognised in income in respect of the scheme are as follows:		
Transitional recognition expense	-	85 629
Actuarial loss	12 143	152 201
Current service cost	86 341	65 113
Interest cost	78 830	79 214
	<u>177 314</u>	<u>382 157</u>

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

Present value of unfunded obligations	<u>1 122 657</u>	<u>945 343</u>
Total liability	<u>1 122 657</u>	<u>945 343</u>

**SECURITIES REGULATION PANEL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
29 February 2008

	<u>2008</u>	<u>2007</u>
	R	R
<b>7. Employee benefit obligations (continued)</b>		
Key assumptions used:		
Discount rate	9.8%	8.24%
Expected medical inflation	6.95%	6.24%

**8. Contingent liability**

A deferred compensation scheme exists whereby the Executive Director, Deputy Executive Director and the Compliance Officer are to receive a total of R490 937 (2007: R515 000), R343 012 (2007: R365 600) and R273 708 (2007: R285 983) respectively, to be paid out in full in June 2008.

During the current financial year, the policy relating to deferred bonus compensation paid to Executive Director, Deputy Executive Director and the Compliance Officer was changed such that 50% of the bonus is paid immediately in December each year and 50% is due and payable in June of the following year. Previously, the bonus was deferred and paid over 2 years.

An incentive scheme exists to encourage current employees to remain in the employ of the Panel during transition to the Takeover Regulation Panel, which is anticipated to be at the beginning of 2010. The aggregate amount, on full payment at current packages, is approximately R5 400 000.

Contemporaneously with the transition to the Takeover Regulation Panel, the Panel may resolve to buy the employees out of the post-retirement medical benefit plan which will result in a payment of approximately R2 200 000.

The Panel is in negotiations to resolve an outstanding dispute. Should settlement be reached, and after the set off of a counter claim, an outflow of approximately R150 000 will be incurred.

	<u>2008</u>	<u>2007</u>
	R	R
<b>9. Commitments</b>		
<b>Rental payments in terms of premises lease agreement</b>		
Future minimum lease payments payable within 1 year	159 765	368 912
Future minimum lease payments payable between 2 and 5 years	-	159 765
<b>Parking payments in terms of lease agreement</b>		
Future minimum lease payments payable within 1 year	13 200	30 480
Future minimum lease payments payable between 2 and 5 years	-	13 200

The premises leased commenced on 1 August 2006 and remains in force for a period of 2 years, terminating on 31 July 2008. In terms of the lease agreement, the rentals will escalate by 10% compounded, on each anniversary of 1 August. In terms of the lease agreement, a deposit of R35 841 was paid and will remain in full force and effect until the expiry of the lease and renewal thereof.

**SECURITIES REGULATION PANEL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
*29 February 2008*

**10. Financial Risk Management**

**10.1 Credit risk**

The Panel's income is derived from:

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

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

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

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

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

The Panel has no significant concentrations of credit risk.

**10.2 Liquidity risk**

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

**10.3 Market risk**

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

**11. Accounting estimates and judgements**

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

**12. 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 financial statements.

**SECURITIES REGULATION PANEL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
*29 February 2008*

**13. Newly adopted accounting standards**

AC144: Financial Instruments: Disclosures have been adopted for the first time in the current financial year. Comparative disclosures have been presented.

**14. Standards and interpretations issued but not yet effective**

i. Standard

The following standards mandatory for the Panel's 2009 financial year, has not been early adopted by the Panel:

- AC145 - Operating segments. AC145 requires an entity to adopt a management approach to reporting the financial performance of its operating segments. The Panel does not present segments reporting in its financial statements as it is an integrated business. As such, AC145 is not expected to have any impact on the Panel.

ii. Revised standard

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

- AC101 – Presentation of financial statement: comprehensive revision including requiring a statement of comprehensive income. The changes made to AC101 are to require information in financial statements to be aggregated on the basis of standard characteristics and to introduce a statement of comprehensive income. The revision includes changes in titles of financial statements to reflect their function more clearly. The revised standard will affect the disclosures in the annual financial statements. The Panel will adopt the revised standard on its effective date.

iii. Interpretation

The following interpretation of an existing standard has not been early adopted by the Panel:

- AC445 – Services concession arrangements. The interpretation clarifies the application of existing IFRSs by concession operators for obligations under concession arrangements and rights received in service concession arrangements. The Panel will apply the requirements of the interpretation from its effective date. The Panel is not party to concession arrangements. As such, AC445 is not expected to have any impact on the Panel. AC445 is effective for the Panel's 2009 financial year.
- AC446 – Customer loyalty programmes. The interpretation addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. The Panel does not have a customer loyalty programme. As such, AC446 is not expected to have any impact on the Panel. AC446 is effective for the Panel's 2010 financial year.
- AC447 – The limit of a defined benefit asset, minimum funding requirements and their interaction. The interpretation addresses the interaction between a minimum funding requirements and the limit placed by paragraph 58 of AC116: Employee benefits, on the measurement of the defined benefit asset or liability. AC447 is effective for the Panel's 2009 financial year.

**SECURITIES REGULATION PANEL**  
**ANALYSIS OF MATTERS CONSIDERED BY THE PANEL DURING THE YEAR**  
*29 February 2008*

**ANNEXURE 1**

	<u>2008</u>	<u>2007</u>
<b>1. Offers by parties other than controlling shareholders</b>	<b>11</b>	<b>14</b>
1.1 to acquire given percentage (partial offer)	-	-
1.2 to acquire 100% (scheme of arrangement)	<b>8</b>	9
1.3 general offer	<b>3</b>	5
1.4 general offer – Section 440K invoked	-	-
1.5 to acquire 100% (conversion/redemption)	-	-
<b>2. Take-out of minorities</b>	<b>18</b>	<b>8</b>
2.1 scheme of arrangement	<b>12</b>	5
2.2 general offer Section 440K invoked	<b>6</b>	3
2.3 conversion/redemption	-	-
2.4 reduction of capital	-	-
<b>3. Mandatory offer under rule 8.1 (a)</b>	<b>17</b>	<b>17</b>
3.1 comparable normal offer	<b>12</b>	11
3.2 standby offer	-	-
3.3 waivers by shareholders i.t.o. Rule 8.7	<b>5</b>	6
<b>4. Section 228 transactions</b>	<b>18</b>	<b>33</b>
	<hr/> <b>64</b> <hr/>	<hr/> <b>72</b> <hr/>
<b>5. Rulings issued in respect of:</b>	<b>31</b>	<b>28</b>
5.1 possible affected transactions.	<b>5</b>	7
5.2 relaxation of Code requirements	<b>14</b>	13
5.3 changes within control	-	-
5.4 dispensation from making offer	<b>3</b>	3
5.5 rescue actions	-	-
5.6 condonation of non-compliance	<b>4</b>	-
5.7 voting at general meetings	-	1
5.8 other	<b>5</b>	4